

05/29/13

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business, Finance, and Audit Committee

Thursday, June 6, 2013  
UW-Milwaukee Union  
Ballroom West  
Milwaukee, Wisconsin

2:00 p.m. Business, Finance, and Audit Committee – Union, Ballroom West

- a. Committee Business
  1. Approval of the Minutes of the April 4, 2013 Meeting of the Business, Finance, and Audit Committee
  2. Quarterly Report of Gifts, Grants, and Contracts (3<sup>rd</sup> Quarter)
  
- b. Discussion and Approval of the 2013-15 Pay Plan Recommendation for UW System Employees  
[Resolution I.2.b.]
  
- c. Discussion on UW System Program Revenue Balances
  
- d. Discussion on Pricing and Term Lengths for the UW Flexible Option
  
- e. Operations Review and Audit Status Update
  
- f. Human Resource System Update
  
- g. Report of the Senior Vice President

## **QUARTERLY REPORT OF GIFTS, GRANTS, AND CONTRACTS JULY 1, 2012 THROUGH MARCH 31, 2013**

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

Prior to 1993, the Board of Regents had been presented a detailed listing of all gift, grant, and contract awards received in the previous month. This reporting protocol was deemed overly labor intensive and information presented was easily misinterpreted. Very few gifts are given directly to the University; the vast majority of gift items listed in these reports represented a pass-through of funds raised by UW Foundations. In addition, reported grant and contract awards frequently span several years, making the monthly figures reported somewhat misleading to the uninformed reader.

In February 1993, the Board adopted a plan for summary reporting on a monthly basis, delegating to the UW System Vice President for Finance acceptance of contracts with for-profit entities where the consideration involved was less than \$200,000. Contracts in excess of \$200,000 were required to come to the Board prior to execution. This \$200,000 threshold was increased to \$500,000 at the Board's September 4, 1997 meeting.

At this same September 4, 1997 meeting, it was noted that, while the monthly summary reporting from UW institutions will continue, the Vice President for Finance will present the information to the Board on a quarterly, rather than monthly, basis. These quarterly summary reports have been presented to the Business, Finance, and Audit Committee since that time and have generally been accompanied by a brief explanation of significant changes.

#### **REQUESTED ACTION**

No action is required; this item is for information only.

#### **DISCUSSION**

Attached is a summary report of gifts, grants, and contracts awarded to University of Wisconsin System institutions in the nine-month period July 1, 2012 through March 31, 2013. Total gifts, grants, and contracts for the period were approximately \$1.1 billion; this is a decrease of \$49.0 million from the same period in the prior year. Federal awards decreased \$30.6 million while non-federal awards decreased by \$18.4 million.

#### **RELATED REGENT POLICIES**

Regent Resolution Number 7548, dated September 4, 1997

UNIVERSITY OF WISCONSIN SYSTEM  
 GIFTS, GRANTS AND CONTRACTS AWARDED  
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON  
 FISCAL YEAR 2012-2013 (3rdQuarter)

FISCAL YEAR 2012-2013	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
<b>Total</b>	<b>85,950,023</b>	<b>49,066,264</b>	<b>9,892,943</b>	<b>93,710,690</b>	<b>18,720,872</b>	<b>681,203,087</b>	<b>192,414,553</b>	<b>1,130,958,433</b>
<b>Federal</b>	<b>53,840,462</b>	<b>28,798,157</b>	<b>0</b>	<b>8,399,171</b>	<b>(8,302)</b>	<b>442,839,925</b>	<b>180,120,523</b>	<b>713,989,936</b>
<b>Nonfederal</b>	<b>32,109,561</b>	<b>20,268,106</b>	<b>9,892,943</b>	<b>85,311,520</b>	<b>18,729,174</b>	<b>238,363,163</b>	<b>12,294,030</b>	<b>416,968,497</b>
<b>FISCAL YEAR 2011-2012</b>								
<b>Total</b>	<b>98,352,843</b>	<b>44,527,916</b>	<b>2,568,372</b>	<b>83,201,731</b>	<b>43,318,543</b>	<b>716,454,910</b>	<b>191,573,329</b>	<b>1,179,997,645</b>
<b>Federal</b>	<b>62,225,649</b>	<b>25,112,245</b>	<b>0</b>	<b>10,398,232</b>	<b>915,523</b>	<b>467,012,903</b>	<b>178,925,298</b>	<b>744,589,850</b>
<b>Nonfederal</b>	<b>36,127,194</b>	<b>19,415,671</b>	<b>2,568,372</b>	<b>72,803,499</b>	<b>42,403,020</b>	<b>249,442,008</b>	<b>12,648,030</b>	<b>435,407,795</b>
<b>INCREASE(DECREASE)</b>								
<b>Total</b>	<b>(12,402,820)</b>	<b>4,538,348</b>	<b>7,324,571</b>	<b>10,508,959</b>	<b>(24,597,671)</b>	<b>(35,251,824)</b>	<b>841,225</b>	<b>(49,039,212)</b>
<b>Federal</b>	<b>(8,385,187)</b>	<b>3,685,912</b>	<b>0</b>	<b>(1,999,062)</b>	<b>(923,825)</b>	<b>(24,172,978)</b>	<b>1,195,225</b>	<b>(30,599,914)</b>
<b>Nonfederal</b>	<b>(4,017,633)</b>	<b>852,436</b>	<b>7,324,571</b>	<b>12,508,021</b>	<b>(23,673,846)</b>	<b>(11,078,846)</b>	<b>(354,000)</b>	<b>(18,439,297)</b>

