

Minutes  
Business, Finance, and Audit Committee  
Board of Regents of the University of Wisconsin System  
June 5, 2008

The Business, Finance, and Audit Committee convened at 2:52 p.m. in the Wisconsin Room, UW-Milwaukee Union. Present were Regents Smith, Burmaster, and Shields.

**a. UW-Milwaukee Presentation: Overview of the Master Planning Process**

Christy Brown, Interim Vice Chancellor for Finance and Administrative Affairs, presented an update to the Committee on UW-Milwaukee's Master Planning process, the first in 35 years. Ms. Brown noted that last summer the Board of Regents and the State Building Commission approved \$2 million in building trust funds for the hiring of a master planning consultant.

Interim Vice Chancellor Brown briefly described the Request for Proposal process, as administered by the Department of Administration. Two consultants have been selected: HGA Architects and Engineers, is a local architecture and planning firm which has done some projects for UW-Milwaukee in the past, while Sasaki is an international firm located in Watertown, Massachusetts.

According to Interim Vice Chancellor Brown, the planning process will occur in phases over 18 months. The phases include observation and assessment, principles and concept plan, site/area/precinct planning, and implementation. The observation phase includes listening sessions and data mining and includes the participation of academic departments, administrative units, campus governance groups, students, and neighborhood groups. The planning process, according to Ms. Brown will be driven by the campus academic plan. The principles and concept phase will examine the most favorable options for long- and short-term development across all campus sites. The Master Planning Committee, composed of representatives from various University constituent groups, will develop criteria to use in the evaluation of proposed concept scenarios. In late fall of 2008, the site/area/precinct planning phase will begin and will focus on specific planning for the various sites across all of the UW-Milwaukee campuses, including a comprehensive master plan of each site describing site access, transportation and parking, utilities and infrastructure, sustainability, housing, and landscape and public spaces.

Interim Vice Chancellor Brown stated that in about one year, after the completion of phase three, an update will be provided to the Board. In February of 2009, Ms. Brown stated that the final phase, implementation, will begin with December 2009 as the anticipated completion date.

Interim Vice Chancellor Brown summarized the land acquisition efforts of UW-Milwaukee of potential sites for growth. According to Ms. Brown the efforts include: the MPS facility in downtown Milwaukee which could serve as a location for the School of Public Health; and, the Milwaukee County Grounds which is located in close proximity to potential research partners including the Blood Center, Froedtert Hospital, the Children's Hospital, the Medical College of Wisconsin, and GE Healthcare, the Columbia-St. Mary's Hospital, and the existing Great Lakes Research Facility/WATER Institute.

Regent Smith asked Interim Vice Chancellor Brown about sites for student housing beyond the Columbia-St. Mary's Hospital location. Ms. Brown stated that the campus has made several efforts to expand student housing options, including the Riverview project developed through the institution's real estate foundation and a current effort seeking developers for a site location and plan for the creation of 500-700 beds. The Riverview project has 488 beds and the Columbia-St. Mary's Hospital site has the potential for up to 1,000 beds.

**b. Approval of Differential Tuition Proposals**

**(1) UW-Madison's School of Engineering Undergraduate Differential Tuition**

Chancellor John Wiley began the discussion on UW-Madison's School of Engineering undergraduate differential tuition by making a few comments regarding tuition. First, Chancellor Wiley noted that a college

degree, on average, is worth about \$1 million more in lifetime earnings for a baccalaureate degree holder than for someone who goes into the workforce directly with a high school diploma. Further, Chancellor Wiley noted that when all other factors, such as inflation are considered, the lowest present value of a college degree is approximately \$250,000 with the highest being approximately \$800,000. According to Chancellor Wiley, the highest present value college degree is for an engineering degree. Chancellor Wiley state that this calculation leads to a question of what one would pay today for a degree that is worth \$800,000 in today's dollars. With that as background, Chancellor Wiley introduced Dean Paul Percy of UW-Madison's College of Engineering to present the differential tuition proposal.

Dean Percy noted at the outset of his comments that differential tuition would allow UW-Madison to add more sections in bottleneck courses and reduce the time to graduation, allowing some costs savings for students. Further, Dean Percy stated that the administration is committed to making sure that no student who wants to major in engineering will be disenfranchised because of the new tuition proposal.

