

UW System Board of Regents
Meeting of the Business & Finance Committee
Gordon Dining & Event Center
Overture Room
770 W. Dayton Street
Madison, Wisconsin
& via Zoom Videoconference
December 5, 2024

The meeting of the Business and Finance Committee was called to order at 8:15 a.m. by Chair, Regent Ashok Rai.

A. Calling of the Roll

Present: Regents Colon, Goitom, Kreuser, Nixon, Peterson, Rai, Salzwedel and Walsh attended in person.

Absent: None

B. Declaration of Conflicts

The chair asked committee members to identify any conflicts of interest regarding items on the agenda. No conflicts were identified.

C. Approval of the Minutes of the September 26, 2024, Meeting of the Business and Finance Committee

Corrections: None

Motion made by: Regent Salzwedel

Motion seconded by: Regent Kreuser

Upon the direction of Regent Rai, a voice vote was taken, and the committee unanimously approved the minutes of the September 26, 2024 meeting.

D. Universities of Wisconsin Draft 2024 Annual Financial Report

The committee reviewed the draft UW Annual Financial Report for Fiscal Year 2024 prepared by the Office of Finance. The presenters included Rod Dole, Director of Financial Reporting, Ginger Hintz, Assistant Vice President for Financial Administration & Controller, and Julie Gordon, Interim Vice President for Finance & Administration. The report notes that UW System's Total Net Position as of June 30 stood at \$6.7 billion, an increase of \$343 million (or 5.4%) from the prior year. The main factors contributing to this change include investment earnings due to favorable market conditions, an increase in the total value of capital assets, and an increase in the value of pension plan investments managed by the Department of Employee Trust Funds.

Revenues within the UWs increased by 9.7%, while expenses increased by 3.7%, reflecting the work being done by the universities to align revenues with expenses.

Questions/ Comments: Regent Walsh asked if there were any surprises in last year's financial activity. Mr. Dole replied that there were no surprises, but the report reflects the volatility of market conditions affecting pensions and investment income, as well as inflationary impacts on the costs of benefits and supplies. Regent Kreuser asked whether employee leave must be used annually or if balances carry over from year to year. Mr. Dole and VP Gordon replied that while sick leave can accumulate for conversion to health insurance payments, other leave balances expire at some point. Regent Colon asked for high-level thoughts on trends for expenses and revenues, and reasons for concern or optimism over the next 3-5 years. Mr. Dole identified inflationary pressures on operations and construction costs as a concern, while noting the work of the universities in aligning expenses with revenues as a cause for optimism. Regent Nixon commented that contrary to criticism that the university does not provide enough financial information, the documents provide a full report on the state of university finances. Regent Nixon asked VP Gordon to offer her top concern, which she identified as the impact of market conditions, but added that the work being done at the universities is helping to mitigate those concerns. Regent Walsh shared that the efforts by President Rothman and the leadership at the universities is reflected in the reporting.

E. Report on Program Revenue Balances by University and Level of Commitment for Fiscal Year 2023-24

The committee received and approved the UW Program Revenue Balances Report for fiscal year 2024 presented by Aimee Arnold, Director of Strategic Initiatives, UW Administration Office of Finance. The report notes that total unrestricted program revenue balances decreased by \$18.6 million. Tuition balances increased slightly by 0.3% to \$247.4 million, which represents a 55% reduction since the inception of balance reporting in FY 2013.

The report notes that over 87% of the total unrestricted balance meets the Legislative Audit Bureau's definition of being obligated or designated for a specific project or purpose. The report offers details on the program revenue balances by category for each university. Those universities with balances exceeding 12% of expenditures in any category provided details on the projects and initiatives for which those funds are obligated or planned.

For the six universities projecting structural deficits in the current year, a total of \$28.5 million in reserves will be used to mitigate budgetary shortfalls, a 55.7% reduction from the prior year.

Questions/ Comments: Regent Walsh asked if campus plans for use of reserves are available to be viewed by the public. Ms. Arnold stated that while the plans are not posted on the wisconsin.edu website, each university maintains the details of the information provided in the report. Regent Peterson asked for an explanation of bonding authority and how that could be approved for the UW. VP Gordon replied that the Department of Administration (DOA) bonds for the state as a whole, that it would require statutory changes to provide that authority to the UW, and offered a conceptual

outline of that process. In response from a question from Regent Walsh, VP Gordon confirmed that she believes UW is the only higher education system in the country without bonding authority. In response to a request for clarification from Regent Salzwedel, VP Gordon explained that the benefit of greater cash balances would be a higher bond rating and more favorable interest in the event bonding authority was approved. Regent Rai asked if an analysis has been done to determine any savings of UW, or of UW-Madison specifically, issuing bonds without going through DOA. VP Gordon replied that such an analysis had not been conducted. Regent Nixon identified instances in which he encouraged more specific descriptions for the planned uses of balances, and asked for clarity on the categorization of balances as “undocumented (discretionary).” VP Gordon suggested that some variation may be explained by timing issues, such as not yet having firm documentation of an obligated expense at the time the report is prepared. Regent Goitom shared that the financial statements demonstrate the work done to reduce expenses and the need to increase funding, and asked how the report can be used to support that effort. VP Gordon shared that the intent is to leverage the information to support advocacy for the funding that is needed to address shortfalls and invest in students. Regent Nixon shared that he would ask at the full Board meeting that the university consider how to respond to a worst-case scenario with respect to state funding. Regent Kreuser thanked staff for the efforts on the report.