UNIVERSITY OF WISCONSIN SYSTEM  
 GIFTS, GRANTS AND CONTRACTS AWARDED - BY INSTITUTION  
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON  
 FISCAL YEAR 2012-2013 (3rd Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
<b>FISCAL YEAR 2012-2013</b>								
Madison	32,609,781	33,104,673	9,876,526	79,185,291	18,631,466	645,845,737	34,379,999	853,633,473
Milwaukee	7,261,571	4,045,791	13,200	5,653,498	0	22,229,051	36,916,483	76,119,594
Eau Claire	173,737	1,590,759	0	0	0	530,744	12,760,420	15,055,660
Green Bay	39,241	1,828,605	0	372,629	0	1,751,240	5,475,721	9,467,436
La Crosse	631,396	104,629	0	1,183,415	0	1,823,034	9,534,819	13,277,293
Oshkosh	959,579	6,390,709	0	0	0	2,146,020	7,464,102	16,960,410
Parkside	1,027,710	789,611	0	26,840	15,504	123,409	8,736,183	10,719,257
Platteville	606,645	54,901	0	32,313	0	986,229	10,010,907	11,690,995
River Falls	474,378	48,725	3,217	1,349,936	6,000	305,174	3,841,297	6,028,727
Stevens Point	2,670,649	298,168	0	1,250,284	0	1,580,879	14,546,270	20,346,250
Stout	1,940,434	189,040	0	2,148,670	425	589,391	11,306,564	16,174,524
Superior	106,800	0	0	782,443	0	582,363	2,498,615	3,970,221
Whitewater	1,905,013	42,245	0	870,348	67,477	357,260	14,441,782	17,684,125
Colleges	13,825	555,499	0	845,994	0	232,699	20,501,391	22,149,408
Extension	35,529,264	0	0	0	0	247,105	0	35,776,369
System-Wide	0	22,910	0	9,030	0	1,872,752	0	1,904,692
<b>Totals</b>	<b>85,950,023</b>	<b>49,066,264</b>	<b>9,892,943</b>	<b>93,710,690</b>	<b>18,720,872</b>	<b>681,203,087</b>	<b>192,414,553</b>	<b>1,130,958,433</b>
Madison	28,823,703	16,066,762	0	1,716,944	(8,302)	415,539,040	24,768,131	486,906,279
Milwaukee	4,684,174	3,165,916	0	1,896,862	0	18,082,784	36,841,003	64,670,738
Eau Claire	138,506	1,299,353	0	0	0	289,890	12,757,485	14,485,234
Green Bay	35,502	1,321,145	0	20,045	0	1,644,496	5,281,061	8,302,249
La Crosse	369,128	103,879	0	1,006,981	0	455,554	9,416,305	11,351,847
Oshkosh	861,468	5,562,274	0	0	0	1,777,100	7,464,102	15,664,944
Parkside	1,026,885	581,474	0	0	0	0	8,651,742	10,260,101
Platteville	489,223	31,947	0	0	0	831,505	10,010,907	11,363,582
River Falls	430,123	0	0	903,810	0	264,399	3,815,797	5,414,129
Stevens Point	117,668	0	0	423,915	0	542,598	14,400,654	15,484,835
Stout	1,550,092	93,442	0	1,053,478	0	549,998	10,981,425	14,228,435
Superior	106,800	0	0	762,340	0	200,000	2,498,615	3,567,755
Whitewater	1,899,756	10,849	0	317,530	0	323,954	13,405,165	15,957,254
Colleges	5,700	553,207	0	297,266	0	218,750	19,828,131	20,903,054
Extension	13,301,734	0	0	0	0	247,105	0	13,548,839
System-Wide	0	7,910	0	0	0	1,872,752	0	1,880,662
<b>Federal Totals</b>	<b>53,840,462</b>	<b>28,798,157</b>	<b>0</b>	<b>8,399,171</b>	<b>(8,302)</b>	<b>442,839,925</b>	<b>180,120,523</b>	<b>713,989,936</b>
Madison	3,786,078	17,037,911	9,876,526	77,468,346	18,639,768	230,306,697	9,611,868	366,727,194
Milwaukee	2,577,397	879,875	13,200	3,756,636	0	4,146,267	75,480	11,448,855
Eau Claire	35,231	291,406	0	0	0	240,854	2,935	570,426
Green Bay	3,739	507,460	0	352,584	0	106,745	194,660	1,165,187
La Crosse	262,268	750	0	176,434	0	1,367,480	118,514	1,925,446
Oshkosh	98,111	828,435	0	0	0	368,920	0	1,295,466
Parkside	825	208,137	0	26,840	15,504	123,409	84,441	459,156
Platteville	117,422	22,954	0	32,313	0	154,724	0	327,413
River Falls	44,255	48,725	3,217	446,126	6,000	40,775	25,500	614,598
Stevens Point	2,552,981	298,168	0	826,369	0	1,038,281	145,616	4,861,415
Stout	390,342	95,598	0	1,095,192	425	39,393	325,139	1,946,089
Superior	0	0	0	20,103	0	382,363	0	402,466
Whitewater	5,258	31,396	0	552,818	67,477	33,306	1,036,617	1,726,871
Colleges	8,125	2,292	0	548,728	0	13,949	673,260	1,246,354
Extension	22,227,530	0	0	0	0	0	0	22,227,530
System-Wide	0	15,000	0	9,030	0	0	0	24,030
<b>Nonfederal Totals</b>	<b>32,109,561</b>	<b>20,268,107</b>	<b>9,892,943</b>	<b>85,311,519</b>	<b>18,729,174</b>	<b>238,363,162</b>	<b>12,294,030</b>	<b>416,968,497</b>