Dean Percy commented that an engineering degree is supported by many high tech labs that require a high faculty-to-student ratio and also requires a lot of equipment and technology. However, Dean Percy stated that we also live in a time of a revolutionary rate of change in science and technology and today's engineers need to understand the changes in scientific understanding. Other changes noted by Dean Percy include the advancement in engineering into new fields, such as biological sciences and medicine and health care, requiring a broader engineering curriculum than existed 20 years ago. Another cost factor is the need to compete with the private sector for PhD engineers which drives up salary costs.

Dean Percy stated that most engineering schools have a differential tuition in place to cover the increased educational costs and that all Big Ten public colleges of engineering, except UW-Madison, have a differential tuition. UW-Milwaukee also has a differential tuition for its engineering program.

Dean Percy elaborated on his earlier comment that the differential tuition will reduce the overall cost of an engineering degree by addressing the number of bottleneck courses and reducing the time to graduation. As a result, students would have reduced tuition and room and board costs. However, Dean Percy did acknowledge a difference between total costs and cash flow. UW-Madison acknowledges that some juniors and seniors will require financial aid as a result of the differential tuition. Dean Percy stated that the College of Engineering, with help from industry and alumni, has raised funds for scholarships for students from lower income households.

Dean Percy commented that maintaining quality is paramount and UW-Madison must continue to provide students with a quality engineering education that allows them to be competitive in the 21<sup>st</sup> century. Wisconsin and the nation face a shortage of engineers and Dean Percy noted that engineering positions are considered the hardest to fill.

Dean Percy introduced three industry representatives in attendance who supported the differential tuition proposal. The industry representatives were David Bechtold, CEO Zenith Tech, Mary Lou Young, Director – Global Community Relations for Rockwell Automation, and Norm Doll, Chairman of Pieper Electric. Ms. Young stated that the School of Engineering is considered one of Rockwell's first-tier recruiting schools not only because of its location but because it is one of the best schools in the country. Ms. Young stated that Rockwell has supported the School of Engineering in the past through scholarships and programming and expressed that Rockwell Automation supports the differential tuition as a way to maintain the educational quality at the School of Engineering.

Regent Smith asked Dean Percy about how the differential tuition will reduce time to graduation and costs. Dean Percy stated that engineering is a highly regimented curriculum and the inability to take a required class when needed due to limited space has the impact of adding another semester in order to complete the degree requirements. Further, Dean Percy stated that the differential tuition was calculated based upon what it would take to reduce bottlenecks in specific courses in order to reduce the time to graduation. Regent Smith also inquired about how financial aid will be provided and who will make the decisions concerning individual student awards. Dean Percy provided additional background on household income and the target demographic for need-based aid as a result of the differential tuition. Vice Chancellor Darrell Bazzell also addressed the Committee and provided information on the model to be used for the School of Engineering differential tuition and the method to be used in identifying students who will have financial aid needs as a result of the tuition increase.

Dean Peercy commented that students have been engaged in the differential tuition discussion since September of 2006 and their participation will continue. Dean Peercy introduced Craig MacKenzie, former Chair of Polygon and Therese Rollmann and Alex Rexrode, Polygon Representatives. Mr. MacKenzie stated that he is the past president of Polygon, the engineering student council, as well as the chair of the Student College of Engineering Tuition Task group. Mr. MacKenzie provided background on Polygon and stated that it has representation from every major within the School of Engineering, as well as how Polygon worked and communicated with administration officials on the differential tuition plan. Mr. MacKenzie also described for the Committee the activities of the Student College of Engineering Tuition Task group. The group consisted of ten students considered leaders within the School of Engineering and developed a mission of reaching as many engineering students as possible concerning the tuition proposal. As part of their mission of contacting students, Mr. MacKenzie stated that two open sessions were held where any engineering student could attend and that the organizers contacted up to 50 organized groups within the School of Engineering. Concerns and questions raised during these contacts were brought back to the administration. Mr. MacKenzie stated that two motions were brought before Polygon. The first concerned the concept of a differential tuition and passed by a tally of 37 votes for, 8 against, and 1 abstention. The second motion addressed the specific differential tuition plan and was passed by a tally of 24 votes for and 12 votes against, with 1 abstention.

