MEETING OF THE BUSINESS AND FINANCE COMMITTEE:

The Business and Finance Committee was called to order at 10:45 a.m. by Regent Mueller. Roll call was taken and Regents Pruitt, Behling, Delgado, Farrow, Harsy, and Higgins were in attendance.

I.2.a. Approval of the Minutes of the April 9, 2015 Meeting of the Business and Finance Committee

Upon the motion of Regent Behling, and the second of Regent Farrow, the committee unanimously approved the minutes of the April 9, 2015 meeting of the Business and Finance Committee.

I.2.b. UW-Milwaukee Presentation: UWM’s Plans for a “Contribution Based” Budget Model

Robin Van Harpen, Vice Chancellor for Finance and Administrative Affairs, and Jerry Tarrer, Associate Vice Chancellor for Business and Financial Services, shared information on UW-Milwaukee’s plans for a new budget model. Vice Chancellor Van Harpen stated that they progressed through three phases of their budget model and she believes that for UWM, they have come up with an innovative and responsive budget model that will help them be much more adaptive adjusting to challenging financial circumstances into the future.

Associate Vice Chancellor Tarrer then explained why they sought a new budget model, the design process, requirements, the results, and then the next steps for implementation. It was noted that the twelve year old budget model being used was not aligned with current needs. The model was inflexible and unable to easily meet the needs of higher education and strategic opportunities on the horizon for the University. Four phases were needed to establish this new budget model. Phase I consisted of the requirements and best practices data gathering, in which they sought input from the campus but also looked at other higher education institutions. Phase II is included the development and seeking of approval for a new resource allocation framework. Phase III involved the testing of that framework and Phase IV constituted the implementation stage.

It was discovered that the model was very inflexible and was not responsive to overall enrollment trends that were on the downturn. The model also provided insufficient incentives to grow research on this campus. It was also very difficult to link activities and their related cost. The new features that were needed in the new budget model were flexibility to adjust to evolving landscape of higher education, predictive to allow the campus to units to anticipate their future resource allocations to set long term goals, simple and easy to understand, incentive desired behaviors and outcomes, inclusive of the viewpoints of campus leadership/governance groups and it needed to be strategic in nature.

The working group identified several modifications that would then result in a new resource allocation model. One of the recommended changes was the pooling of the undergraduate tuition and academic fee revenue and then distributing that revenue based on three key metrics. Associate Vice-Chancellor Tarrer
then explained the three key metrics as being student credit hours granted, degree majors declared and degrees awarded. The group wanted to address the higher cost of delivering the higher level courses. Another key feature of the model was the creation of a subvention pool of funds. This pool of funds will be created by centralizing a portion of state appropriations by imposing a tax of 20% on all tuition revenue and via a 20% tax on all indirect cost recoveries on sponsored research. On an annual basis the pool would be used to address supplemental funding for schools and colleges during times of enrollment volatility, to direct resources to key campus initiatives and priorities, and to hold harmless units across campus to ensure some level of stability during the initial implementation.

During the testing phase, it was explained that several of the schools and colleges will need to receive supplemental support from the pool. Finally, the campus will need to make investments in data and analytics capabilities both at the campus level and in the provost’s office.

The implementation phase is now in progress. The goal is to be fully under the new budget model by the summer of 2017.

I.2.c. Presentation of the UW-Madison Human Resource Design (HRD) Program Policies

Darrell Bazzell, Vice Chancellor for Finance and Administration, and Robert Lavigna, Assistant Vice Chancellor for Human Resources, presented six program policies intended to complete the initial implementation guidance for the UW-Madison Human Resource Design program. The new system, and its related program and operational policies, will be effective for UW-Madison employees on July 1, 2015. Employees at all other UW System institutions are covered by a separate personnel system known as the University Personnel System (UPS). UW-Madison is required by statute to develop a separate system for its human resources management. These program policies were presented for information only and were intended as the UW-Madison implementation guidance required under Board of Regents policy.

I.2.d. Revision to Regent Policy Document 6-4 Executive Searches

Regent Vice President Milner appeared before the committee to discuss a proposed revisions to Regent Policy Document 6-4 regarding Search and Screen Procedures for Chancellors, Senior Vice Presidents, and Vice Presidents. Regent Milner stated that the proposed changes were intended to provide a stronger role for the Board in the selection of Chancellors by having them Chair the Search and Screen Committees and removing the requirement that institution faculty make up the majority of the members on those committees.