UNIVERSITY OF WISCONSIN SYSTEM  
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	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
<b>FISCAL YEAR 2011-2012</b>								
Madison	28,682,473	28,781,576	2,516,533	67,461,065	43,252,497	680,611,352	30,164,453	881,469,950
Milwaukee	8,813,641	5,258,564	40,561	4,827,780	0	22,767,693	38,509,808	80,218,045
Eau Claire	1,297,372	1,581,267	0	0	0	641,670	12,760,637	16,280,946
Green Bay	4,100	924,165	4,159	1,027,287	1,000	1,274,406	9,646,159	12,881,276
La Crosse	370,007	127,963	0	1,163,057	0	1,450,467	9,208,002	12,319,496
Oshkosh	1,476,456	5,605,847	0	0	0	2,782,579	14,274,787	24,139,669
Parkside	257,111	177,011	0	17,495	0	529,436	200,400	1,181,453
Platteville	317,294	94,806	0	366,105	0	822,909	9,430,205	11,031,319
River Falls	861,125	2,330	6,120	1,360,772	22,194	125,591	3,939,116	6,317,248
Stevens Point	2,069,169	440,504	0	987,763	0	2,101,582	13,820,900	19,419,918
Stout	2,125,351	278,876	0	1,820,325	0	1,197,028	11,413,769	16,835,349
Superior	30,469	0	0	896,198	0	1,746,420	2,558,647	5,231,734
Whitewater	2,602,335	208,428	0	1,517,704	42,852	298,974	14,499,401	19,169,694
Colleges	4,275	9,116	1,000	1,644,626	0	336	21,147,045	22,806,398
Extension	49,441,666	0	0	0	0	0	0	49,441,666
System-Wide	0	1,037,463	0	111,553	0	104,468	0	1,253,483
<b>Totals</b>	<b>98,352,843</b>	<b>44,527,916</b>	<b>2,568,372</b>	<b>83,201,731</b>	<b>43,318,543</b>	<b>716,454,910</b>	<b>191,573,329</b>	<b>1,179,997,645</b>
Madison	24,838,998	12,243,731	0	1,684,193	915,523	438,969,862	20,667,312	499,319,618
Milwaukee	5,625,837	3,836,583	0	1,494,882	0	18,942,223	38,426,107	68,325,632
Eau Claire	745,002	1,542,658	0	0	0	484,670	12,757,792	15,530,122
Green Bay	2,000	694,933	0	694,419	0	948,221	9,484,151	11,823,724
La Crosse	155,576	103,794	0	968,161	0	759,709	8,912,840	10,900,080
Oshkosh	907,908	5,344,019	0	0	0	2,484,407	14,274,787	23,011,121
Parkside	15,000	0	0	0	0	384,203	0	399,203
Platteville	301,115	0	0	366,105	0	635,054	9,430,205	10,732,479
River Falls	547,544	0	0	878,173	0	99,947	3,913,870	5,439,534
Stevens Point	32,065	110,540	0	409,568	0	1,008,448	13,820,900	15,381,521
Stout	1,835,895	171,214	0	1,078,736	0	1,105,482	11,088,705	15,280,032
Superior	30,469	0	0	752,615	0	936,565	2,558,647	4,278,296
Whitewater	2,530,306	27,310	0	853,787	0	199,994	13,236,504	16,847,901
Colleges	0	0	0	1,217,594	0	336	20,353,478	21,571,408
Extension	24,657,934	0	0	0	0	0	0	24,657,934
System-Wide	0	1,037,463	0	0	0	53,782	0	1,091,245
<b>Federal Totals</b>	<b>62,225,649</b>	<b>25,112,245</b>	<b>0</b>	<b>10,398,232</b>	<b>915,523</b>	<b>467,012,903</b>	<b>178,925,298</b>	<b>744,589,850</b>
Madison	3,843,476	16,537,845	2,516,533	65,776,873	42,336,974	241,641,490	9,497,141	382,150,332
Milwaukee	3,187,804	1,421,981	40,561	3,332,898	0	3,825,471	83,701	11,892,414
Eau Claire	552,370	38,609	0	0	0	157,000	2,845	750,824
Green Bay	2,100	229,232	4,159	332,868	1,000	326,185	162,008	1,057,551
La Crosse	214,431	24,169	0	194,896	0	690,758	295,162	1,419,416
Oshkosh	568,548	261,828	0	0	0	298,172	0	1,128,547
Parkside	242,111	177,011	0	17,495	0	145,233	200,400	782,250
Platteville	16,179	94,806	0	0	0	187,855	0	298,840
River Falls	313,581	2,330	6,120	482,599	22,194	25,644	25,246	877,714
Stevens Point	2,037,104	329,964	0	578,195	0	1,093,134	0	4,038,397
Stout	289,455	107,662	0	741,589	0	91,546	325,064	1,555,316
Superior	0	0	0	143,583	0	809,855	0	953,438
Whitewater	72,028	181,118	0	663,918	42,852	98,980	1,262,897	2,321,794
Colleges	4,275	9,116	1,000	427,032	0	0	793,567	1,234,990
Extension	24,783,733	0	0	0	0	0	0	24,783,733
System-Wide	0	0	0	111,553	0	50,686	0	162,238
<b>Nonfederal Totals</b>	<b>36,127,194</b>	<b>19,415,671</b>	<b>2,568,372</b>	<b>72,803,499</b>	<b>42,403,020</b>	<b>249,442,008</b>	<b>12,648,030</b>	<b>435,407,795</b>

