

Minutes
Business, Finance, and Audit Committee
Board of Regents of the University of Wisconsin System
February 7, 2008

The Business, Finance, and Audit Committee convened at 12:35 p.m. in room 1920, Van Hise Hall, UW-Madison. Present were Regents Smith, Connolly-Keesler, Rosenzweig, and Shields.

a. Approval of the Minutes of the December 6, 2007 Meeting of the Business, Finance, and Audit Committee

Upon the motion of Regent Rosenzweig, and the second of Regent Connolly-Keesler, the minutes of the December 6, 2007 meeting of the Business, Finance, and Audit Committee were approved as presented.

b. Annual Financial Report

Director of Financial Reporting Ginger Hintz presented highlights from the 2007 Annual Financial Report, including data on financial performance, assets, revenues, and expenses. Among the noteworthy highlights, Ms. Hintz stated that total revenues over the past year increased nine percent while expenses increased four percent. As a result, according to Ms. Hintz, was a significant increase in UW System's net assets of \$382.6 million.

Ms. Hintz next presented three financial performance measures that are typically tracked year to year - increase in net assets, net working capital, and current ratio. Ms. Hintz summarized that the significant increase in net assets was in large part due to the increase in the number of capital building projects and the revenue generated to fund the projects. Director Hintz also reported that net working capital – current assets minus current liabilities – increased significantly for the past year. As was the case for the increase in net assets, a large portion of the increase in net working capital can be attributed to ongoing capital projects. Ms. Hintz noted that the current ratio measure, which is current assets divided by current liabilities, has reversed in the past year and is up after declines since 2003.

Director Hintz provided a summary of UW System's current assets. Presently, capital assets comprise approximately 71 percent of total assets, cash and cash equivalents comprise 13 percent, net receivables comprise 8 percent, and endowment investments comprise more than 6 percent. According to Ms. Hintz, the breakdown in assets is similar to last year's.

Ms. Hintz provided the Committee with a comparison of total revenue data for 2007 and 2003. Ms. Hintz noted that revenue from student tuition and fees rose from 17.6 percent in 2003 to 20.4 percent in 2007. Meanwhile, state appropriations have decreased from 29.6 percent in 2003 to 22.4 percent in 2007. Ms. Hintz also provided data showing that the difference in revenue from state appropriations versus tuition and fees since 1997 has narrowed significantly, even when adjusted for inflation. Further, Ms. Hintz noted that when state appropriations are adjusted for inflation, they have decreased by 8 percent since 1997 while tuition has increased 83 percent. Director Hintz also noted that revenue from federal grants and contracts has flattened comprising 17.3 percent in 2003 and 16.1 percent in 2007.

Director Hintz concluded her remarks by providing the Committee with summary information on operating expenses by natural and functional classifications. Ms. Hintz reported that salary and fringe benefits comprised 67.7 percent of operating expenses, or only a difference of 0.3 percent from 2006. Further, Ms. Hintz noted that the proportion of expenses designated for salaries and benefits have actually decreased since 2003 when they comprised 70 percent of operating expenses. Other expenses included supplies and services which totaled 25.4 percent, depreciation at 4.5 percent, scholarships and fellowships at 2.3 percent, and other operating expenses of 0.1 percent.

State Auditor Janice Mueller addressed the Committee and made remarks concerning the Legislative Audit Bureau's (LAB) audit of the Annual Financial Report. Ms. Mueller introduced members of her staff who worked on the audit, including Carolyn Stittleburg - Financial Audit Director, Lisa Kasel - Project Supervisor, and Sherry

Conway – Information Systems Consultant. Ms. Mueller stated that it is a recommended practice that audit committees hear directly from the external auditor and expressed interest in making her appearance an annual event.

Ms. Mueller reported that auditing standards are changing requiring the external auditor to communicate any aspect of the financial reporting process that they believe is important. Ms. Mueller also stated that there are certain required communications that must take place with the Board and those are summarized in a letter sent to the Committee dated January 31, 2008.

Ms. Mueller provided an overview of the January 31st letter for the Committee, focusing on the Audit Results section. Ms. Mueller stated that LAB was able to provide an unqualified opinion for the 2007 and 2006 UW System Annual Financial Statements.

