

Minutes
Business, Finance, and Audit Committee Meeting
February 4, 2010, Van Hise Hall
Madison, Wisconsin

The Business, Finance, and Audit Committee convened at 10:00 a.m. in Room 1920 Van Hise Hall. Present were Regents Smith, Connolly-Keesler, Falbo, and Wingad.

a. Annual Trust Funds Investment Forum: No speakers presented at the forum. The Committee recessed at 10:55 a.m. to attend the meeting of the full Board in Room 1820 Van Hise Hall.

The Business, Finance, and Audit Committee reconvened at 12:30 p.m. in Room 1820 Van Hise Hall. Present were Regents Smith, Connolly-Keesler, Falbo, and Wingad. Ex-officio member Regent Spector also participated.

b. 2009 Annual Financial Report and Auditor's Opinion: Glen Nelson, Associate Vice President for Financial Administration, presented summary information from the UW System Annual Financial Report. The published report is prepared using generally accepted accounting principles (GAAP), and includes an unqualified audit opinion from the Legislative Audit Bureau (LAB), along with all standard higher education financial statements. According to the report, state support increased by \$58.5 million (6.1%), tuition revenue increased by \$49.8 million (5.6%), federal grants and contracts increased by \$102.5 million (16.2%), state, local, and private grants and contracts increased by \$46.3 million (18.4%), and gifts decreased by \$18.1 million (6.7%).

State Auditor, Jan Mueller, briefed the regents on her agency's review, and presented a clean, or "unqualified", opinion. LAB Audit Director Carolyn Stittleburg identified three areas for continued monitoring, including the current payroll infrastructure. Vice President Debbie Durcan indicated that the risks associated with the payroll system are of limited duration because the payroll system is in the process of being replaced as part of the plan for the Human Resource System (HRS), a multiyear initiative with new human resources software for all the institutions in the UW System.

The complete 2009 Annual Financial Report can be accessed at:

<http://www.uwsa.edu/fadmin/finrep/afr.htm>

c. 2010 Operations Review and Audit Plan: Director Julie Gordon presented the proposed 2010 Review and Audit Plan of the UW System Office of Operations Review and Audit for Regent review and consideration. The Plan includes the following major reviews:

- UW Higher Education Location Program (HELP)
- Grading systems security
- Student assistance funds
- FERPA implementation (Family Educational Rights and Privacy Act)
- Follow-up review on policies affecting students with learning disabilities

Regent Smith asked if students are involved in requesting areas or topics to audit. Director Gordon responded that students do make requests, and the campus Student Representatives bring the requests to meetings with Office of Operations Review and Audit staff.

Director Gordon indicated that all campuses, except one (UW-La Crosse) have an internal auditor—to which Regent Falbo suggested that the audit process might be streamlined by consolidating staff. Director Gordon responded that the Office of Operations Review and Audit previously was structured like that, but it was determined that campus staff are better informed about their campuses than an outside group. Regent Connolly-Keesler re-emphasized the importance of the audit function.

Kelly D'Agostino, Internal Auditor from UW-Oshkosh, provided information about the types of audits performed at that institution. She also described UW-Oshkosh's participation as one of two pilot campuses in a systemwide Enterprise Risk Management (ERM) effort. UW-Oshkosh Chancellor Richard Wells indicated that ERM is proving to be valuable to his campus. He indicated that it is important to have UW System staff involved—but that it is also important to have campus staff involved.

Director Gordon added that the ERM effort will be expanded to two more campuses.

d.1. Review and Approval of Revised Differential Tuition Policy: Senior Vice President Tom Anderes presented information on a revised differential tuition Board policy, and proposed System guidelines for differential tuition initiatives. President Reilly reiterated that the reason the institutions are instituting differential tuition is because the System does not have adequate tuition flexibility. Mr. Anderes explained that the proposed new policy spells out more clearly the differential tuition approval process, timelines for review, and specific procedures for both institution-wide and program specific differentials. The proposed policy also includes suggested guidelines for campuses to use in developing differential tuition initiatives.