UNIVERSITY OF WISCONSIN SYSTEM  
 GIFTS, GRANTS AND CONTRACTS AWARDED - BY INSTITUTION  
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON  
 FISCAL YEAR 2012-2013 (3rd Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
<b>INCREASE (DECREASE)</b>								
Madison	3,927,308	4,323,097	7,359,993	11,724,225	(24,621,031)	(34,765,615)	4,215,546	(27,836,477)
Milwaukee	(1,552,070)	(1,212,773)	(27,361)	825,718	0	(538,642)	(1,593,324)	(4,098,452)
Eau Claire	(1,123,635)	9,492	0	0	0	(110,926)	(217)	(1,225,286)
Green Bay	35,141	904,440	(4,159)	(654,658)	(1,000)	476,834	(4,170,438)	(3,413,840)
La Crosse	261,389	(23,334)	0	20,358	0	372,567	326,817	957,797
Oshkosh	(516,877)	784,862	0	0	0	(636,559)	(6,810,685)	(7,179,259)
Parkside	770,599	612,600	0	9,345	15,504	(406,027)	8,535,783	9,537,804
Platteville	289,351	(39,905)	0	(333,792)	0	163,320	580,702	659,676
River Falls	(386,747)	46,395	(2,903)	(10,836)	(16,194)	179,583	(97,819)	(288,521)
Stevens Point	601,480	(142,336)	0	262,521	0	(520,703)	725,370	926,332
Stout	(184,917)	(89,837)	0	328,345	425	(607,636)	(107,205)	(660,825)
Superior	76,331	0	0	(113,756)	0	(1,164,057)	(60,032)	(1,261,514)
Whitewater	(697,321)	(166,183)	0	(647,357)	24,625	58,286	(57,619)	(1,485,570)
Colleges	9,550	546,383	(1,000)	(798,632)	0	232,362	(645,654)	(656,990)
Extension	(13,912,402)	0	0	0	0	247,105	0	(13,665,297)
System-Wide	0	(1,014,553)	0	(102,523)	0	1,768,285	0	651,209
<b>Totals</b>	<b>(12,402,820)</b>	<b>4,538,348</b>	<b>7,324,571</b>	<b>10,508,959</b>	<b>(24,597,671)</b>	<b>(35,251,824)</b>	<b>841,225</b>	<b>(49,039,212)</b>
Madison	3,984,706	3,823,031	0	32,752	(923,825)	(23,430,822)	4,100,819	(12,413,339)
Milwaukee	(941,663)	(670,667)	0	401,980	0	(859,439)	(1,585,104)	(3,654,893)
Eau Claire	(606,496)	(243,305)	0	0	0	(194,780)	(307)	(1,044,888)
Green Bay	33,502	626,212	0	(674,374)	0	696,275	(4,203,090)	(3,521,476)
La Crosse	213,552	85	0	38,820	0	(304,155)	503,465	451,767
Oshkosh	(46,440)	218,255	0	0	0	(707,307)	(6,810,685)	(7,346,178)
Parkside	1,011,885	581,474	0	0	0	(384,203)	8,651,742	9,860,898
Platteville	188,108	31,947	0	(366,105)	0	196,451	580,702	631,103
River Falls	(117,421)	0	0	25,637	0	164,452	(98,073)	(25,405)
Stevens Point	85,603	(110,540)	0	14,347	0	(465,850)	579,754	103,314
Stout	(285,803)	(77,772)	0	(25,258)	0	(555,484)	(107,280)	(1,051,597)
Superior	76,331	0	0	9,725	0	(736,565)	(60,032)	(710,541)
Whitewater	(630,550)	(16,461)	0	(536,256)	0	123,960	168,661	(890,647)
Colleges	5,700	553,207	0	(920,329)	0	218,414	(525,346)	(668,355)
Extension	(11,356,199)	0	0	0	0	247,105	0	(11,109,094)
System-Wide	0	(1,029,553)	0	0	0	1,818,970	0	789,417
<b>Federal Totals</b>	<b>(8,385,187)</b>	<b>3,685,912</b>	<b>0</b>	<b>(1,999,062)</b>	<b>(923,825)</b>	<b>(24,172,978)</b>	<b>1,195,225</b>	<b>(30,599,914)</b>
Madison	(57,397)	500,066	7,359,993	11,691,474	(23,697,206)	(11,334,793)	114,727	(15,423,138)
Milwaukee	(610,407)	(542,106)	(27,361)	423,738	0	320,797	(8,220)	(443,558)
Eau Claire	(517,139)	252,797	0	0	0	83,854	90	(180,398)
Green Bay	1,639	278,228	(4,159)	19,716	(1,000)	(219,441)	32,652	107,636
La Crosse	47,837	(23,419)	0	(18,462)	0	676,722	(176,648)	506,030
Oshkosh	(470,437)	566,607	0	0	0	70,749	0	166,919
Parkside	(241,286)	31,126	0	9,345	15,504	(21,824)	(115,959)	(323,094)
Platteville	101,243	(71,852)	0	32,313	0	(33,131)	0	28,573
River Falls	(269,326)	46,395	(2,903)	(36,473)	(16,194)	15,131	254	(263,116)
Stevens Point	515,877	(31,796)	0	248,174	0	(54,853)	145,616	823,018
Stout	100,887	(12,065)	0	353,603	425	(52,152)	75	390,773
Superior	0	0	0	(123,481)	0	(427,492)	0	(550,973)
Whitewater	(66,771)	(149,722)	0	(111,100)	24,625	(65,674)	(226,280)	(594,923)
Colleges	3,850	(6,824)	(1,000)	121,697	0	13,949	(120,307)	11,365
Extension	(2,556,203)	0	0	0	0	0	0	(2,556,203)
System-Wide	0	15,000	0	(102,523)	0	(50,686)	0	(138,208)
<b>Nonfederal Totals</b>	<b>(4,017,633)</b>	<b>852,436</b>	<b>7,324,571</b>	<b>12,508,021</b>	<b>(23,673,846)</b>	<b>(11,078,846)</b>	<b>(354,001)</b>	<b>(18,439,298)</b>

**BUSINESS, FINANCE, AND AUDIT COMMITTEE**

Resolution:

Whereas, pursuant to s. 230.12(3)(e), *Wis. Stats.*, the Board of Regents is charged with the responsibility to recommend to the Director of the Office of State Employment Relations a proposal for adjusting compensation and employee benefits for all UW System employees for the 2013-15 biennium.