Among the changes in auditing standards alluded to earlier by Ms. Mueller, is the lowering of what is reportable as an internal control deficiency. According to Ms. Mueller, the changed standards reflect the increasing emphasis on the importance of internal controls, especially over financial reporting. State Auditor Mueller noted that LAB's audit of the 2007 financial report identified three internal control concerns that must be reported to the Board, according to government accounting standards.

The three concerns, according to Financial Director Stittleburg, are computer program change controls, enterprise-wide business resumption planning, and a lack of sufficient review procedures to ensure the accurate classification of gift revenue on the financial statements. Ms. Stittleburg noted that UW System management has been made aware of these concerns and steps have been taken to address them and progress has been seen. Ms. Stittleburg stated that none of the concerns were considered material weaknesses. The Audit Bureau will follow up on the concerns during the 2008 financial statement audit. Ms. Stittleburg stated that if management fails to assess and address the concerns, they will have to be reported as material weaknesses in the next audit of the statements.

Regent Smith asked whether the LAB anticipated making a greater number of findings as a result of the changing audit standards. Ms. Mueller noted that while the reporting threshold has been lowered, the significant change is not necessarily the number of findings but the requirement that the Board, in addition to management, be informed of the findings. In doing so, the external auditor is removed from the internal control process.

Regent Rosenzweig asked if management is aware of all the changes that are occurring in auditing standards so they can better meet the standards. State Auditor Mueller reported that training is available to help staff get up to speed on the changes. Further, Ms. Mueller noted that UW System is not alone when dealing with the difficulty in navigating the changes in audit standards.

Regent Rosenzweig inquired about the computer program change control finding and the exact nature of the problem. Ms. Mueller stated that the issue is a common one in state government and goes back to the old Legacy systems. Further, Ms. Mueller noted that controlling access over information is increasingly important.

Regent Connolly-Keesler asked whether the Committee will receive a report detailing how the audit findings are being addressed. Director Hintz stated that such a report can be provided.

Vice President Durcan commented on UW System efforts concerning continuity of operations. Ms. Durcan noted that an effort began approximately a year ago to develop a continuity of operations plan and the hope is to have the process completed within the next year.

Upon completion of the Annual Financial Report discussion, with no objection from the Committee, Chairman Smith took agenda items Committee Business f.(4) and f.(5) out of order to accommodate the schedules of Regent President Bradley and President Reilly.

f. Committee Business

(4) Consideration of Salary Range Adjustments for the Chancellor at Madison, Chancellors at the UW Comprehensive Institutions and the President of the UW System

Regent President Mark Bradley presented to the Committee a resolution to adjust the salary ranges for the UW-Madison and UW Comprehensive Chancellors, as well as for the UW System President. Regent Bradley stated that it is an important responsibility of the Board of Regents to set salary ranges for UW System and

institution academic leaders. He stated that the legislature recognizes that top academic leaders – Chancellors, System President, Provosts, campus Deans – are different in that they need to be filled recognizing national, and in some cases international, competitive factors.

Regent President Bradley noted that the last time salary ranges were adjusted for these positions was two years ago – February 2006. As a result, the recruitment processes for the three Chancellor vacancies are proceeding with data that is two years out of date.

Mr. Bradley stated that anyone who has ever sat on a Regent Selection Committee or participated in a search and screen process knows that salary is important, but that salary is just one part of a total package. According to Mr. Bradley, top people are not necessarily looking to be paid the highest that they could be paid when they come to the state of Wisconsin, but they are looking for competitive salaries. Mr. Bradley also noted that candidates for these positions are looking at the total campus environment to see if the state government is standing behind higher education and at the dedicated nature of the faculty.

President Bradley spoke more specifically about the UW System President's salary range. Mr. Bradley noted that this salary range has not gone through a comprehensive review since President Reilly was hired and last year, he was not able to get a full pay plan increase because he bumped up against the top of an out-of-date salary range. President Bradley stated that if the Board can adjust that range, in addition to the ranges for the UW-Madison and comprehensive Chancellors, it will be coming to market with current data.

Lastly, President Bradley commented on how the salary adjustment process works. Mr. Bradley stated that the Board of Regents has established peer groups and then figures out the median salary. Based on Regent policy, the Board reduces the median figure by 5 percent and then adds 10 percent for the top of the range and subtracts 10 percent for the bottom of the range.