Regent Delgado asked about why there were not more internal applicants and if there is any practice that prevents internal applicants in a system this big. Senior Vice President Miller stated that there is no practice that would prevent internal applicants from applying and that the positions are always advertised internally. Regent Milner also stated that one of the reasons for the motivation in this is to have an opportunity for a complete look at alternative candidates and also an opportunity for the Regents to take a serious look at internal candidates. Regent Delgado also expressed concern with the time it takes during the selection process. Regent Milner responded that the new process would help speed up the selection process.

Regent Pruitt expressed reservations about the proposal. He asked if under this new policy, would we have chosen the current Chancellors we have right now. Regent Pruitt also expressed his concerns with the timing of the proposed changes.
The committee approved the proposed amendments to Regent Policy Document 6-4 regarding Search and Screen Procedures for Chancellors, Senior Vice Presidents and Vice Presidents.

I.2.e. UW-Eau Claire Bookstore and Textbook Rental Contract with Barnes and Noble College Booksellers, LLC.

The committee approved an agreement with Barnes & Noble College Booksellers, LLC to provide bookstore and textbook rental services at the institution. The contract would be effective July 1, 2015 for a one year period, with the option for five one-year extensions. Estimated annual revenue to the vendor is approximately $2M, totaling approximately $12.5M over the potential life of the agreement. Estimated commissions to the institution over the life of the contract are approximately $1.95M. The contractor will also provide $50K in capital investments.

I.2.f. UW-Madison Amendment to Contractual Agreement – BioMedical Research Models, Inc.

The Committee approved a UW-Madison service agreement and amendment with BioMedical Research Models, Inc. The agreement involves work related to the production, quality control testing, and optional packaging of plasmid DNA and protein products. Efforts under the agreement are expected to be conducted from June 2015 through May 2016. The total expected to be generated for the institution to $1,251,009. Research work under the agreement will be conducted by Waisman Biomanufacturing under the direction of Dr. Derek Hei.

I.2.g. UW-Madison Contractual Agreement – Aduro BioTech, Inc

The Committee approved a UW-Madison agreement and amendment with Aduro BioTech, Inc. The agreement involves work to produce Listeria Monocytogenes whole-cell vaccines and related products. The research project is expected to be conducted from June 2015 through December 2015. Aduro will pay the institution $1,968,473 for this work. The research will be conducted by Waisman Biomanufacturing under the direction of Dr. Derek Hei.

I.2.h. Acceptance of Conflict of Interest Review Regarding UW-Madison Agreement with Madison Vaccines, Inc.

The committee accepted the recommendations of a conflict of interest review by the UW System Office of General Counsel and the UW-Madison Office of Legal Affairs regarding UW-Madison agreements with Madison Vaccines. Wis. Stat. §946.13. require an assessment of potential conflicts of interest in cases where a research company engaged in commercial activity that is related to the research of a UW System employee exceeds $250,000 over a 24 month period. Both the UW System Office of General Counsel and the UW-Madison Office of Legal Affairs reviewed the agreements and found the potential conflicts of interest in the agreements to be managed appropriately and recommended that the Board approve both contracts as compliant with Wis. Stat. §946.13.

I.2.i. UW-Madison Contractual Agreement – Madison Vaccines, Inc.

The committee approved a UW-Madison clinical trial agreement with Madison Vaccines, Inc. The institution will be paid $1,568,332 for this work. The research will be conducted by the department of Medicine, Comprehensive Cancer Center, under the direction of Dr. Glenn Liu, MD.

A summary of gift, grant, and contract awards for the period July 1, 2014 through March 31, 2015 was presented by Senior Vice President Miller. Total awards for the period were approximately $1.063 billion, a decrease of $64.2 million compared to the prior year. Federal awards decreased $67.4 million while non-federal awards increased by $3.2 million.


The committee received a high level summary report comparing budgeted to actual revenues and expenditures through the third quarter of the fiscal year. The report provides UW System management and the Board with a dashboard-type tool to monitor financial activity within the UW System. The report showed that, through March 31, 2015, actual expenditures were at approximately 75.1% of the Regent-approved budget, while revenues were at 90.7% of the budgeted level.

I.2.l. University of Hospital and Clinics Authority and University of Wisconsin Medical Foundation Integration Agreement

Finally, the committee approved the integration agreement between the University of Wisconsin Hospital and Clinics Authority and University of Wisconsin Medical Foundation. Robert Golden, Dean of the UW-Madison School of Medicine and Public Health, presented an overview of the integration agreement and responded to questions from Regents.

I.2.m. Report of the Senior Vice President

Senior Vice President Miller informed members of the committee that a report on turnover among UW System faculty would be a part of Regents’ briefing materials on Friday morning.

The Committee adjourned at 12:15PM

Respectfully submitted,

Jennie Bauernhuber
Recording Secretary