Now, therefore be it resolved:

That upon the recommendation of the UW System President, and pursuant to s. 230.12(3)(e), *Wis. Stats.*, the Board of Regents directs the UW System President to transmit to the Director of the Office of State Employment Relations, currently available information on unclassified salaries for UW System peer institutions and related economic indices affecting all employees of the UW System, and request that the Director recommend to the Joint Committee on Employment Relations, effective July 1, 2013 and July 1, 2014 respectively, a salary increase for all UW System employees no less than that provided all other state employees for each year of the 2013-15 biennium funded through the state compensation reserve.

Further, the Board of Regents directs the UW System President to recommend to the Director of the Office of State Employment Relations that:

Tuition not be used to fund the state pay plan portion of this request, but rather sufficient funds be allocated from the compensation reserve for this purpose;

The UW System be authorized to adjust the academic staff salary ranges and faculty and academic staff minima by the full amount of the pay plan each year;

The salary ranges for university senior executive groups one (Vice Chancellors at non-doctoral institutions) and two (Vice Presidents) be adjusted by the full amount of the pay plan each year;

Retirement, health insurance, and supplemental sick leave conversion benefits of no less than those provided to all other state employees through the state's compensation reserve be provided to all eligible UW System employees; and

The Board be provided an opportunity to return to JCOER to request the use of institutional funds for supplemental pay plans for any or all employee categories for each year of the 2013-15 biennium for any or all UW System institutions.

## **UNIVERSITY OF WISCONSIN SYSTEM 2013-15 REGENT PAY PLAN RECOMMENDATIONS**

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

It has been the practice of the Board of Regents to consider unclassified pay plan recommendations in concert with state biennial budget planning that begins in December in even-numbered years. However, this process was delayed this biennium due to the additional authority the Governor included in his recommended 2013-15 biennial budget, at the Board of Regent's request. That authority would allow the Board of Regents to approve pay plans for all UW System employees. The Governor also added base funding to the UW's block grant budget for an amount that would allow the UW to provide the same amount that it was anticipated would be provided to all other state employees.

On May 23, 2013, the Joint Finance Committee (JFC) removed the proposed pay plan setting authority for the Regents from the biennial budget bill and moved funding for a pay plan from the UW's block grant to the state's compensation reserve, which is used to fund salary and fringe benefit increases for all state employees. The Assembly and Senate had yet to take action on the UW's budget at the time this paper was prepared.

Given the Governor's budget, and the funding that was provided to the UW in its block grant, it made sense for the Board to delay action on a pay plan until the biennial budget process had concluded. However, based on the JFC actions, the Board of Regents may now need to follow the current state law [s. 230.12(3)(e), *Wis. Stats.*], which states that the Board is required to convey to the Director of the Office of State Employment Relations (OSER) all UW System employee salary recommendations so that the Director may make pay plan recommendations to the Joint Committee on Employment Relations (JCOER). JCOER possesses the final authority to approve pay plan recommendations except for those matters which require legislative action for implementation.

This process includes the Regents advising the Governor and the Legislature of the projected salary increases needed to competitively recruit and retain faculty, academic staff, and academic leaders in time for their biennial budget deliberations. Since it is anticipated that the Legislature will complete its deliberations on the biennial budget before the Board of Regents meet again in July, the Board is being asked to approve a pay plan request at its June meeting. The UW System President will transmit the Board's 2013-15 pay plan recommendations to the OSER Director immediately following Board action.

In preparation for making pay plan recommendations to the Board of Regents, the UW System President received advice on June 1, 2012 from the Chancellors on pay plan funding to be included in 2013-15 biennial budget request, presented the 2013-15 budget proposal to the Board of Regents on August 23, 2012, and provided the Board of Regents with an overview of the timeline and goals of the 2013-15 pay plan recommendations on December 7, 2012. Those previous presentations served as a foundation for the action the UW System President will ask the Board to take on the 2013-15 Regent Pay Plan recommendations.



## REQUESTED ACTION

Approval of Resolution I.2.b.

## DISCUSSION AND RECOMMENDATIONS

The UW System President has received the advice and counsel of the Chancellors who reviewed salary data from established peer groups and national reports on faculty salaries, and examined projections of several economic indicators obtained from the U.S. Bureau of Labor Statistics, Wisconsin Economic Outlook, and the Wisconsin Department of Revenue. In addition, the Chancellors shared information on the recruitment and retention challenges they are facing in their efforts to recruit and retain the high quality faculty and staff they need to accomplish their missions.

In addition to a pay plan request, the Board of Regents also submits to OSER, for JCOER approval, a request for the authority to adjust salary ranges for academic staff, limited appointees, and several executive employee categories, as well as, the minimum salary for faculty and instructional research and academic staff (there is not a salary range upper limit for these employees). It is standard practice that these ranges are adjusted by at least the state provided pay plan amount.