Regent Vice President Pruitt echoed the comments made by President Bradley, underscoring the importance of providing a competitive compensation package for UW System academic leaders.

Upon the motion of Regent Rosenzweig, and the second of Regent Connolly-Keesler, the Committee unanimously approved Resolutions I.2.f.4.a., I.2.f.4.b, and I.2.f.4.c. by roll call vote.

Resolution I.2.f.4.a

Whereas, s. 20.923 (4g), *Wis. Stats.*, gives the Board of Regents the authority to establish salary ranges for: System President; Senior Vice Presidents; Chancellors; UW-Madison Vice Chancellor; and, UW-Milwaukee Vice Chancellor; and

Whereas, the Senior Executive Salary Policy (Regent Policy Document 6-5 as amended October 10, 2003) specifies that UW senior executive salary ranges shall be adopted by resolution by a majority of the full membership of the Board of Regents in open session by roll call vote at a regularly scheduled meeting, for the ensuing fiscal year, after review of peer salary survey information; and

Whereas, Chancellor John Wiley has announced that he will be stepping down as Chancellor of the University of Wisconsin-Madison in September 2008, and

Whereas, Chancellor Wiley's salary is over 21% below the peer median and the lowest among the peers, and

Whereas, the President of the University of Wisconsin System is authorized to recruit for a Chancellor of the University of Wisconsin-Madison, at a salary within the Board of Regents salary range for university senior executive salary group eight.

Now, therefore be it resolved;

That, in accordance with Wisconsin statutes and Regent Policy Document 6-5, the Board adopts a new salary range for the university senior executive in senior executive salary group eight as set forth in the attached, effective July 1, 2008.

Resolution I.2.f.4.b

Whereas, s. 20.923 (4g), *Wis. Stats.*, gives the Board of Regents the authority to establish salary ranges for: System President; Senior Vice Presidents; Chancellors; UW-Madison Vice Chancellor; and, UW-Milwaukee Vice Chancellor; and

Whereas, the Senior Executive Salary Policy (Regent Policy Document 6-5 as amended October 10, 2003) specifies that UW senior executive salary ranges shall be adopted by resolution by a majority of the full membership of the Board of Regents in open session by roll call vote at a regularly scheduled meeting, for the ensuing fiscal year, after review of peer salary survey information; and

Whereas, Chancellor John Keating has announced that he will be stepping down as Chancellor of the University of Wisconsin-Parkside in August 2008, and

Whereas, we are also currently recruiting for a Chancellor at UW-Whitewater due to the departure of Chancellor Martha Saunders last year, and

Whereas, the median salary of our comprehensive Chancellors is over 10% below the median of salaries of peer institutions, and

Whereas, the President of the University of Wisconsin System is authorized to recruit for a Chancellor at our comprehensive institutions, at a salary within the Board of Regents salary range for university senior executive salary group three.

Now, therefore be it resolved;

That, in accordance with Wisconsin statutes and Regent Policy Document 6-5, the Board adopts a new salary range for university senior executives in senior executive salary group three as set forth in the attached, effective July 1, 2008.

Resolution I.2.f.4.c

Whereas, pursuant to ss. 20.923(4g) and 36.09(1)(j), Wisconsin Statutes, the salaries of UW System senior academic leaders must be set within the salary ranges established by the Board of Regents, and based upon a formula derived from the salaries paid by peer institutions to their academic leaders, and

Whereas, pursuant to ss. 20.923 (4g), Wisconsin Statutes, the Board of Regents shall set the salaries for these positions within the ranges to which the positions are assigned to reflect the structure of the system, to recognize merit, to permit orderly salary progression, and to recognize competitive factors, and

Whereas, the President of the University of Wisconsin System salary is now at the maximum of the currently approved Senior Executive Salary range nine, and

Whereas, the Senior Executive Salary Policy (Regent Policy Document 6-5 as amended October 10, 2003) specifies that UW senior executive “salary ranges shall be adopted by resolution by a majority of the full

membership of the Board of Regents in open session by roll call vote at a regularly scheduled meeting, for the ensuing fiscal year, after review of peer salary survey information;” and

Whereas, the Board of Regents affirms that leadership is critically important to the performance of our UW System, our institutions, and the students and citizens they serve and therefore places a high value on retaining our outstanding UW System President.