There was considerable discussion about what should be included in the Board policy and what should be left to prescribed System guidance. Committee members expressed concerns about the amount of differential tuition that can be charged, and stressed that they want to keep the charges reasonable. Because the Committee had concerns about the proposed policy, they decided to delay voting on Resolution I.2.d.1. The Committee concluded that Brent Smith, Chair and Eileen Connolly-Keesler, Vice Chair of the Business, Finance, and Audit Committee, would work with Senior Vice President Tom Anderes and General Counsel Pat Brady to address a number of the Committee's concerns, and present a revised policy at the April meeting.

d.2.a. UW-Eau Claire Blugold Commitment & Undergraduate Differential: Chancellor Brian Levin-Stankevich presented information about an expanded differential tuition program for the institution known as The Blugold Commitment. Chancellor Levin-Stankevich explained that the goals of the Blugold Commitment are to:

1. Assure affordable access for Wisconsin families
2. Preserve and expand the distinctive, high-quality Eau Claire experience
3. Produce more globally-competitive graduates for Wisconsin.

The Chancellor also explained the three parts of the Commitment:

1. Families are to pay tuition
2. The university is to achieve specific results (decrease the time to degree)
3. The Foundation will provide support and financial assistance for need-based financial aid and scholarships.

Chancellor Levin-Stankevich further explained that the institution's existing \$163 per year differential was first approved by the Board in 1996, and the proposed increase would add \$300 to the institution's differential rate in each of the next four years, ultimately resulting in a \$1,200 increase to undergraduate tuition rates. The Blugold Commitment seeks to invest heavily in high impact learning practices, advising and student portfolios, and teaching and learning enhancements. In addition, up to 40% of revenues generated would be available for financial assistance to those students with demonstrated need. Funds raised by the UW-Eau Claire Foundation may be used to lower the 40% allocation to financial aid. Outcomes of the Blugold Commitment would be reviewed after five years. Student Senate leaders spoke about their involvement in the process, and three students spoke in opposition to the proposal.

Chancellor Levin-Stankevich provided letters of support from the UW-Eau Claire Foundation Board of Directors and the Chancellor's Advisory Council, as well as resolutions of support from the Eau Claire Area Chamber of Commerce and the UW-Eau Claire Alumni Board of Directors. In addition, Regent Emeritus JoAnn Brandes and UW- Eau Claire alum Terry Schadeberg addressed the Committee and affirmed their support, as well as that of the Alumni Board, for the Blugold Commitment.

After considerable discussion, Regent Wingad indicated that he would like to amend the resolution to state that details of the expenditure plan would be provided to the Committee. Regent Falbo indicated that it was not the intention of the Committee to micromanage the campus spending regarding the Blugold Commitment, and Regent Smith emphasized that the Chancellor will maintain the flexibility as long as the spending is in line with the direction that the Board agrees to. Regent Spector emphasized that the Committee is not interested in a dollar-for-dollar, line item review, and he affirmed that the Chancellor and students will maintain the flexibility to allocate resources to meet unforeseen circumstances. The Committee agreed.

The Committee then agreed to revise Resolution I.2.d.2.a. by adding a sentence to include a requirement for an expenditure plan to come back to the Board in May 2010.

Upon the motion of Regent Connolly-Keesler, and the second by Regent Wingad, the Committee unanimously approved Resolution I.2.d.2.a., as revised.

[REVISED Resolution I.2.d.2.a.]

That, upon the 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 expansion of the UW-Eau Claire undergraduate differential tuition beginning in Fall 2010. The differential tuition will be phased in over four years. For full-time resident and nonresident undergraduate students, the differential will increase from \$163 per year to \$463 per year in 2010-11; \$763 per year in 2011-12; \$1,063 per year in 2012-13; and \$1,363 per year in 2013-14. The differential will be prorated for part-time students.

Up to forty percent of the increase in Blugold Commitment revenues will be available to support financial aid based on Estimated Family Contribution and Pell Grant eligibility.

