

**UW System Board of Regents  
Business & Finance Committee  
Overture Room, Gordon Dining and Event Center, Madison  
December 8, 2016**

**MEETING OF THE BUSINESS AND FINANCE COMMITTEE:**

The Business and Finance Committee was called to order at 8:30 a.m. by Regent Mueller. Roll call was taken and Regents Mueller, Steil, Bradley, Delgado, Erickson, Grebe, Hall and Higgins were present.

**I.2.a. Approval of the Minutes of the November 10, 2016 Meeting of the Business and Finance Committee**

Upon the motion of Regent Higgins and the second of Regent Hall, the committee approved the Minutes of the November 10, 2016 Meeting of the Business and Finance Committee.

**I.2.b. Annual Faculty Turnover Report**

David Miller, UW System Vice President for Administration, presented information on UW System faculty turnover during FY 2016 along with some comparative data for recent prior years. Annual faculty turnover across the UW System for FY 2016 averaged 8.0% with a total of 509 faculty leaving UW employment during the year. Of these, 349 were tenured faculty and 160 were probationary (tenure track) faculty.

Regent Bradley asked how the data compares to other public higher education institutions. Mr. Miller noted there is not another entity that tracks this data for peer institutions.

**I.2.c. Annual Compensation Report**

The committee received a report from Vice President Miller on additional compensation received by UW System faculty and staff outside any regular state-approved pay plan.

A total of about 24.8% of all staff received base adjustments (including those for promotions, title changes, and changes in duties) during fiscal year 2016. UW Chancellors reallocated approximately \$34.2M in FY2016 to fund these base adjustments. By comparison, reallocations of approximately \$34.4M were made for these purposes in fiscal year 2015. These reallocations represent 1.51% of each year's salary base.

UW Chancellors also reallocated one-time resources of approximately \$25.3M in FY2016 to fund one-time, lump sum payments. Similarly, Chancellors reallocated approximately \$22.9M in FY2015 to fund one-time, lump sum payments. These lump sum payments are non-base building compensation for additional work of a one-time or non-recurring nature and should not be construed as "bonuses". Summary payment information for the year is included in the Committee's meeting materials.

**I.2.d. 2017-19 UW System Compensation Plan Request**

Vice President Miller discussed the Statement on Staff Excellence and 2017-19 Pay Plan Request for Attracting and Retaining World-class Faculty and Staff. Miller provided recent compensation percentage increases reported by the College and University Professional Association for Human Resources (CUPA-HR) for all employees at public institutions nationally and salary data reported by the Higher Education Price Index (HEPI) for all employees at public and private institutions

nationally. The gap in salaries has widened because other institutions have been increasing salaries by about 2%, while UW System has not. Over the last six years, state-approved pay plans provided to UW System employees included 0% and 0% in the 2011-13 biennium, 1% and 1% in the 2013-15 biennium, and 0% and 0% in the 2015-17 biennium.

The funding request is to increase the payroll base by 2%, but not necessarily increase all employee's salary by 2%. The increased funds would then be distributed under guidelines issued by the President to the institutions based on various factors, including merit, but would not be across-the-board increases for everyone.

Vice President Miller also noted that compensation is funded through both general funds from the state and tuition. The request is that the 2% increase be funded fully by the state. The request is for all University employees.

UW-Madison's Vice Chancellor for Finance and Administration, Laurent Heller stated that UW-Madison's pay plan request will mirror the detail of what UW System is asking for. This request would be for a 2% increase in each of two years to the payroll base. Competitive salaries are key for UW-Madison to bring in the best faculty and staff. This past year, UW-Madison had a 40% increase in the number of retention cases for the institution's best faculty members.

Upon the motion of Regent Bradley and the second of Regent Erickson, the committee approved a state-funded Pay Plan recommendation of 2.0% for each year of the 2017-19 biennium.