Now, therefore be it resolved;

That, upon recommendation of the President of the Board of Regents of the University of Wisconsin System, the salary range for President Reilly be adjusted following Regent Policy 6-5, as set forth in the attached, effective July 1, 2008.

(5) Consideration of Salary Range Adjustments for Senior Academic Leaders to Address Recruitment and Retention Challenges for Chancellors at UW-Platteville, UW-Stout, and UW-Superior and a Provost at UW-Platteville.

President Kevin Reilly presented to the Committee information in support of a resolution adjusting the salaries for the Chancellors at UW-Platteville, UW-Stout, and UW-Superior, as well as the UW-Platteville Provost. President Reilly provided background for his discussion by reminding the Committee that section 36.09(1)(j) of the state statute authorizes the Board of Regents to increase employee salaries to address inequities or to recognize competitive factors in the period between pay plan adjustments. President Reilly also commented that the Business, Finance, and Audit Committee recommended in February, 2006 that the UW System President periodically review individual senior academic leader salaries, taking into consideration an evaluation of performance, when determining whether a need to make a salary adjustment due to competitive market factors exists. In November, 2006, salary adjustments began to be brought to the Committee on an individual basis.

President Reilly noted that the adjustments before the Committee are based upon market, equity, and competitive factors and all four academic leaders affected by the resolution have received positive performance reviews. President Reilly read a series of positive comments provided to him about all four academic leaders addressed by resolution I.2.f.5. The comments were provided by various alumnus, academic, business and community leaders.

President Reilly concluded by noting that the salary adjustments proposed in the resolution are modest in comparison to the competition and called for Committee support of the resolution.

Regent Smith inquired how this set of salary range adjustments – between three and five percent – compare to past actions of the Committee. Associate Vice President Al Crist responded that the adjustments were about the same. Regent Connolly-Keesler related for the Committee the response of local leaders in her community to the salary issue and their concern over remaining competitive for top academic leaders, specifically the Chancellor at UW-Madison. Regent Rosenzweig thanked President Reilly for bringing the issue before the Committee.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Rosenzweig, the Committee unanimously approved Resolutions I.2.f.5.

Resolution I.2.f.5.

Whereas, pursuant to ss. 20.923(4g) and 36.09(1)(j), Wisconsin Statutes, the salaries of UW System senior academic leaders must be set within the salary ranges established by the Board of Regents, and based upon a formula derived from the salaries paid by peer institutions to their academic leaders, and

Whereas, section 36.09(1)(j), Wisconsin Statutes, authorizes the Board of Regents to increase chancellors' and other university senior academic leaders' salaries to address salary inequities or to recognize competitive factors in the periods between pay plan adjustments, and

Whereas, at the February 2006 Board of Regents meeting, the Business, Finance, and Audit Committee endorsed the recommendation that the President of the UW System periodically perform a review and assessment of individual chancellor's salaries to determine whether there is a need for an adjustment to recognize competitive factors or correct salary inequities among senior academic leadership, as allowed by law, and

Whereas, the Board of Regents affirms that leadership is critically important to the performance of our institutions and the students and citizens they serve and, therefore, places a high value on recruiting and retaining our outstanding senior academic leaders.

Now, therefore, be it resolved;

That, upon the recommendation of the President of the University of Wisconsin System, the annual salary for Chancellor Markee, Chancellor Sorensen, Chancellor Erlenbach, and Provost Butts be adjusted due to competitive market factors and equity reasons as set forth in the attached, effective February 8, 2008.

c. UW-Milwaukee Review of Differential Tuition for Select Schools and Colleges

UW-Milwaukee Provost Rita Cheng provided an overview for the Committee of four differential tuition programs at the University. Provost Cheng noted that in February, 2004, the Board of Regents approved differential tuition programs for students enrolled in the Peck School of the Arts, College of Engineering and Applied Science, the Sheldon B. Lubar School of Business, and the College of Nursing.