Regent Shields expressed his satisfaction with the level of student involvement in the differential tuition process, but questioned the process going forward as far as student involvement is concerned. Mr. MacKenzie stated that the Student College of Engineering Tuition Task group would remain involved as long as Polygon decided it was necessary. Dean Peercy added that there will be a Polygon committee that advises the administration on the allocation of differential tuition funds as well as helps in analyzing whether goals of the differential tuition have been met. Regent Smith stated that he has had discussions with Regent Connolly-Keesler about a review mechanism for the differential tuition plan where the Regent's would have to re-approve the plan.

Therese Rollmann addressed the Committee and explained what has taken place over the past year since Polygon voted in favor of the differential tuition plan. Ms. Rollmann explained that a volunteer Polygon committee was created to research the financial needs within the School of Engineering, determine where differential tuition revenue was needed within the School, where problems would arise if differential tuition was not approved, and communicate information to students in the School of Engineering. In April of this year, the committee reported back to Polygon stating that they had not met any of the established goals and needed more time. According to Ms. Rollmann, the committee presented a letter, addressed to the Board of Regents, stating that they disagreed with the differential tuition at this time. Polygon unanimously voted to not send the letter to the Board of Regents and to retain the early vote result. Ms. Rollmann acknowledged that a letter was indeed sent to the Board under the name of Polygon without its consent.

Regent Burmaster thanked Dean Peercy for his efforts to educate the members of the Committee about the differential tuition plan. Regent Burmaster also commented that she had received many phone calls from industry leaders in support of the proposal. Regent Shields expressed his support for the tuition plan as well as adding a three-year review. The Committee amended the resolution to require that the differential tuition be reviewed and submitted to the Board of Regents for re-approval in three years.

Upon the motion of Regent Shield, and the second of Regent Burmaster, Committee unanimously approved Resolution I.2.b.1., as amended.

#### **Resolution I.2.b.1.**

That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the differential tuition for all UW-Madison undergraduate students enrolled in the Engineering Major beginning in the Fall Semester of 2008-09. The proposed tuition increase will be phased in over three years: \$300 per semester (\$600 per year) in

2008-09; \$500 per semester (\$1,000 per year) in 2009-10; and \$700 per semester (\$1,400 per year) in 2010-11 and ongoing. The differential would be prorated for part-time undergraduate students. The differential tuition will be reviewed for re-approval by the Board of Regents in three years.

## **(2) Approval of UW-Superior's Undergraduate Differential Tuition**

Vice Chancellor Jan Hanson presented to the Committee a differential tuition plan for UW-Superior. Vice Chancellor Hanson informed the Committee that the Board of Regents had previously approved a differential tuition plan for library services for UW-Superior in 2003. Ms. Hanson stated that at the time of the approval it was recognized that the plan would come back before the Board in 2008 for review.

According to Vice Chancellor Hanson, the original differential tuition for library services was \$150 per year and the current proposal reduces that amount to \$137 per year. Ms. Hanson also stated that the current proposal adds career services as second component of the differential tuition plan. The career services component totals \$35 per semester, bringing the total differential tuition proposal to \$103.50 per semester, or \$207 per year.

Vice Chancellor Hanson reported on the administration's work with students on the proposal, noting that besides having a three-year Board review, there will be an annual review with student participation to assess how the funds are being used and if goals are being met.

Vice Chancellor Hanson introduced two UW-Superior students, Stefan Fletcher – past Student Government Association President and Logan Campa – upcoming Student Government Association President. Both students, according to Ms. Hanson, have been actively involved in the differential tuition discussion. Mr. Fletcher expressed his support of the current proposal with a three year Board review. Mr. Fletcher also stated that the Student Senate will hold an annual vote to establish a record concerning the progress they believe is being made toward the identified goals of the differential tuition. Mr. Fletcher noted that student involvement and consideration of the tuition plan was exhaustive and summarized for the Committee the specific steps taken by the Student Senate prior to approving the plan. According to Mr. Fletcher, the Student Senate voted unanimously in support of the career services component and with near-unanimity for the library services component.

Upon the motion of Regent Shields, and the second of Regent Burmaster, Committee unanimously approved Resolution I.2.b.2.

### **Resolution I.2.b.2.**

That, upon the recommendation of the Chancellor of the University of Wisconsin-Superior and the President of the University of Wisconsin System, the Board of Regents approves an increase of \$57 to the differential tuition for all UW-Superior undergraduate students beginning in the fall semester of 2008-09. The tuition differential would increase from \$75 per semester to \$103.50 per semester (\$207 per year). The differential would be prorated for part-time undergraduate students.