**I.2.e. Quarterly Gifts, Grants and Contracts Report**

A summary of gift, grant, and contract awards for the period July 1, 2016 through September 30, 2016 were presented by Interim Vice President for Finance, Julie Gordon. Total awards for the period were approximately \$501.9 million, an increase of \$1.6 million compared to the prior year. Federal awards decreased \$11.6 million while non-federal awards increased by \$13.2 million.

**I.2.f. Review and Approval of Changes to Regent Policy Document 31-15, *Policy on Large Unendowed Bequests/Gifts***

Current Board policy requires that all bequests/gifts to UW System Trust Funds of \$250,000 or more be established as Board designated quasi-endowments which allow only earnings to be expended on appropriate activities. Upon the motion of Regent Delgado and the second of Regent Hall, the committee approved a change to the policy to increase that threshold to \$1M. This element of the policy was last updated in December of 2004 when the threshold was changed from \$50,000 to \$250,000.

**I.2.g. Review and Approval of Non-resident, Graduate, and Professional School Tuition Proposals**

Upon the motion of Regent Higgins and the second of Regent Grebe, the committee approved tuition changes for non-resident undergraduate and certain graduate and professional programs at UW-Eau Claire, Green Bay, La Crosse, Madison, Milwaukee, Stout, and UW Colleges. The committee discussed the size of the increases, expressing a need to remain affordable. Interim Vice President Gordon noted that, even with these changes, non-resident, graduate and professional school tuition rates will remain below and/or in line with rates at peer institutions ensuring that UW institutions continue to provide an excellent value in higher education. The changes are being sought to help fund strategic initiatives including targeted program enhancements, student support functions, and help in managing current fiscal challenges.

It is important to note that no changes were sought for resident undergraduate tuition rates through these requests.

Regent Grebe requested that next year the Board be provided with information regarding what effect the tuition increases had, if any, to the applications and enrollment levels.

**I.2.h. UW-Madison Contractual Agreement – Optimal Research, LLC**

Upon the motion of Regent Delgado and the second of Regent Hall, the committee approved a Master Clinical Trial Agreement with Optimal Research, LLC. The language of this agreement establishes the general terms to be applied to all Optimal sponsored trials at the institution. Individual Clinical Study Agreements will be executed specifying the materials and protocols to be used in each trial. While total revenues to the institution are not fixed, the University could potentially receive in excess of \$1,000,000 over the life of the agreement.

**I.2.i. UW-Madison Contractual Agreement – Incyte Corporation**

Upon the motion of Regent Delgado and the second of Regent Hall, the committee approved a Master Clinical Trial Agreement with Incyte Corporation. The language of this agreement establishes the general terms to be applied to all Incyte sponsored trials at the institution. Individual Study Addenda will be executed specifying the materials and protocols to be used in each trial. While total revenues to the institution are not fixed, the University could potentially receive in excess of \$1,000,000 over the life of the agreement.

**I.2.j. UW-Madison Contractual Agreement – Eli Lilly and Company**

Upon the motion of Regent Delgado and second of Regent Grebe, the committee approved a Master Services Agreement (MSA) with Eli Lilly and Company. Regent Higgins abstained from voting on this item due to a conflict of interest. Under the agreement, the University will provide services related to training and certification of image recording. This five-year agreement establishes the general terms to be applied to all related services provided to Lilly and Company at the institution which will be detailed in individual statements of work to be executed under this MSA. There is no funding associated directly with the MSA, but the University is expected to receive over \$1,000,000 over the life of the agreement. Covered services will be provided by the Fundus Photograph Reading Center (FPRC) under the direction of Dr. Barbara Blodi.

**I.2.k. Report of the Vice President(s)**

Interim Vice President for Finance Julie Gordon gave an update regarding the financial statements for the year ending June 30, 2016. Due to some complications with the state's new accounting and reporting system, there are delays in finalizing the financial information provided by the state, such as information related to capital projects, and therefore, delays in finalizing the independent audit. It is unclear if the UW System's financial report will be available in February.

The Business and Finance Committee meeting adjourned at 10:00 a.m.

Respectfully submitted,



Jennie Bauernhuber  
Recording Secretary