

MINUTES

**Business, Finance, and Audit Committee
February 10, 2011
Room 1920 Van Hise Hall
Madison, Wisconsin**

Annual Investment Forum: The Business, Finance, and Audit Committee convened at 9:30 a.m. Present were: Regents Brent Smith, Michael Falbo, David Walsh, Aaron Wingad, and Betty Womack. The forum is an annual opportunity for faculty, staff, students, and the general public to provide comments on the investments held by the University Trust Funds. Two people had registered to speak, but they did not show, and no other speakers attended. Upon the motion of Regent Walsh and the second of Regent Falbo, the meeting adjourned at 9:50 a.m.

Joint Meeting with the Capital Planning and Budget Committee: The Business, Finance, and Audit Committee met jointly with the Capital Planning and Budget Committee at 1:00 p.m. in Room 1920 Van Hise Hall, on the UW-Madison campus. See Capital Planning and Budget minutes for a summary of that meeting.

The Business, Finance, and Audit Committee reconvened at 1:38 p.m. in Room 1920 Van Hise Hall. Present were Regents Brent Smith, Michael Falbo, David Walsh, Aaron Wingad, and Betty Womack; Regent Mark Bradley participated by phone.

a. 2010 Annual Financial Report and Auditor's Opinion: Julie Gordon, Associate Vice President for Financial Administration, presented summary information from the UW System's 2010 Annual Financial Report. This published report is prepared using generally accepted accounting principles, and includes an unqualified audit opinion from the Legislative Audit Bureau, along with all standard higher education financial statements. According to the report, state support decreased from the previous year by \$37.7 million, tuition revenue increased by \$73.1 million, federal grants and contracts increased by \$80 million, state, local, and private grants and contracts increased by \$66.8 million and gifts decreased by \$17.8 million. Associate Vice President Gordon reported that for the first time in the last 10 years, state appropriations were less than tuition and fees. State appropriations currently comprise less than one-quarter of the total revenue (20.9%). Tuition and fees represent 21.7%.

The financial report included a clean, or "unqualified", opinion from State Auditor Jan Mueller and the Legislative Audit Bureau (LAB). Financial Audit Director Carolyn Stittleburg from LAB said it identified several technical accounting issues to be addressed by the UW System. Responding to a question from Regent Michael Falbo, Senior Vice President Michael Morgan told the Committee that a follow-up report on how the accounting issues have been addressed will be provided to the Committee at their April meeting. The 2010 Annual Financial Report can be accessed at: <http://www.uwsa.edu/fadmin/finrep/afr.htm>.

b. 2010 Annual Trust Funds Report: Senior Portfolio Analyst Tom Reinders presented highlights of the 2010 Annual Trust Funds Report. These funds are comprised of gifts and bequests made directly to the UW institutions, rather than to their respective foundations. Mr. Reinders reported that as of June 30, 2010, there was \$288.6 million in the Long-Term Fund, \$78 million in the Intermediate Term Fund, and \$42.7 million in the Income Fund, totaling \$409.3 million—which is up from \$375 million at the same time last year. He noted that the Long-term fund returned 12%, and Gifts totaled \$6.6 million. The complete report can be accessed at <http://www.uwsa.edu/tfunds/inv.htm>.

c. Review and Adjustment of UW-River Falls Falcon Promise Differential Tuition: Chancellor Dean Van Galen summarized the benefits of the current differential tuition, then presented information about the Falcon Promise Proposal. Chancellor Van Galen explained that the overall goal is to improve student retention and student success. He indicated that the change would be phased in over three years and would increase the differential from \$72 to \$100 per year in 2011-12, \$130 per year in 2012-13, and \$160 per year in 2013-14 when it is fully implemented. Chancellor Van Galen highlighted the key areas of focus for this differential including: Expanded Tutoring; Undergraduate Research Opportunities; Enhanced Learning Spaces; and the Falcon Scholars scholarship program for study abroad and/or undergraduate research. Past Student Senate President Leigh Monson talked about the timeline and student consultation process and changes made to the proposal due to input from the students. Upon the motion of Regent Wingad and the second of Regent Walsh, the Committee unanimously approved Resolution I.2.c.1.

[Resolution I.2.c.1.]

That, upon the recommendation of the Chancellor of the University of Wisconsin-River Falls and the President of the University of Wisconsin System, the Board of Regents approves the expansion of the UW-River Falls undergraduate differential tuition beginning in Fall 2011. The increase to the differential will be phased in over three years. For full-time resident and nonresident undergraduate students, the differential will increase from \$72 per year to \$100 per year in 2011-12; \$130 per year in 2012-13; and \$160 per year in 2013-14. The differential will be prorated for part-time students.

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

I.2.c.2. UW-Superior Experience Differential Tuition: Interim Chancellor Chris Markwood addressed the Committee and reviewed the request for approval for an increase to the *UW-Superior Experience* undergraduate differential tuition program, effective Fall 2011. The requested change would increase the institution's current differential from \$207 per year to \$237 per year. Key areas of focus for this differential include renewing the existing differential for the Jim Dan Hill Library and Career Services, and adding the new component for Technology Enhancements (\$15.00/semester). Upon the motion of Regent Wingad and the second of Regent Walsh, the Committee unanimously approved Resolution I.2.c.2.