Provost Cheng stated that over the past three years, differential tuition has generated more than \$5.5 million of revenue for the four schools that has been used to fund student approved program enhancements. Provost Cheng informed the Committee that the use differential tuition is determined by student committees that solicits input and feedback from all students in the school. The student committees also request and approve proposals generated by students and faculty, approve funding for select proposals, and work with the deans' offices to assess the impact of the funding. Provost Cheng described that while each student committee and school has its own goals regarding the use of differential tuition, most of the funding is used to support three areas: technologies important for the discipline; instructional quality; and student services.

Provost Cheng noted that the Board, in granting approval for the programs, requested a three-year report. However, the Board specified that the decision on whether to continue the differential tuition programs would be made by the affected students. Provost Cheng reported that each student committee, on behalf of the affected students, endorsed the continuation of the differential tuition programs as did the UWM Student Senate.

Provost Cheng introduced Audrey Hale, a College of Nursing student at UW-Milwaukee and David Fitzpatrick, a Lubar School of Business student, to provide further insight into the uses of differential tuition in the four programs. Provost Cheng also recognized the attendance of Dan Barr, UW-Milwaukee Speaker of the Student Senate, Brian Bromberk, UW-Milwaukee Student Senate, and the Deans and Associate Deans from the four schools.

Ms. Hale described the use of differential tuition revenue to support the investment in technology to support student learning in all four schools with the differential tuition programs. Examples offered by Ms. Hale included patient simulators for the College of Nursing, advanced finance software and hardware in the Applied Finance Lab within the Lubar School of Business, new cameras for the Peck School of the Arts, and advanced laboratory equipment within the College of Engineering and Applied Science.

Ms. Hale presented a sample of data showing the effectiveness of the differential tuition programs noting that the percentage of graduating seniors from the School of Nursing rating their career preparation as excellent or

good increased from 71.8 to 89.4 percent since the beginning of the differential tuition program. Likewise, Ms. Hale showed that the percentage of graduating seniors from the College of Engineering and Applied Science rating classrooms and facilities as excellent or good increased from 55.8 to 70.3 percent while the rating for computer labs and services as excellent or good increased from 77.1 to 90.1 percent.

David Fitzpatrick presented the Committee with information on the impact of the differential tuition programs on the quality of instruction. Specifically, Mr. Fitzpatrick noted that differential tuition has allowed the Peck School of the Arts to bring in professional artists to join the teaching staff and to hold special workshops and the Lubar School of Business to offer an expanded array of classes and to reduce class size. Mr. Fitzpatrick offered data on student perspectives of instructional quality, noting that the percentage of graduating seniors from the Peck School rating access to faculty and staff as excellent or good increased from 83.3 to 91.1 percent since the addition of differential tuition. Similarly, Mr. Fitzpatrick reported that the percentage of College of Nursing graduating seniors who rated instructional quality as excellent or good increased from 78.2 to 92 percent.

Mr. Fitzpatrick commented that the differential tuition programs have improved career and academic advising. Mr. Fitzpatrick cited the career fair held by the Lubar School as an example of enhanced career advising, noting that the number of internship postings increased from 283 prior to differential tuition to 439 postings currently while the number of companies interviewing through the School has increased from 44 to 72. Further, Mr. Fitzpatrick provided data showing that the percentage of School of Business graduating seniors rating career advising and job placement services as excellent or good increased from 49.2 to 60.8 percent after the implementation of differential tuition and the percentage rating academic advising as excellent or good rose from 61.2 to 79.1 percent.

Brian Bromberek, UWM Student Senate member and Dan Barr, UWM Student Senate Speaker addressed the Committee and presented a resolution in support of the differential tuition programs while making recommendations to strengthen student involvement in the decisions associated with differential tuition revenues. Specifically, Mr. Bromberek and Mr. Barr recommended that each student committee within the four affected schools be composed of two-thirds students, hold elections for committee members, and establish by-laws.

Regent Rosenzweig sought clarification on the current process in place to select the student committees. Mr. Barr responded that in at least two instances, students apply to serve on the committees, no election is held, and the committees essentially appoint themselves.

Regent Smith asked about the impact the differential tuitions were having on enrollments within the affected schools. Provost Cheng provided information showing that there has been growth in students and/or credit hours in all four schools since the implementation of the differential tuition programs. Further, Provost Cheng reported that there has been growth in the number of non-student credit hours taken within the Peck School of the Arts.