## **c. UW System Information Technology Report**

### **(1) Project Status Report as Required by Wis. Stats. S.13.58(5)(b)(3)**

Associate Vice President Ed Meachen, reported to the Committee on the statutorily required report for major information technology projects of more than \$1 million. Mr. Meachen stated that each of six projects that currently meets that standard are at the beginning, with three of the projects considered at the pre-implementation or discovery phase. Mr. Meachen stated that at this time, in part due to being in the early phases of the projects, all four status elements for the projects are green.

**(2) Required Format for UW Strategic Plans for Major Information Technology (IT) Projects as required by Wis. Stats. S.13.58(5)(b)(3)**

Associate Vice President Ed Meachen, reported that the statutory requirement to provide campus IT strategic plans to the Board of Regents by March 2008 was not feasible due to the late enactment of the budget bill. As such, Mr. Meachen stated that it was decided that a March 2009 reporting date for the strategic plans would be more reasonable considering the difficulty in creating an IT strategic plan. Associate Vice President Meachen stated that the overall goal is to allow flexibility for the individual campuses while still complying with the nine elements for an IT strategic plan as required by statute.

Regent Burmaster inquired who at the campuses will be formulating the IT plans. Mr. Meachen stated that the process is generally part of the governance structure and includes students, faculty, and staff. Mr. Meachen stated that UW System has not prescribed for the campuses an IT strategic planning process because such planning should be connected to the broader campus strategic planning process which varies by campus. Mr. Meachen continued by citing UW-LaCrosse's planning efforts which included faculty senate involvement and included campus-wide discussions.

**d. UW System Trust Funds revision to Policy on Investment and Social Responsibility**

Thomas Reinders, UW System Trust Funds Investment Analyst, summarized a revision to the existing policy on investment and social responsibility. According to Mr. Reinders, the revision will allow UW System to no longer subscribe to a proxy service which was costly and provided little value. Mr. Reinders stated that the policy revision will require UW System staff to conduct a proxy review.

Upon the motion of Regent Shields, and the second of Regent Burmaster, Committee unanimously approved Resolution I.2.d.

**Resolution I.2.d.**

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves a revision to Regent Policy 31-13, Investment and Social Responsibility, such that item 3. reads as follows:

3. To enhance the Board's awareness of social concerns, the Regents through the Business, Finance, and Audit Committee will direct University of Wisconsin System Administration *to conduct a proxy review to highlight* proxy resolutions related to discrimination and substantial social injury.

**e. Committee Business****(1) Quarterly Gifts, Grants, and Contracts (3rd Quarter)**

Vice President Debbie Durcan presented the third quarter gifts, grants, and contracts report to the Committee. Total awards for the reporting period were \$888 million, representing an increase of \$24 million over last year. Ms. Durcan reported that federal awards increased by \$14 million while non-federal awards increased by \$10 million.

**(2) Quarterly Expenditures – Budget to Actual Report (3<sup>rd</sup> Quarter)**

Vice President Durcan presented a schedule of UW System expenditures through the third quarter of the current fiscal year. The information included current and prior year expenditures by institution for GPR/Fee funds. Ms. Durcan stated that the numbers are comparable to the previous year and that budgets have been updated to reflect the actual 2008 budget.

### **(3) Consideration of Salary Range Adjustment for the Chancellors of UW-Milwaukee**

Associate Vice President Al Crist presented information in support of a resolution adjusting the salary range for the Chancellor of UW-Milwaukee. Mr. Crist noted that the last update to the salary range for the UW-Milwaukee Chancellor position was in February 2006 and the range is now out-of-date with market factors.

Regent Shields asked whether a review should occur every two years. Mr. Crist responded that the practice has varied in the past depending on market factors and recruitment needs.

Upon the motion of Regent Shields, and the second of Regent Burmaster, the Committee unanimously approved Resolutions I.2.e.3. by roll call vote.

#### **Resolution I.2.e.3.**

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 Santiago's salary is 16.2% below the projected peer median for 2007-08 and nearly the lowest among the peers; and

Whereas, Chancellor Santiago's salary of \$291,284 is \$38,919 below 95% of the projected peer median for 2007-08

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 seven as set forth in the attached, effective July 1, 2008.

