

**UW System Board of Regents  
Business & Finance Committee  
UW- Whitewater  
September 10, 2015**

**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 Mueller, Pruitt, Delgado, Grebe, Hall and Harsy were in attendance.

**I.2.a. Approval of the Minutes of the July 9, 2015 meeting of the Business and Finance Committee.**

Upon the motion of Regent Delgado, and the second of Regent Pruitt, the committee unanimously approved the minutes of the July 9, 2015 meeting of the Business and Finance Committee.

**I.2.b. UW – Whitewater Presentation: *Management and Impact of State Budget Reduction***

Jeff Arnold, Vice Chancellor for Administrative Affairs at UW- Whitewater shared information on how the institution dealt with the most recent reduction in State support as well as some of the expected impacts of those cuts. UW- Whitewater has the lowest combination of tuition, fees, segregated fees and room and board among the comprehensive and doctoral universities. In the fall of 2015, they will set another enrollment record, but will have to turn students away due to shortage of student housing. They lost about 25 transfer students and had to waitlist about 75 students for on-campus housing shortage issues.

Mr. Arnold went on by explaining that the budget cut created a \$5.8 million first-year reduction in general-purpose revenue funding, which is equal to 10% of the GPR/fee salary budget of the university. It is greater than the \$5.6 million GPR/fee budget for the College of Arts and Communication, and the budget for instruction for the College of Education and Professional Studies. It's also greater than the \$1.9 million GPR/fee budget for instruction for the School of Graduate Studies and Continuing Education. The initial budget reduction for UW-Whitewater for 2015-17 is approximately \$7.4 million. The principles they adhered to were that they wanted to maintain a high quality student experience, attempt to avoid layoffs, to maintain student employment, to maintain professional development for our faculty and staff, and to get as much reduction done in the first year as possible and then use balances to bridge second year reductions. The plan to deal with the reductions called for holding vacant open positions and through normal attrition they identified about 40 positions that they would not rehire. About 17 of those positions were instructional and about 23 of those positions were not instructional. They did not do a hiring freeze and continued to hire for the positions that were absolutely critical. This put the total first year base reduction at about \$4 million.

The plan for 2016-17 is to either grow enrollments or follow up with modest non-resident graduate tuition increases. After the federal funds, gifts grants and contracts and auxiliaries eliminations, the GPR fee total is \$114 million. \$19 million is dedicated to debt service, utilities, and graduate student financial aid. This leaves about \$95 million for educating students. Mr. Arnold stated that all institutions need to be prepared to operate with a smaller percentage of the budget coming from GPR.

Mr. Arnold finished by noting that while UW- Whitewater has the capacity to grow on the academic side, they are feeling restrained on the student housing side. Enrollments are growing but the need for on-campus housing is of great need on this campus.

Regent Mueller had a question about the \$19 million in fund balance regarding how Mr. Arnold would explain to policy makers that might be saying they have this \$19 million to spend on the instructional budget because that money might be supplemented in future years. Mr. Arnold responded by saying that the HLC ratios have caused concern at a number of our institutions and there are a lot of factors that go into the ratios. While he feels good about their financial position, there is a downward trend coming from institution investing in the quality of the campus. Some has reflected a decline in support and expenses continue to rise. It will come to a point quickly, where Mr. Arnold feels uncomfortable with the size of those balances.

Regent Pruitt asked if they have looked into the housing model at UW-Milwaukee , UW-Green Bay or UW-Platteville and if so, why they hadn't chosen to go that route. Mr. Arnold replied that they are exploring all of their options and hoped to receive some direction on the residence hall. It was enumerated in the 2013-15 budget. Two years ago they were scheduled for an onsite walk through but it was cancelled. We had really hoped that the process would have moved forward. We are still looking at all of those options, including working with our foundation. Vice President Miller stated that the process hasn't changed for approval on housing. Any building on state land still has to be approved by the Department of Administration and the State Building Commission. We did get leasing authority in the budget for any housing leases. This is why we keep coming full circle on why UW-Whitewater can't do this an alternative way because the same entity controls each of those methods.

Regent Pruitt then asked how we are measuring the consequences of the budget cut with regards to losing staff. Mr. Arnold stated when it's possible, they are matching offers to faculty who are receiving outside offers.

Regent Delgado asked if we should consider marketing to the students at the other campuses since we have a comprehensive offering of campuses and programs. He thought we should try to manage the systems availability to the students since campuses nearby have similar programs and the housing availability. This would help us market the full capacity of the system. Mr. Arnold commented that they don't have that structure in place right now and he's uncertain as to how they could create a structure like this, since they have many specialty programs, however, he doesn't doubt that there is a need for this on some level.

