

Minutes of the Business, Finance, and Audit Committee
May 7, 2009
UW-Milwaukee

The Business, Finance, and Audit Committee convened at 1:35 p.m. in the Alumni Fireside Lounge in the UW-Milwaukee Union. Present were Regents Burmaster, Connolly-Keesler, Falbo, Smith, and Womack.

a. Approval of UW-Madison Undergraduate Differential Tuition Initiative. Tom Anderes, Senior Vice President for Administration and Fiscal Affairs highlighted the goals, funding requirements, student and private funding sources, tuition and fee comparisons to Big Ten peers, and steps taken by the university to ensure accountability to the campus community.

UW-Madison Chancellor Biddy Martin then provided background information on the Initiative, and explained that the keys to the Initiative are: increasing access to courses and majors, providing faculty and instructional support, preserving the quality and value of the UW-Madison degree, and preserving affordability. She highlighted the steps undertaken to gather information and to ensure student involvement. These steps included forums; presentations; meetings with Associated Students of Madison, alumni, departments and colleges; informal discussions; and online feedback and surveys.

Gary Sandefur, Dean of the College of Letters and Sciences, reported on how the lack of resources has affected Letters and Sciences, noting that since 1993 there has been a 12% decline in faculty and a 20% increase in student enrollment, and that there are bottlenecks in high-demand courses such as Economics, Spanish, and Chemistry.

Chynna Haas of Associated Students of Madison spoke about student involvement in the Initiative and indicated her strong support for the Initiative. Three additional students addressed the Committee; two in favor, and one opposed.

Questions directed to the Chancellor centered around the rationale for the hold harmless floor set for families with an adjusted growth income (AGI) of \$80,000, and whether it should be set at \$90,000 or \$100,000. Concerns were that all of the discussions have been at the \$80,000 level, and increasing the income level would necessitate either increasing the amount of the tuition differential or increasing the amount of fund raising. The Committee also discussed the frequency and content of accountability mechanisms. Committee members asked whether other institutions are also considering differential tuition initiatives, to which Chancellor Martin responded that each campus needs to assess itself and its needs and how best to meet them. President Reilly stated that there is a need to look at all of the comprehensive institutions to ensure that quality is maintained.

After considerable discussion, the Committee amended the resolution, to clarify holding students with an AGI of less than \$80,000 harmless from the tuition increase, adding an annual report to the Board, and reducing the review period to four years.

Upon the motion of Regent Connolly-Keesler and the second of Regent Burmaster, the Committee approved revised Resolution I.2.a. Regents Burmaster, Connolly-Keesler, Smith, and Womack voted in favor of the revised resolution, and Regent Falbo abstained.

[Resolution I.2.a. REVISED]

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 beginning in Fall 2009. The differential tuition will be phased in over four years. For resident students, the differential will be \$250 per year in 2009-10; \$500 per year in 2010-11; \$750 per year in 2011-12; and \$1,000 per year in 2012-13. For nonresident students, the differential will be \$750 per year in 2009-10; \$1,500 per year in 2010-11; \$2,250 per year in 2011-12; and \$3,000 per year in 2012-13. The differential will be prorated for part-time students.

The initiative will add faculty and instructional support while increasing need-based financial aid. Undergraduate residents and undergraduate non-resident students of families with adjusted gross income (AGI) of \$80,000 or less, and reflect financial need, will be held harmless from the differential increase.

The proposed differential tuition will be evaluated on an annual basis by the Madison Initiative Oversight Board, which will be comprised of students, faculty, and staff. There will be a status report provided to the Business, Finance, and Audit Committee and the Board of Regents annually. In addition, the outcomes of the proposed differential will be presented to the Board of Regents for review in four years (2013-2014).

b.1. UW System Annual Endowment Peer Benchmarking Report. Doug Hoerr, Director of Trust Funds, presented highlights from three benchmarking studies. He reported that UW Trust Funds returns exceeded those of peers (assets in the \$100M to \$500M range) in the one, three, five and ten year periods ending June 30, 2008. Compared to peers, UW Trust Funds asset allocation was overweight to fixed income and private equity, and underweight to other “alternative” asset classes. The long-term investment return assumptions are in line with peers, as is staffing. However, the UW does not use an investment consultant while most peer institutions do. Director Hoerr also noted that our 4% spending rate is more conservative than the peer average of 4.8%.

b.2. UW System Voting of 2009 Non-Routine Proxy Proposals. Regent Policy 31-10 provides the proxy voting policy for UW System Trust Funds. Director Doug Hoerr reported that the dominant social issues for the 2009 season include the environment and “sustainability”, corporate political contributions, health care issues, and human rights.

Upon the motion of Regent Connolly-Keesler and the second of Regent Falbo, the Committee unanimously approved Resolution I.2.b.2., the non-routine shareholder proxy proposals for UW System Trust Funds.

[Resolution I.2.b.2]

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the non-routine shareholder proxy proposals for UW System Trust Funds, as presented in the attachment.

c.1. Program Review: UW System Excess Credit Policy. Julie Gordon, Director of the UW System Office of Operations Review and Audit briefed the Committee on the findings of this recently-completed review. The policy requires UW institutions to: (1) review the requirements for programs requiring more than 130 credits; (2) identify and counsel students accumulating credits in a manner that could result in their earning more than 165 credits or 30 credits more than required by their degree program; (3) charge resident students a surcharge for credits taken beyond the limits; and (4) allow for exceptions.