### **f. Report of the Vice President**

#### **(1) Update on FY08 Utility Expenditure Projections**

Vice President Debbie Durcan updated the Committee on utility expenditure projections through April and noted that current estimates show a \$21 million surplus. Ms. Durcan stated that the current surplus is in part related to the UW System receiving a significant increase in utility appropriations for the first year of the biennium. However, the UW System and many of its peers are projecting double-digit increases in utility costs over the next year. Ms. Durcan also noted that it would be unlikely that the University would be able to retain any utility savings since these funds will most likely lapse back to the state.

Ms. Durcan provided the Committee with some background on UW-Madison's "We Conserve" initiative noting that the campus has identified savings of \$3.7 million to date. Vice President Durcan also commented that a future presentation to the Committee by UW-Madison on its conservation efforts might be useful.

## **(2) 2008 College Sustainability Report Card**

Vice President Durcan briefed the Committee on the results of the 2008 College Sustainability Report Card issued by the Sustainable Endowments Institute, a nonprofit organization engaged in research and education to advance sustainability in campus operations and endowment practices. According to Ms. Durcan, this is the second year of the College Sustainability Report Card rankings of colleges and universities with the 200 largest endowments in the U.S. and Canada. The UW System received an overall B+ grade this year, up from a B last year.

Vice President Durcan reported that the UW System earned an A in the categories of Food and Recycling, Transportation, and Endowment Transparency. In all other categories -- Administration, Climate Change and Energy, Green Building, Investment Priorities and Shareholder Engagement – the UW System received a B.

## **(3) D2L/Blackboard Update**

UW-Green Bay Chief Information Officer Kathy Pletcher updated the Committee on the patent infringement litigation involving the course management software used throughout the UW System. Ms. Pletcher stated that this is an important issue and that the UW System has more than 150,000 active users of the software. A survey conducted last year within the University showed a high satisfaction rate among users of the course management software platform and many faculty have reported that increased learning has directly resulted from the use of the software.

Ms. Pletcher stated that if UW System changes software platforms a RFP process would be required which could take up to a year and another year would be required to move all the courses and faculty over to a new application.

Ms. Pletcher stated that the litigation between D2L and Blackboard is ongoing but that all UW System institutions have upgraded to a new version of the software that the vendor believes is non-infringing. Ms. Pletcher stated that Blackboard may not agree with the move by D2L and may challenge that the new version is an infringing product as well. Ms. Pletcher reported that one complicating factor is that the U.S. Patent Office has preliminarily decided that the original patent issued to Blackboard may be invalid. Ms. Pletcher closed by saying that this is an important issue that will continue to be monitored.

## **(4) Trust Funds Custodial Fees**

The Committee was updated by Vice President Durcan on the new contract for custodial services for the State Investment Board. The UW System's first annual bill under the new contract totaled about \$6,500. Over the prior two years, costs were \$120,000 and \$150,000, respectively.

## **g. Consent Agenda**

Regent Shields moved adoption of the minutes of the April 10, 2008, meeting of the Business, Finance, and Audit Committee as presented and the following resolutions as consent agenda items. The move was seconded by Regent Burmaster and carried on a unanimous voice vote.

Resolution I.2.g.2., That, upon the recommendation of the Chancellor of the University of Wisconsin–Oshkosh and the President of the University of Wisconsin System, the Board of Regents approves the contract with Sodexo Management, Inc., to provide Dining Services at the University of Wisconsin–Oshkosh effective July 11, 2008 for a period of seven years;

Resolution I.2.g.3., That, upon recommendation of the Chancellor of the University of Wisconsin-Eau Claire and the President of the University of Wisconsin System, the Board of Regents approves the contract with Barnes and Noble to provide Bookstore Services to the University of

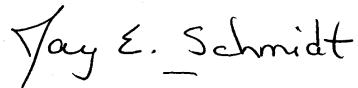
Wisconsin-Eau Claire effective July 1, 2008 for a period of seven years; and

Resolutions I.2.g.4., That, upon the recommendation of the Chancellor of the University of Wisconsin-Platteville and the President of the University of Wisconsin System, the Board of Regents approves the contract with Follett Higher Education to provide Bookstore Services at the University of Wisconsin-Platteville effective, July 1, 2008 for a period of seven years.

**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 Shields, and the second of Regent Burmaster, the Business, Finance, and Audit Committee recessed at 4:12 p.m.

A handwritten signature in black ink that reads "Jay E. Schmidt". The signature is written in a cursive style with a horizontal line under the name.

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Jay E. Schmidt, Recording Secretary