### Salary Increases Needed to Reach Peer Group Medians

Reported peer salary data for 2011-12 indicated that faculty on average were 18.8% below the peer group medians. Peer institution 2012-13 salary increases have likely widened the gap. As for academic staff, when last considered for the 2007-09 biennial budget, academic staff were nearly 12% behind market median salaries. With no pay plan increases for the past five years, academic staff salaries have not kept pace with increases in cost of living or relative to peers who have received pay plan increases the past two years of 1.5% and 2.0% on average. With respect to academic leaders in senior executive salary groups, these groups are on average over 19 percent behind predicted peer group median salaries this fiscal year.

### Adjust Staff Salary Ranges by the Total Salary Increase Recommended in Pay Plan

The Regent Pay Plan request to JCOER requests the authority to adjust academic staff salary ranges by the amount of the state's pay plan. Since the academic staff title and salary range structure was established in 1986, it has been recommended that the salary ranges be adjusted by at least the full amount of any pay plan.

### Adjust Two Senior Executive Salary Ranges

The Board of Regents has authority to set the salary range for Chancellors and the System President. Salary range adjustments for Vice Presidents and non-doctoral institution Vice Chancellors and Provosts require OSER and JCOER approval. State statutes indicate that the unclassified pay plan proposal submitted by the OSER Director to JCOER "shall include the salary ranges and adjustments to the salary ranges for the university senior executive salary groups (for Vice Presidents and non-doctoral institution Vice Chancellors and Provosts)." [s. 230.12(3)(e), *Wis. Stats.*] The Board of Regents requests that OSER forward to

JCOER a proposal that includes adjusting the salary ranges for these two senior executive salary groups by at least the full amount of any pay plan.

## **Recommendations**

Under s. 36.09(1), *Wis. Stats.*, the Board of Regents is vested with the primary responsibility for the governance of the University of Wisconsin System. It is the Board's policy to promote the attraction, development, and retention of a diverse and highly qualified workforce that will effectively and efficiently pursue the missions of the UW System and each UW institution. The Regent Pay Plan and the resulting pay plan distribution policies would include:

1. compensation structures that are market-informed, performance-based, and consider internal equity;
2. the ability to reward meritorious achievement and respond to the need for pay increases for employees with solid performance;
3. the pay plan approved by JCOER, effective July 1, 2013 and July 1, 2014 respectively, which the Board requests be no less than that provided all other state employees for each year of the 2013-15 biennium funded through the state compensation reserve;
4. minimum salaries for faculty and instructional and research academic staff (there is not a salary range upper limit for these employees) as approved by JCOER;
5. salary ranges for academic staff/limited appointees as approved by JCOER; and
6. retirement, health insurance, and supplemental sick leave conversion benefits as approved by JCOER which the Regents request be no less than those provided to all other state employees through the state's compensation plan.

The Regents also ask for the authority to return to JCOER to request the use of institutional funds for supplemental pay plans to reward meritorious performance for any and all employee categories for each year of the biennium for all UW System institutions. This pay plan request will allow Chancellors some ability to recognize the contributions of UW faculty and staff and to provide modest salary increases that have not been adequately addressed for the last two biennia.

## **Oversight, Roles, and Responsibilities**

The Board of Regents has delegated to the President of the UW System or his or her designees the authority to implement and maintain pay plan distribution policies.

## **RELATED POLICIES AND APPLICABLE LAWS**

Chapter 36 of the Wisconsin Statutes  
Chapter 230 of the Wisconsin Statutes

## **PRICING AND TERM LENGTHS FOR THE UNIVERSITY OF WISCONSIN FLEXIBLE OPTION**

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

Since its announcement in June 2012, several UW institutions have been working to develop the University of Wisconsin Flexible Option, a portfolio of self-paced, competency-based degree and certificate programs that will allow students to progress toward degrees and obtain certificates by demonstrating knowledge they have acquired through prior coursework, military training, on-the-job training, and other learning experiences. Through the UW Flexible Option (UW Flex), the UW System seeks to provide another delivery option by which the citizens of Wisconsin—particularly working and/or place-bound adults—can complete a college degree or meet other higher educational goals.

Through a shared leadership model, faculty and staff at UW-Milwaukee and the UW Colleges, in partnership with the UW Flex Core Team at UW-Extension and UW System, have been working to design Flex curricular and the operational and administrative systems, policies, and procedures that will allow students to enroll in the first set of UW Flexible Options by late Fall 2013. In addition, three advisory groups have played critical roles in defining some of the academic, administrative and business, and operational parameters of the Flex Option: the Faculty and Instructional Academic Staff Advisory Group; the Administrative Advisory Group; and the Operational Advisory Group for Academic and Student Support.

While the Flex Options under development entail conversion of existing academic programs at UW institutions into competency-based delivery modes, the UW System's regional accreditor, the Higher Learning Commission (HLC), is requiring a separate approval process before any Flex Options can be offered to students. UW-Milwaukee and UW Colleges (the degree-granting institutions for Cohort I) are working with HLC as part of a pilot project to determine how HLC will accredit direct-assessment (i.e., non-credit-based models), competency-based programs (degree, diploma, or certificate). On May 15, UW-Milwaukee and the UW Colleges submitted formal "substantive change applications," and expect to hear back from HLC sometime in July as to the results of their applications. Once HLC addresses accreditation, the participating UW institutions may apply to the Secretary of Education for authorization to award federal financial aid to students enrolled in the Flex Option. The Department of Education announced its approval process for competency-based programs in March 2013.

The Board of Regents has received regular updates on the development of the UW Flexible Option since its announcement, including a comprehensive status report at its April meeting. In June, the Business, Finance, and Audit Committee will discuss the proposed pricing structure for UW Flex, along with an update on the Business Plan. At its July meeting, the Board of Regents will be asked to endorse the UW Flexible Option pricing structure for Fall 2013. The existing

policy on distance education pricing allows UW-Extension to change/modify pricing in order to respond to market needs.