[Resolution I.2.c.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 the expansion of the UW-Superior undergraduate differential tuition beginning in Fall 2011.

The differential will increase from \$103.50 per semester (\$207.00 per year) to \$118.50 per semester (\$237.00 per year). The differential tuition will include resident and nonresident undergraduate students. The differential will be prorated for part-time students.

The outcomes of the proposed differential will be presented to the Board of Regents for review in four years (2015).

I.2.c.3. UW-Superior Natural Sciences Differential Tuition: Interim Chancellor Markwood also asked for approval of a new undergraduate program differential tuition at the institution. The proposed differential would add a \$12 per credit charge to all courses in the UW-Superior Department of Natural Sciences beginning in Fall 2011. This differential would replace all special course fees in the Natural Sciences and would be used to support laboratory supplies, equipment and equipment maintenance, and student field trip experiences. Student Government President Jessica Duffy, and Joe Stinson representing graduate students, spoke about the student consultation process for the differentials. Upon the motion of Regent Walsh and the second of Regent Wingad, the Committee approved Resolution I.2.c.3.

[Resolution I.2.c.3.]

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 the implementation of a per-credit differential tuition on courses in the UW-Superior Department of Natural Sciences beginning in Fall 2011.

The differential will be \$12.00 per credit and will be charged to resident and nonresident undergraduate students. The differential will apply regardless of the tuition plateau.

The outcomes of the proposed differential will be presented to the Board of Regents for review in four years (2015).

I.2.d.1. Operations Review and Audit - Discussion of the 2011 Plan: Assistant Director Joshua Smith discussed the process by which the audit plan is established before he presented the proposed 2011 Review and Audit Plan. He reported that the major topics for review in the Plan are: Undergraduate Academic and Career Advising, Social Media, Employee Wellness Programs, Follow-up Review on Policies Affecting Students With Learning Disabilities, NCAA Financial Reporting at UW-Milwaukee and UW-Green Bay, WUWM FM 89.7 Financial Statements Audit, and NCAA Division III Programs. UW-River Falls' Internal Auditor Richard

Stinson then provided the Committee with highlights of the planning activities underway at the UW-River Falls campus.

I.2.d.2. Operations Review and Audit - Student Involvement and Consultation in the Allocation of Segregated University Fees: Assistant Director Smith also discussed highlights of a recently-completed review of student involvement and consultation in the allocation of segregated university fees. Regent Wingad indicated the document has been shared with student leaders and stated that it will be a helpful tool to understand the role of students at each campus.

I.2.e.1. UW Strategic Plans for Major Information Technology Projects: As prescribed in 2007 Wisconsin Act 20, the Board of Regents is required to create a reporting format for the UW System and each of the University of Wisconsin institutions strategic information technology plans. The strategic plans are to be provided to the Board by March 1 and September 1 of each year. Ed Meachen, Associate Vice President for Learning and Information Technology, presented a brief overview of the UW System IT Strategic Plan, entitled *The Common Systems Roadmap*. A copy of the full plan can be accessed at: <http://cs.uwsa.edu/documents/default.aspx>. In addition to this overall UW System plan, each institution is required to develop a plan for its local systems and projects. Copies of those plans can be accessed at: <http://www.uwsa.edu/olit/cio/ITplans/>.

I.2.e.2. Project Status Report for Major Information Technology Projects: Associate Vice President Meachen also presented progress reports on the three major IT projects currently underway within the UW System. 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 1 and September 1 of each year. The major projects include: the Student Information System at UW-Eau Claire; the Legacy Budget System project; and the Oracle/PeopleSoft Human Resource System. Associated Vice President Meachen reported that all three major projects are generally on target with respect to schedule, scope, and budget.

f.1. Approval of the Minutes of the December 9, 2010 Meeting: Upon the motion of Regent Wingad and the second of Regent Walsh, the Committee unanimously approved the minutes of the December 9, 2010 meeting of the Business, Finance, and Audit Committee.

f.2. Report on Quarterly Gifts, Grants, and Contracts (2nd Quarter): Vice President Debbie Durcan reported that total gifts, grants, and contracts for the period were \$855.5 million, which was a decrease of \$36.5 million over the same period in the prior year. She also reported that federal awards decreased \$6.8 million and non-federal awards decreased \$29.7 million.

f.3. Update on Non-resident Tuition Programs and Reauthorization of the Return to Wisconsin Program: Lynn Paulson, Assistant Vice President for Budget and Planning, presented a brief update on Board-approved special tuition programs for nonresident students which were put in place in response to a precipitous drop in non-resident students in the early to mid-2000's. These programs include the Tri-State Initiative, the Midwest Student Exchange Program, and the Return to Wisconsin Program. The Tri-State Initiative allows UW-Platteville incoming freshmen students enrolling through the Tri-State Initiative to pay resident tuition and fees plus a \$4,000 premium. The Midwest Student Exchange Program, an interstate initiative

established by the Midwestern Higher Education Compact, provides an opportunity for nonresident students from participating states to attend UW System institutions at a reduced rate on a space available basis. Students who are enrolled in the program are charged 150 percent of the in-state resident tuition rate. The Return to Wisconsin Program allows nonresident children and/or grandchildren of alumni to attend selected UW institutions at a discounted rate. This program was due for its three-year review by the Board. Since the pilot has been a success, the Board agreed to make the Return to Wisconsin Program permanent and open it up to other interested UW System institutions. Upon the motion of Regent Walsh and the second of Regent Wingad, the Committee unanimously approved Resolution I.2.f.3.