The outcomes of the proposed differential will be presented to the Board of Regents for review after five years (2015-2016).

UW-Eau Claire will present a detailed plan for expenditures for approval by the Board of Regents in May 2010.

d.2.b. UW-La Crosse Academic Excellence Initiative: Chancellor Joe Gow, gave an overview of the UW-La Crosse Differential Policy. He reported that the students held a referendum and 3400 students participated, with 84% voting in favor of continuing and 77% indicating they wanted to expand the Initiative.

Erik Kahl, President of the Student Association, and Karly Wallace, President of the Student Senate, also addressed the Committee. They presented information about the continuation of and annual adjustments to the existing UW-La Crosse Academic Excellence Initiative undergraduate differential tuition. The students explained the components and planned uses for the differential, and the committee asked several questions to better understand the financial plan and the future increases. In essence, the students' preference was to have a smaller increase in year two, with the 6% increases thereafter, rather than a larger increase in year two followed by a 3% annual increase thereafter.

Beginning in Fall 2010, the differential tuition rate will be \$60 per semester (\$120 per year). The rate will increase by 10%, to \$66 per semester (\$132 per year) in 2011-2012, and will then be adjusted by 6% annually through Fall 2014. The new plan will combine the two existing differentials into one.

Chancellor Gow reported that as a result of the Initiative, UW-La Crosse has hired 47 faculty and 20 staff. He also indicated that there was no increase in the costs to the students for housing and food.

Regent Wingad questioned if the dollar amounts were noted in the student referendum, to which Bob Hetzel, UW-La Crosse Chief Business Officer, responded that they were.

Upon the motion by Regent Wingad and the second by Regent Falbo, the Committee, along with Regent Spector, unanimously approved Resolution I.2.d.2.b.

[Resolution I.2.d.2.b.]

That, upon the recommendation of the Chancellor of the University of Wisconsin-La Crosse and the President of the University of Wisconsin System, the Board of Regents approves continuation of and annual adjustments to the existing UW-La Crosse Academic Excellence Initiatives undergraduate differential tuition. Beginning in Fall 2010, the differential tuition rate will increase from \$30.36 per semester to \$60 per semester (\$120 per year). The rate will increase by 10%, to \$66 per semester (\$132 per year), in 2011-2012 and will then be adjusted by six percent annually through Fall 2014.

d.2.c. UW-Stout Access to Learning: Chancellor Sorensen presented information about UW-Stout's Access to Learning differential tuition. This differential, which was established in 1999, adds 5% to resident undergraduate and graduate tuition rates and currently amounts to \$9.48 per credit for undergraduates, and \$15.26 per credit for graduate students. The Chancellor explained that this funding supports a broad array of active learning programs that promote critical and creative thinking abilities. Students spoke about the benefits of this program and their support to continue it. The Committee unanimously approved Resolution I.2.d.2.c.

[Resolution I.2.d.2.c.]

That, upon the recommendation of the Chancellor of the University of Wisconsin-Stout and the President of the University of Wisconsin System, the Board of Regents approves the continuation of the Access to Learning differential tuition program at UW-Stout.

d.2.d. UW-Stout Customized Instruction: Chancellor Sorensen presented the Committee with information about UW-Stout's Customized Instruction Program. This program was also established in 1999, and allows UW-Stout the flexibility to charge market rates for customized programs, certificates, and courses developed to meet market needs. Chancellor Sorensen explained that these customized instruction programs are typically offered in an alternative delivery format (i.e., summer, evenings, or weekends) and do not detract from the instruction provided to the core student population of the university. The intent is to serve business and industry by providing timely training and professional development opportunities to refresh, upgrade, or provide new skills and knowledge.

Chancellor Sorensen explained that Customized Instruction provides UW-Stout the ability to establish competitive and market-responsive program pricing. Additionally, the ability to charge more than standard tuition rates for these programs allows UW-Stout to provide quality education and to customize programs to industry needs.

The Committee unanimously approved Resolution I.2.d.2.d.

[Resolution I.2.d.2.d.]