Motion to adopt made by: Regent Nixon

Motion seconded by: Regent Salzwedel

Motion carried unanimously (voice vote)

F. Universities of Wisconsin 2024-25 Mid-Year Budget Forecasts

VP Gordon presented a first-of-its-kind report on updated mid-year budget forecasts at nine universities whose forecasts have changed by more than 3% of the amounts projected in the annual operating budget. The changes are driven by various factors including enrollment growth or reduction, capital projects, and the timing of gift and grant-funded activity. As a result of the updated forecasts, total FY25 revenues are projected to increase by 3.9%, and expenses by 4.4%. Additional capital projects tend to increase the gift activity, while increases in auxiliary expenses are generally related to increased enrollments.

Questions/ Comments: Regent Rai thanked VP Gordon for the presentation, characterizing it as part of a positive evolution of the data being provided to the committee. Regent Goitom asked if there was a regular schedule envisioned for the committee to receive these updates. VP Gordon indicated that she anticipates similar reporting in spring and summer as well as December, noting that the difficulty in providing meaningful reporting in the fall timeframe is related to the timing of 10-day enrollment data. Regent Peterson stated that the report is helpful, and that it is important for the universities to review and be familiar with their numbers. VP Gordon replied that the progression in financial reporting over the last several years has helped universities better understand their data. Regent Colon shared that one of the positives is an increase in gifts and grants, and asked how expenses for the gifts and grants exceeded the

revenue. VP Gordon explained she believes this is a timing issue in which expenses are incurred before the offsetting revenue is realized. Regent Walsh asked whether there was information available to demonstrate the accuracy of campus-based enrollment projections. VP Gordon replied that this is not available at this time, but that additional work on enrollment management is being done with the universities in coordination with the Offices of Academic Affairs and Finance & Administration to reach agreement that the enrollment projections are reasonable. Regent Walsh added that she is not advocating that the Board micromanage the process but should set an expectation for accuracy. Regent Rai shared his appreciation for the report and encouraged that this information become part of a standard reporting package with the advent of ATP.

G. 2024-25 GPR/Tuition Structural Deficit Update

VP Gordon presented a summary report on financial realignment plans for the six universities identified in the FY25 annual budget as projecting deficits in their GPR/tuition funds. The report outlines revised projections and expense reduction plans for eliminating these deficits, with three of the universities (UW-Eau Claire, UW-Superior and UW-Whitewater) projecting to fully resolve their deficits within the current fiscal year. Driving factors include expense reductions, higher-than-planned enrollment levels, and the recognition of Minnesota Reciprocity revenue. UW-Oshkosh, UW-Parkside, and UW-River Falls anticipate resolving their deficits in the 2025-26 budget, driven by budget and workforce reductions, position management, and academic restructuring.

Questions/ Comments: Regent Salzwedel expressed his thanks to the chancellors and staff involved in the effort of improving the financial positions of the universities. Regent Rai asked if the percentage decrease in FTE employees and the number of academic programs was known. VP Gordon shared that outside of UW-Madison, the UWs are down about 1,000 positions across the campuses. In response to a question from Regent Peterson, VP Gordon explained the legislative changes made in the Minnesota-Wisconsin reciprocity program and its positive financial impact on UW universities. Regent Walsh asked if it is known whether enrollments at the UWs have been negatively impacted by the North Star Promise in Minnesota. VP Gordon replied that the impact has not been as negative as initially feared. Regent Walsh called on UW-Eau Claire Chancellor Jim Schmidt to comment on the question. He shared that impacts on UW-Eau Claire have not been extensive due to the income threshold for eligibility for the North Star Promise.

H. UW-Madison Graduate and Professional School Tuition Proposals

VP Gordon and Rob Cramer, UW-Madison Vice Chancellor for Finance and Administration, presented UW-Madison's proposal to adjust tuition rates for each of the next two academic years for certain graduate and professional degree programs including law, Doctor of Medicine, health professional programs, and Doctor of Veterinary Medicine. These increases maintain price competitiveness with peer institutions. The use of the resulting revenue varies by program, but will include

enhanced student services and scholarships, technology upgrades in laboratories and classrooms, and recruitment and retention of top faculty.

Questions/ Comments: Regent Walsh asked why the increase was 4% for Veterinary Medicine when the other programs were increasing only 2%. VC Cramer shared the university works with each Dean to understand the need, and that the School of Veterinary Medicine has significant challenges with salaries and in hiring new faculty lines to support a high-quality program, as well as the need to increase capacity to graduate more practitioners in a high-demand field. In response to a question from Regent Rai, VC Cramer shared the comparison of School of Medicine and Law School tuition rates with the in-state private institutions, the latter of which are higher. Regent Salzwedel asked how the UW-Madison professional schools rank in quality in comparison to their tuition rates. VC Cramer noted that the Law School experiences impacts in applicants when rankings are issued each year. He offered to provide more information but added that the university aims to maintain competitive tuition rates. Regent Goitom shared that national rankings are volatile, but UW-Madison has done well to maintain a high value proposition.

Motion to adopt made by: Regent Peterson

Motion seconded by: Regent Goitom

Motion carried unanimously (voice vote)

Regent Rai thanked the committee and VP Gordon and her team as well as the chancellors who contributed.

The meeting was adjourned at 9:56 am.

Respectfully submitted,

Brenda L. Joyce

Recording Secretary