## **REQUESTED ACTION**

For discussion only; no action is required.

## **DISCUSSION**

### **Proposed Pricing and Term Length**

The UW Flex Core Team has worked extensively to determine the appropriate pricing and term length for UW Flexible Option programs. The proposed approach for 2013-14 is to utilize two pricing options:

- an “all-you-can-learn” option based on a three-month term at \$2,250/term; and
- an “assessment-only” option offered at a “cost-plus” fixed price.

Under the “all-you-can-learn” options, students will have access to advising, tutoring, and other student services, as well as financial aid. Students will also be able to take multiple assessments during the term. These services will not be available under the “assessment-only” option, under which a student will enroll, take the assessment, and be graded based on the assessment, with no other access to services.

This pricing was derived through discussions with the UW Flex Administrative Advisory Group, analysis of tuitions for traditional UW programs across the System, and a review of tuition pricing of other competency-based programs (e.g., Western Governor’s University, Southern New Hampshire University). In addition, the Hiebing Group, a Wisconsin integrated marketing Company with clients that include Fortune 500 companies such as American Family Insurance and Coca-Cola, conducted market testing for the term length and the proposed tuition pricing on potential students.

The market survey conducted by the Hiebing Group indicates that there is high interest in the Flexible Option among potential students, and that two pricing options—the “assessment-only” and the “all-you-can-learn” options—were preferred. Based on this research, an earlier “per course” pricing option has been eliminated. In addition, the survey revealed that a price between \$2,000 and \$3,000 per term was viewed as a good value by potential students, with interest and projected enrollments starting to decline at price levels exceeding \$3,000.

The “all-you-can-learn” pricing model will be available to students upon formal launch of Flex programs in late 2013. The Fall 2013 price for “all-you-can-learn” option is based on the survey conducted by the Hiebing Group and, assuming three terms (nine months of study) per year, will approximate resident undergraduate tuition rates (three terms at \$2,250/term = \$6,750). The

2012-13 weighted average tuition (only) for resident undergraduates is \$7,222 (for tuition & fees it is \$8,320).

It is difficult to project the time-to-program or –degree completion for students who will enroll in UW Flexible Option programs. Program/degree completion averages 2.6 years at Western Governors University, which uses a delivery model similar to the Flex Option; students at this institution typically enter with some college credits. Given the unique nature of the Flex Option, the time-to-degree will vary greatly based on each student’s prior experience, assessment of prior learning, and motivation (the number of competencies completed within a term). It is anticipated that many Flex students will enter their programs with some college credit, and some will have the ability to move through program assessments to demonstrate mastery of competencies fairly quickly. Others will need more time and support. Therefore, similar to students at Western Governors, some students enrolled in the Flex Option will graduate in three years. On the other hand, based on average number of competencies required for individual Flex programs, many students should be able to complete their programs in seven to eight terms, i.e., in 21 to 24 months.

The pricing recommendation for the “assessment-only” option is still being evaluated. The recommended price will be based on estimates of staffing, services and other expenses, which are still under development, so that the suggested price will cover these anticipated costs.

### **Existing Policy on Pricing for Distance Education Programs**

While the UW Flexible Option is unique in the UW System because of its competency-based structure, its proposed tuition pricing is in compliance with existing Regent and System policy on distance education pricing.

RPD 15-1, Distance Education Pricing, approves the Principles for Pricing Distance Education Credit Courses, Degree and Certificate Programs that are detailed in the UW System policy *Academic Information Series #5.4 (ACIS 5.4 Revised)*. ACIS 5.4 Revised, *Programming for the Non-Traditional Market in the University of Wisconsin System*, provides the broad parameters for credit courses that are offered through the University of Wisconsin System and intended to serve working adults and the non-traditional market.

In particular, the tuition model for UW Flex is covered by Principle #5 in Appendix C to ACIS 5.4 Revised, *Principles for Pricing Distance Education Credit Courses, Degree and Certificate Program*. Principle #5 states:

*Institutions may choose to increase the price charged for distance education courses and programs to take advantage of market opportunity. Conversely, institutions may choose to decrease the price charged for distance education courses and programs according to the following factors: derivative benefits to faculty or institution, access/mission relationship, multiple sources of subsidy (e.g., grants, contracts, unused or marginal capacity), or competition.*

Given the distinctiveness and innovation of its academic, delivery, and business models, UW Flex will need to follow closely market and other cost factors in adjusting its pricing.

### **RELATED REGENT AND UW SYSTEM POLICIES**

Regent Policy Document 15-1: Distance Education Pricing Principles

Academic Information Series # 5.4 (ACIS 5.4 Revised): Programming for the Non-Traditional Market in the University of Wisconsin System

Appendix C, Academic Informational Series # 5.4 (ACIS 5.4 Revised): Principles for Pricing Distance Education Credit Courses, Degree and Certificate Programs

**OFFICE OF OPERATIONS REVIEW AND AUDIT  
STATUS UPDATE**

**EXECUTIVE SUMMARY**

**BACKGROUND**

The Office of Operations Review and Audit provides objective review and analysis services in order to add value to, protect, and strengthen the University of Wisconsin System.

**REQUESTED ACTION**

None.

**DISCUSSION**

The enclosed report provides an overview of activities of the Office of Operations Review and Audit since February 7, 2013. Specifically, this report provides information on the following:

- (1) 2012 major project activity;
- (2) Calendar year 2013 activity;
- (3) 2013 major project activity;
- (4) An update on Legislative Audit Bureau projects in the UW System.

**RELATED REGENT POLICIES**

None.