**I.2.c. Review and Approval of UW System Accountability Metrics Required by the 2015-17 Biennial Budget: Financial Management and Administrative Management Measures**

David Miller, UW System Vice President for Administration and Julie Gordon, Interim Vice President for Finance presented the UW System Accountability Metrics. Upon the motion of Regent Delgado and the second of Regent Hall, the committee approved these new Financial and Administrative metrics for the UW System Accountability Report. Proposed accountability metrics include measures of Overall Financial Health, Cost per Degree, and Revenue over expenses in the area of Financial Management, along with Administrative Expenditures, Average Credits to Degree, and Affordability in the area of Administrative Management.

Regent Mueller stated that she felt this data was complex and wasn't entirely sure that legislators would understand them. Regent Pruitt made mention that the Cost per Degree information could be

misinterpreted. The issue is with being able to balance graduate and undergraduate. Also, the real cost that students pay. The concern is about any measure that would inaccurately portray this on either side.

Ms. Gordon responded that with each of these, they come at it from a different perspective. With the CFI ratio, it's being compared to peers. Some of the metrics related to the cost per degree and the revenues over expenses she would caution comparing to peers. They are meant to be more longitudinal reviews that tell us if we are increasing or decreasing and if we are managing our costs appropriately. There would be an educational element to this, where we would need to explain to people how to look at this information and what they mean.

Regent Grebe shared similar concerns as Regent Priutt regarding the Cost per Degree calculations due to so many different factors. For example, if an institution increases its engineering program, it may appear that the Cost per Degree has gone up unjustifiably and in the interest of transparency, we don't want to be in a position where we have to too much explaining as to what's behind the numbers. The more it can be simplified, the better.

Regent Delgado stated that he does share the concerns and that people may have difficulties with it, however, it is a very interesting concept so it should be addressed. He also thought that Time to Graduation would be valuable data to have. He feels that Cost per Degree and Time to Graduation are of the greatest interest to parents and to the public.

#### **I.2.d. UW-Madison Contractual Agreement – Allergan Sales, LLC**

Upon the motion of Regent Grebe and the second of Regent Hall, the committee approved a UW-Madison Master Services Agreement (MSA) and related Individual Project Agreements (IPA's) with Allergan Sales, LLC. The agreement(s) involve work supporting the evaluation of methods for the management of Neovascular Age-Related Macular Degeneration. Services are currently underway and are expected to be provided through December 2019. Allergan will pay the institution an estimated \$5.3M for work under each of two IPA's for a total of over \$10.5M. The services will be provided by the UW School of Medicine and Public Health's Fundus Photograph Reading Center under the direction of Dr. Barbara Blodi.

#### **I.2.e. UW-Madison Contractual Agreement – Takeda Vaccines, Inc.**

Upon the motion of Regent Hall and the second of Regent Harsy, the committee approved a UW-Madison service agreement with Takeda Vaccines, Inc. The agreement involves work under two independent dengue fever studies on non-human primates. Services are expected to be provided from September 2015 through May 2015. Takeda will pay the institution an estimated \$1.1M for this work. Work under the agreement will be conducted by the Wisconsin National Primate Research Center under the direction of Dr. Sevario (Buddy) Capuano.

#### **I.2.f. Semi-Annual Status Report on Large/Vital Information Technology Projects as Required by Wisconsin Statutes 13.58(5)(b)(3)**

Vice President, David Miller provided the committee with a report on the status of three large IT projects underway in the UW System. These projects include UW Colleges and Extension's Campus Network Infrastructure Project (CNIP), UW-Milwaukee's replacement of Primary Storage Infrastructure, and UW-Milwaukee's WiFi Wireless Network Expansion Project. All three projects are deemed to be on target with respect to schedule, scope, and budget.

**I.2.g. Financial Management Report – FY2015 Final**

Vice President, Julie Gordon, provided the committee with 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. This final FY 2015 management report shows that, at the close of the year, actual expenditures were approximately 98.7% of the regent approved budget, while revenues were at 101.2% of the budgeted level.

**I.2.h. Quarterly Report of Gifts, Grants, and Contracts (4<sup>th</sup> Quarter)**

A summary of gift, grant, and contract awards for the period July 1, 2014 through June 30, 2015 was presented by Julie Gordon. Total awards for the period were approximately \$1.451 billion, an increase of \$13.2 million compared to the prior year. Federal awards decreased 33.2 million while non-federal awards increased by \$46.4 million.

**I.2.i. Report of the Vice President for Administration**

Mr. David Miller provided brief updates on areas of activity of interest to the committee including procurement, information technology, human resources and the new UW budget system project.

The committee adjourned at 12:04 p.m.

Respectfully submitted,



Jennie Bauernhuber  
Recording Secretary