That, upon the recommendation of the Chancellor of the University of Wisconsin-Stout and the President of the University of Wisconsin System, the Board of Regents approves the continuation of the Customized Instruction differential tuition program at UW-Stout.

e. 2009 Annual Trust Funds Report: Director Doug Hoerr presented highlights of the Annual Trust Funds Report. The trust funds are comprised of gifts and bequests made directly to a UW institution rather than their respective foundation. Director Hoerr reported that as of June 30, 2009, the funds held net assets totaling \$375.0M, down from \$430.3M at the end of the prior fiscal year. He also indicated that gifts received during the period totaled \$13.9M—up from \$11.6M received in the prior period. Disbursements to benefiting UW institutions totaled \$19.7M for the year, versus \$20.0M for the prior period. The Long-Term Fund fell 14.7% over the period, which considering the economic challenges of the year, was comparatively quite good.

f. 1. UW Strategic Plans for Major Information Technology Projects: Ed Meachen, Associate Vice President for Learning and Information Technology, indicated that the UW System IT Strategic Plan, the Common Systems Roadmap, is updated each year. The plan can be accessed at: http://cs.uwsa.edu/documents/CommonSystemsRoadmapV1_2.pdf. In addition to this overall UW System plan, each institution is required to develop a plan for its local systems and projects. Copies of the institutional plans are available on-line at: <http://www.uwsa.edu/olit/cio/ITplans/>

f.2. Project Status Report for Major Information Technology Projects: This report is required by state statute and is to be provided to the Legislature's Joint Committee on Information Policy and Technology by March 1st and September 1st of each year. Associate Vice President Meachen explained the status of three of the four major IT projects currently underway within the UW System. Those projects include:

- The Student Information System at UW-Eau Claire
- The Identity and Access Management Project
- The Legacy Budget Project

Associate Vice President Meachen indicated that these major projects are generally on target with respect to schedule, scope, and budget.

g. Status Update on Human Resources System (HRS): Senior Vice President for Administration and Fiscal Affairs Tom Anderes presented information on the current status of the UW System Human Resources System project. He reported that due to staff shortages, the Technical Development area is slightly behind schedule—but the other key areas are on schedule. Mr. Anderes reviewed a chart reflecting year-to-date expenditures by key project areas. He explained that due to unfilled positions, less money has been spent to date, but the money will be spent after the positions are filled. In regards to the budget, he reported that expenditures are at or below the plan.

h.1. Review of 2009-10 Source of Funds by UW System Institutions: Lynn Paulson, Assistant Vice President for Budget and Planning, presented an overview of key schedules in the UW System Annual Budget (Redbook) document. He also presented members of the Committee with a CD which contains all four volumes of the UW System budget.

h.2. Report on Quarterly Gifts, Grants, and Contracts (2nd Quarter): Vice President Debbie Durcan reported that total gifts, grants, and contracts awarded for the first 6 months of the year were \$892.0M, an increase of \$106.1 M from the comparable period of the previous year. She also reported that the total funding to date from the American Recovery and Reinvestment Act was \$94M.

h.3. Overview of 2011-13 Biennial Budget Timeline: Senior Vice President Tom Anderes presented information on the timing of budget development activity for the UW System 2011-13 budget proposal which will be submitted to the Governor in September.

i. Report of the Senior Vice President: Senior Vice President Tom Anderes reported that no mid-year budget rescissions have been announced as of yet.

j. Minutes from December 9, 2009 Meeting: Upon the motion of Regent Falbo and the second of Regent Wingad, the Committee unanimously approved the minutes of the December 9, 2009 meeting of the Business, Finance, and Audit Committee.

k. Additional items: No additional items were presented to the Committee.

I. Closed session to consider trust fund matters as permitted by Wis. Stats. S.19.85(1)(e)
It was deemed unnecessary for the Committee to meet in closed session.

The Business, Finance, and Audit Committee meeting adjourned at 5:10 p.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Zayda R. Back". The signature is written in a cursive style with a large, looping initial "Z".

Zayda R. Back
Recording Secretary