The report notes that the policy has been implemented at all UW institutions, although there are some variations in the application of the surcharge. Director Gordon reported that management concurs with the report's recommendation that UW System Administration revise its policies to clarify how the surcharge is to be assessed, and to advise institutions to review their accounting practices to ensure revenues are appropriately coded.

c.2. Follow-Up Review: Children's Centers at UW Institutions. Director Gordon briefed the Committee on the findings of this follow-up review. She indicated that in 2003, the University of Wisconsin System Office of Operations Review and Audit reviewed the implementation of Regent Policy Document 14-3 (formerly 83-5), which specifies that each UW institution "should set a goal of seeing that top quality, low cost child care and extended child care services, preferably campus based, are available to the children of students, faculty and staff." Center operations were reviewed to assess how UW children's centers were meeting the challenge of providing necessary programs of high quality while keeping costs low. The final report was issued in November 2003.

This follow-up report provides updated information and a summary of UW institutions' implementation of the recommendations in the 2003 report. The review notes that while progress has been made with respect to the recommendations made after the initial review, some centers continue to have challenges with national accreditation, in documenting that student parents are the beneficiaries of segregated fee funding support, and operating deficits. Management agrees that additional steps need to be taken.

c.3. Quarterly Status Update. Director Gordon presented a status report on current projects the Office of Operations Review and Audit is working on, highlighting reviews of UW-Sponsored Camps and Clinics, and Service Learning efforts within the UW System. Director Gordon also provided information on current Legislative Audit Bureau projects affecting the UW System, including the annual compliance audit of federal grants and expenditures, including student financial aid for FY 2007-08. She reported that the Audit Bureau is also conducting a statewide analysis of the procurement card program, and the savings and efficiencies gained from the State's Accountability, Consolidation and Efficiency (ACE) Initiative.

d. Update: 2009-11 UW System Biennial Budget. Senior Vice President Tom Anderes reported that funding for Pell Grants will increase \$619 in 2010 to provide sufficient funding to cover tuition increases for those receiving need-based aid—and in 2011 state and federal financial aid would increase.

He also indicated that System campuses are actively planning for budget reductions, and reported that some of the steps they are considering include: elimination of programs with low

enrollments; reducing travel; delaying new initiatives; increasing class sizes; not filling vacant positions; and increasing teaching loads.

e.1. Quarterly Gifts, Grants, and Contracts (3rd Quarter). Vice President Debbie Durcan reported that total awards of \$1.1 billion are being reported for the quarter ending March 31, 2009, which represents an increase of \$189.7 million from the prior year. She also noted that non-federal awards were up \$101.2 million, while federal awards increased by \$88.5 million.

e.2. Quarterly Expenditures – Budget to Actual (3rd Quarter). Vice President Durcan also presented a schedule of UW System expenditures through March 31st, 2009. The information included current and prior year expenditures by institution for GPR/Fee funds.

Upon the motion of Regent Connolly-Keesler and the second of Regent Falbo the Committee unanimously approved the following items on the Consent Agenda:

f. 1. Approval of Minutes of the March 5, 2009 Meeting of the Business, Finance, and Audit Committee

f.2. Approval of Food Service Contract at UW-Eau Claire.

[Resolution I.2.f.2.]

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 Sodexo Operations, LLC to provide Dining Services at the University of Wisconsin-Eau Claire effective June 1, 2009 for a period of seven years.

f.3. Approval of Food Service Contract at UW-Parkside

[Resolution I.2.f.3.]

That, upon recommendation of the Chancellor of the University of Wisconsin-Parkside and the President of the University of Wisconsin System, the Board of Regents approves the contract with Sodexo Operations, LLC to provide Dining Services to the University of Wisconsin-Parkside, effective June 1, 2009 for a period of seven years.

g. Report of the Senior Vice President. Senior Vice President Tom Anderes gave an update on two federal legislative proposals: Senator Kohl's bill to keep students from being taken advantage of by credit card companies; and one financial aid proposal to make Pell Grants an entitlement--not subject to annual discretionary spending decisions, and increasing maximum awards and indexing awards with inflationary increases.

Senior Vice President Anderes also updated the committee on the status of the federal stimulus program. He reported that lots of state agencies are creating proposals, and a task force is trying to find resources to hire grant writers to develop good proposals. Senior Vice President Anderes cited an example of a joint public and private effort to seek funds for broadband access,

indicating that the emphasis is on fiber optic cabling to all homes, schools, higher education, and health care facilities, libraries, and businesses throughout Wisconsin. One major focus of this venture is cabling in rural areas, ensuring that all of Wisconsin is interconnected. The coalition includes: WiscNet (research education network), Department of Public Instruction, school districts, multiple UW System campuses, private higher education organizations, the library system, technical colleges, and others.

h. Additional items. No additional items were presented to the Committee.

Upon the motion of Regent Falbo, and the second of Regent Womack, the Committee adjourned at 3:55 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Zayda R. Back". The signature is written in black ink and is positioned above the printed name.

Zayda R. Back, Recording Secretary