Regent Connolly-Keesler expressed concern over the use of differential tuition to increase base salaries within the College of Nursing. Ms. Hale responded that the salary increase is for clinical faculty instructors that teach in a hospital setting and are teaching faculty. According to Ms. Hale, the salary increase is an attempt to remain competitive for the services of clinical instructors. Regent Connolly-Keesler impressed upon the Committee the need to address at the upcoming March meeting all the possible uses of differential tuition. Provost Cheng commented that these salaries are not for full-time faculty and are used for health care professionals that assist in the instruction of UW-Milwaukee nursing students. President Reilly commented the Board can and should take up the issue in March.

d. UW System Annual Trust Funds Report

Doug Hoerr, Director UW System Trust Funds, provided the Committee members with a summary of the UW System Trust Funds Annual Report for the year ended June 30, 2007. Director Hoerr reported that total assets under management are approximately \$443 million, up significantly from the \$395 million reported at the end of the prior fiscal year. Mr. Hoerr stated that the investment returns for the fiscal year were strong on both absolute and relative basis for all three funds. According to Director Hoerr, the long-term fund returned 21 percent, the intermediate-term fund returned 6.2 percent, and the income fund returned 5.4 percent.

Director Hoerr reported that the total contributions and disbursements for the fiscal year were at ten year highs with contributions received totaling \$16.5 million and disbursements to UW institutions totaling almost \$23 million. Lastly, Mr. Hoerr stated that expenses for the year remained reasonable with external investment management fees for the long-term fund equaling 0.76 percent, the intermediate-term fund fees totaled 0.17 percent, and internal administrative expenses came to 0.11 percent.

Regent Connolly-Keesler commented on the substantial growth in net assets over the past five years, increasing from approximately \$237 million to the current total of \$443 million.

e. UW System Information Technology Projects Report

Associate Vice President Ed Meachen reported on the Board of Regents responsibility to report to the Legislature on information technology (IT) projects. Mr. Meachen stated that the Board is required to provide a format for IT strategic plans, develop detailed and specific policies for large IT projects and the monitoring of the projects, and the Board must provide detailed progress reports to the legislature twice annually. The reports must be made on March and September 1st for all large or high priority IT projects.

Mr. Meachen reported that not all of the campuses have IT strategic plans. He stated that between March of 2008 and March of 2009, UW System staff will put together a format for the Board to consider and to determine whether it is appropriate for campus IT strategic plans. Lastly, Mr. Meachen stated that a policy for IT projects, closely following the specifics of the legislation, has been drafted and will be provided at the April Board meeting for consideration and approval.

f. Committee Business

(1) 2009-11 Biennial Budget Process and Timeline

Associate Vice President Freda Harris provided the Committee with summary information on the 2009-11 biennial budget process. Ms. Harris stated that there are three components of the biennial budget - the operating budget, capital budget, and the compensation budget request. Each of the three components has a separate timeline with a deadline of July 1st for the budget process to be completed. Ms. Harris also provided details on the review process for each component of the biennial budget.

Ms. Harris noted that some budget issues the Board will need to consider for the upcoming biennial budget are security, libraries, and research capacities at the comprehensive institutions. She also commented that the Board will need to monitor the current state financial picture and warned that this biennial budget process will be a difficult one for the state. Ms. Harris advised that it will be important to show how the UW System can leverage funds and be a partner in the process with the state.

Ms. Harris took a few minutes to explain the concept of cost-to-continue. Ms. Harris stated that cost-to-continue items are typically those things that have been previously approved in some shape or form, or are costs that we know will increase, such as utilities or health care costs.

(2) Quarterly Gifts, Grants, and Contracts (2nd Quarter)

Vice President Debbie Durcan presented the quarterly gifts, grants, and contracts report to the Committee. Total awards for the prior six-month period were \$640 million, representing an increase of \$14.5 million over last year. Federal awards were down \$10.2 million while non-federal awards increased by \$24.6 million. Ms. Durcan explained that the decrease in federal awards is accounted for by a timing issue concerning financial aid/Pell Grants at UW-Milwaukee and should reverse itself by the end of the year.