# STATUS UPDATE OF THE OFFICE OF OPERATIONS REVIEW AND AUDIT

June 6, 2013



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## Snapshot – 2012 Major Project Activity

Title	#	Status
<b>NCAA Division III Athletics – Eau Claire</b>	2011-10	Report Date – July 17, 2012
<b>Undergraduate Academic Advising (System)</b>	2011-12	Report Date – August 3, 2012
<b>UW Policies Related to the Reporting of Crimes Against Children (System)</b>	2012-01	Report Date – May 29, 2012
<b>NCAA Division III Athletics – Stevens Point</b>	2012-02	Report Date – August 3, 2012
<b>Compliance with UW System Travel Regulations</b>		
• Parkside	2012-03	Report Date – November 20, 2012
• River Falls	2012-05	Report Date – November 27, 2012
• Stout	2012-07	Report Date – November 20, 2012
• Milwaukee	2012-09	Report Date – March 8, 2013
• Whitewater	2012-11	Report Date – April 18, 2013
• Oshkosh	2012-13	Report Date – April 19, 2013
• Systemwide Management Letter	2012-21	Report Date – November 20, 2012
• Platteville	2012-25	Report Date – February 8, 2013
<b>Compliance with §16.417 Wis. Stats. Related to Dual Employment</b>		
• Parkside	2012-04	Report Date – April 19, 2013
• River Falls	2012-06	Report Date – December 11, 2012
• Stout	2012-08	Report Date – January 18, 2013
• Milwaukee	2012-10	Expected – May 2013
• Whitewater	2012-12	Report Date – March 1, 2013
• Oshkosh	2012-14	Expected – June 2013

## Snapshot – 2012 Major Project Activity, Continued

Title	#	Status
<b>International Admissions</b>		
• Madison	2012-15	Report Date – April 11, 2013
• Milwaukee	2012-16	Report Date – December 5, 2012
• La Crosse	2012-17	Report Date – January 14, 2013
• Parkside	2012-18	Report Date – November 28, 2012
• Whitewater	2012-19	Report Date – December 5, 2012
<b>Employee Payroll Information</b>		
• Superior	2012-20	Report Date – March 1, 2013
• Platteville	2012-22	Report Date – December 12, 2012
• System Administration	2012-23	Report Date – February 1, 2013
• Green Bay	2012-24	Report Date – April 9, 2013

# Calendar Year 2013 Activity

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- ❑ Continue implementation of AutoAudit software
- ❑ Director of Operations Review and Audit resigned
- ❑ Continue recruiting efforts to fill vacant positions (new audit senior starting June 3, 2013)
- ❑ Liaison to Pricewaterhouse Coopers LLP on HRS Risk Assessment Services
- ❑ Development of continuous auditing tests using the IDEA data analytic tools
- ❑ Institutional support for investigations and other matters
- ❑ Increased the number of reports produced (16 reports issued during calendar year 2012, 15 reports issued so far in calendar year 2013)
- ❑ Institutional Auditor Training/Meeting
- ❑ BIG 10 Auditor Conference in Nebraska
- ❑ Training and CPE provided to staff regarding current issues, software, professional development

# Snapshot – 2013 Major Project Activity

Title	#	Status
<b>Compliance with §16.417 Wis. Stats. Related to Dual Employment</b>		
• Platteville	2013-01	Expected – May 2013
• Superior	2013-02	Expected – May 2013
• La Crosse	2013-03	Expected – June 2013
• Green Bay	2013-10	Expected – June 2013
• Madison	2013-11	Active
• Eau Claire	2013-12	Active
• Extension	2013-13	Report Date – April 11, 2013
• System Administration	2013-14	Active
• Stevens Point	2013-15	Active
• Colleges	2013-16	Expected – June 2013
<b>Employee Payroll Information</b>		
• Eau Claire	2013-04	Active
• Oshkosh	2013-05	Active
• Stevens Point	2013-06	Active
• River Falls	2013-17	Expected – May 2013
• Parkside	2013-18	Active

# Snapshot – 2013 Major Project Activity, Continued

Title	#	Status
<b>Employee Payroll Information (continued)</b>		
• Colleges	2013-19	Active
• Extension	2013-20	Active
• Whitewater	2013-21	Active
• La Crosse	2013-22	Active
• Stout	2013-23	Active
<b>Placement Rates</b>		
• Green Bay	2013-07	Report Date – April 9, 2013
• Milwaukee	2013-08	Expected – May 2013
• Madison	2013-09	Report Date – April 9, 2013
<b>Compliance with UW System Travel Regulations</b>		
• System Administration	2013-24	Expected – June 2013
<b>Human Resource System</b>		
• UW Service Center Management Letter	2013-25	Expected – June 2013

# Snapshot – 2013 Major Project Activity, Continued

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Title	#	Status
<b>IT Backup and Data Recovery Procedures</b>		
• Milwaukee	2013-26	Report Date – May 2013
• Oshkosh	2013-27	Active
• Parkside	2013-28	Active
• Platteville	2013-29	Active
• River Falls	2013-30	Active
• Stout	2013-31	Active
• Superior	2013-32	Active
• System Administration	2013-33	Active

# Legislative Audit Bureau Projects Underway

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- Annual compliance audit of federal funding (as part of the Statewide Single Audit) fieldwork is underway related to federal compliance, for fiscal year 2012-13.
- Program evaluation entitled University of Wisconsin System Oversight and Management of Payroll and Benefit Processing and the Human Resource System, as approved on January 22, 2013 by the Joint Legislative Audit Committee.
- Financial audit of University of Wisconsin System, as required under Section 131.94 (1)(t), Wis. Stats. Including work related to HRS, UW-Madison's Division of Information Technology data center, and UW System's program revenue balances.