[Resolution I.2.f.3.]

Whereas, the Board of Regents approved the Return to Wisconsin tuition program in November 2003 as a pilot program to offer discounted tuition to children of alumni who reside out of state; and

Whereas, the Board of Regents approved a three year extension to the Return to Wisconsin pilot program in April 2007; and

Whereas, the Return to Wisconsin tuition program:

- Provides a modest increase in funding to support Wisconsin resident students without additional GPR appropriations;
- Attracts high quality undergraduate students without displacing Wisconsin resident students;
- Addresses “brain gain” interests by increasing the number of high quality students coming to Wisconsin for their education and potentially staying for their careers;
- Increases the geographic diversity of the student body to enrich the educational experience of all; and
- Creates stronger ties with alumni, possibly resulting in greater future giving; and

Whereas, the Return to Wisconsin pilot has been a success, enrolling 97 nonresident children and/or grandchildren of alumni in 2009-10 and 95 in 2010-11 at UW-Eau Claire, UW-Green Bay, UW-La Crosse, UW-Oshkosh, UW-Parkside, UW-River Falls, UW-Stevens Point, and UW-Whitewater;

Therefore, be it resolved that, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents makes the Return to Wisconsin tuition program permanent, and permits other UW System institutions to participate in the program if they so choose.

f.4. Authorization to Recruit a Limited Appointee (Dean of the Law School) at UW-Madison at a Salary Above 75% of the UW System President’s Salary: Upon the motion of Regent Falbo and the second of Regent Wingad, the Committee approved Resolution I.2.f.4.

[Resolution I.2.f.4.]

That, upon recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, UW-Madison be authorized to recruit for a Dean of the Law School at a salary that may exceed 75% of the UW System President's current salary.

Further, the Board of Regents authorizes the President of the University of Wisconsin System to approve the appointment and the salary for this position.

f.5. Authorization to Recruit a Limited Appointee (Dean of the School of Business) at UW-Madison at a Salary Above 75% of the UW System President's Salary: Upon the motion of Regent Falbo and the second of Regent Wingad, the Committee unanimously approved Resolution I.2.f.5.

[Resolution I.2.f.5.]

That, upon recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, UW-Madison be authorized to recruit for a Dean of the School of Business at a salary that may exceed 75% of the UW System President's current salary.

Further, the Board of Regents authorizes the President of the University of Wisconsin System to approve the appointment and the salary for this position.

f.6. Approval to Submit Rules to the Legislature: Revisions to Wisconsin Administrative Code Chapter 19 Relating to Reinstatement Period for Sick Leave Benefits: Deputy General Counsel Chris Ashley reported that the proposed amendments would change the sick leave reinstatement period for unclassified employees who leave and then return to employment in the UW System from three to five years to be consistent with the current policy established by the State of Wisconsin for classified staff. Upon the motion of Regent Wingad and the second of Regent Walsh, the Committee unanimously approved Resolution I.2.f.6.

[Resolution I.2.f.6.]

That, upon the recommendation of the President of the University of Wisconsin System, the proposed rule amending Chapter UWS 19, Wis. Admin. Code, is hereby approved, together with the "Report to the Legislature, Clearinghouse Rule 10-104," and that the Secretary of the Board of Regents, pursuant to s. 227.19, Wis. Stats., notify the presiding officer of each house of the Legislature that the proposed rule is in final draft form, and cause a statement to appear in the Wisconsin Administrative Register that said proposed rule has been submitted to the presiding officer of each house of the Legislature.

g. Status Update on Human Resource System: Senior Vice President for Administration Michael Morgan provided an update on the current status of the UW System Human Resource System (HRS) project. He reported that the project is on time and on budget, and that a

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comprehensive readiness assessment is in place to ensure all aspects of the project are ready for the expected launch in April of this year. Associate Vice President Ed Meachen indicated that all campuses are participating in the testing, and that staff who will be working with the HRS are providing important feedback for the success of the project. Senior Vice President Morgan reviewed the detailed components of the readiness assessment along with several of the key dates. He noted the new Human Resource System will provide greater functionality and flexibility, but incorporates some changes in the current business processes.

h. Report of the Senior Vice President: Senior Vice President Morgan had no additional items to report.

i. 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 Walsh and the second of Regent Wingad, the Business, Finance, and Audit Committee adjourned at 4:08 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 typed name.

Zayda R. Back
Recording Secretary