(3) Quarterly Expenditures – Budget to Actual Report (2nd Quarter)

Vice President Durcan presented a schedule of UW System expenditures through the second quarter of the current fiscal year. The information included current and prior year expenditures by institution for GPR/Fee

funds. Ms. Durcan explained that the first six-months of the year are not indicative of the total expenditures for the year due to the variance in expenses such as utilities.

g. Report of the Vice President

(1) Human Resources System Summit Update

Associate Vice President Ed Meachen and Associate Vice President Al Crist updated the Committee on the progress in implementing the PeopleSoft/Oracle Human Resource System (HRS). They reported that a project charter was created in October 2007 and that they have been named as the project sponsors. Also, an HRS Project Steering Committee was formed in October to oversee the project and is composed of campus and UWSA administrators, business experts, and technology experts. They reported that the Steering Committee and a group of senior executives from the campuses and UWSA met at a visioning conference in November to agree upon the business objectives, long term goals, and measures of success.

Associate Vice Presidents Meachen and Crist reported that in addition to the Steering Committee, each institution was asked to establish a campus team to work with the UW System HRS project implementation team to prepare campuses for the new system and to help with the implementation. They noted that all the campus teams met in January in Stevens Point for an HRS Project Summit. The objectives of the summit were to kick-off the project, share the business objectives and measures of success, address the issue of change in human resource business practices, help the campus teams understand the impact of the new system on existing systems, and to discuss how UW System and campuses will adapt current business practices to the HRS application.

The Associate Vice Presidents commented that the next project step is to examine all current business practices and how they line up with the PeopleSoft/Oracle HR system, after which a project plan, timeline, and budget will be developed.

Regent Smith asked if an anticipated implementation date has been established. Associate Vice President Meachen responded that a lot depends upon what is found when they examine current business practices and how well they line up with the purchased software system.

Regent Connolly-Keesler asked about project cost. Associate Vice President Meachen responded that the total cost is unknown at this point.

Regent Rosenzweig inquired further about project costs and whether the Committee will be informed about any overruns or how costs compare to budgeted amounts. Associate Vice President Meachen responded that the Committee will receive that information leading up to the required September 2008 legislative report on major IT projects.

(2) Chief Business Officers' Meeting Update

Vice President Debbie Durcan provided the Committee members with an update on the latest Chief Business Officers' meeting. Ms. Durcan noted that the meeting began with a roundtable discussion on the limitations under which the university system operates. Ms. Durcan reported that it was particularly useful to hear the observations from some of the newer business officers and what they had encountered in other states. Many of the issues parallel those identified in the Charting a New Course study, such as the capital building process, procurement, telecommunications, and insurance. Ms. Durcan noted that the group concluded that we need a new approach in order capture savings and efficiencies in these areas, especially if we hope to operate like other institutions and as we become more dependent on tuition funding.

Ms. Durcan reported that the group spent time talking about incentive funding which is reflected in the work of the Strategic Framework Think Tank groups. Other discussions included an overview of the 2009-11 biennial budget process, issues common to all campuses, such as deferred maintenance and support services tied to enrollment growth, streamlining business processes, the pros and cons of audit hotlines, and risk assessment.

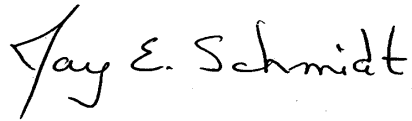
Vice President Durcan also reported that the Department of Administration Secretary has encouraged agencies to use care concerning hiring, out-of-state travel, and lease expenses in light of the current budget shortfall. Ms. Durcan noted that President Reilly has followed up with a memo to each of the campuses providing

guidance while remaining committed to the Growth Agenda. Lastly, Ms. Durcan reported that the Legislative Audit Bureau has completed audits of WHA radio and television and issued unqualified opinions on both.

h. Additional items, which may be presented to the Committee with its approval

No additional items were presented to the Committee.

Upon the motion of Regent Rosenzweig, and the second of Regent Connolly-Keesler, the Business, Finance, and Audit Committee recessed at 3:04 p.m.

A handwritten signature in cursive script that reads "Jay E. Schmidt". The signature is written in black ink and is positioned above a horizontal line.

Jay E. Schmidt, Recording Secretary