

R E V I S E D

I. 2. Business and Finance Committee Thursday, May 5, 1994
1820 Van Hise Hall
1:30 p.m.

- a. Approval of the minutes of the April 7, 1994, meeting of the Business and Finance Committee
- b. Julian J. Rogan Trust
[Resolution I.2.b.]
- c. Salary Policy for UW System Senior Executives
[Resolution I.2.c.]
- d. Trust Funds
 - (1) Amendments to Trust Fund Investment Guidelines
[Resolution I.2.d.(1)]
 - (2) Endowment Update
 - (3) Review of Asset Allocation
- e. 1994-95 Annual Budget Preview and Base Review
- f. Reorganization of the UW-Madison Division of Information Technology using a Structural Model
- g. Report of the Vice President
 - (1) Gifts, Grants and Contracts
 - (2) Legislative request for Report on Program Revenue Activities
- h. Additional items which may be presented to the Business and Finance Committee with its approval
- i. Audit Subcommittee
 - (1) 1994-95 Internal Audit Schedule

Friday, May 6, 1994
1820 Van Hise Hall
12:00 noon

- j. Closed session to consider trust fund matters, as permitted by s. 19.85(1)(e), Wis. Stats.

Julian J. Rogan Trust

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the bequest of the late Julian J. Rogan, be accepted; and the Trust Officer or Assistant Trust Officers be authorized to sign receipts and do all things necessary to effect the transfer for the benefit of the University of Wisconsin, Madison, Wisconsin.

(The Will provides \$100,000 to the University of Wisconsin, Madison, Wisconsin to establish a fund to be known as the JULIAN J. ROGAN SCHOLARSHIP FUND. The net income from the Fund, as determined under applicable policies of the institution, shall be used to provide scholarships to students who are dependent in whole or in part upon their own efforts to provide the means of obtaining an education. Among worthy and eligible students, preference shall be given to those students whose parents are employees at the time the scholarship is awarded of Rogan Corporation, a Delaware corporation whose principal office is currently in Northbrook, Illinois, or students who at the time the scholarship is awarded are employees of Rogan Corporation, or are on leave from employment by Rogan Corporation, or have left the employment of Rogan Corporation, in order to attend such institution. Otherwise, the selection of individuals to receive such scholarship awards and all other matters relating to the making of such awards shall be under the direction of the President of the institution or the person designated by him to administer scholarship funds.)

Salary Guidelines for UW System
Senior Executives

BUSINESS AND FINANCE COMMITTEE

Resolution:

That the Board of Regents rescinds Resolution 5357 (November 1989)
and adopts the attached salary policy for UW System senior
executives.

SALARY GUIDELINES FOR UW SYSTEM SENIOR EXECUTIVES

This salary policy is intended to reflect the duties and responsibilities borne by UW senior executive positions, the national market for higher education executives, and local Wisconsin conditions. This policy applies to Chancellors and Provosts or Vice Chancellors for Academic Affairs at the UW institutions; the Vice Chancellor for Clinical Health Sciences at UW-Madison; and the UW System President, Senior Vice Presidents, and Vice Presidents.

I. Establishment of salary ranges for UW System senior executive positions

To reflect the national higher education market, peer salary data will be utilized. The 1984 faculty peer groups will be utilized as the salary peer groups for the Chancellor and Vice Chancellor positions at the UW institutions. For the UW System President and Vice President positions the salary peer group will be the following university systems, which are similar in size and composition to the UW System: University of California, California State University System, State University of New York, City University of New York, University of North Carolina System, University of Florida System, University of Maryland System, and University of Texas System.

Because the cost of living is relatively lower in Wisconsin than many other states, the mid-point of the salary range will be set at 95% of the peer median as an approximation of the regional cost-of-living differential for Wisconsin.

The salary range will be 90-110% of the salary range midpoint as defined above.

For a few UW System senior executive positions statutory provisions may prohibit the Board of Regents setting a salary within the salary range defined in this policy. In these cases, the Board of Regents will seek to adhere to the salary guidelines as defined in this policy as closely as possible subject to the statutory constraints.

These salary ranges do not guarantee individual salary rates. Individual salaries for UW System senior executives are based on performance.

II. Procedures for Board of Regents approval of salaries of UW System senior executives

For continuing senior executives, salary increases are considered and approved by the Board of Regents once a year, at the same time as all other UW unclassified employees.

For newly hired senior executives, the Board approves the starting salary at the time of hire and, in addition, delegates to the UW President the authority and discretion to make a base salary adjustment up to a specified level within 6-9 months of the date of hire. Exercise of the base salary increase is at the President's discretion based on the performance of the individual in his/her new position. This provides the opportunity to reward outstanding performance during the initial period of employment.

SALARY POLICY FOR UW SYSTEM SENIOR EXECUTIVES

EXECUTIVE SUMMARY

BACKGROUND

By statute, the Board of Regents is responsible for setting the salaries of UW System senior executives: specifically, the System President, Senior Vice Presidents, and Vice Presidents; the Vice Chancellor for Clinical Health Sciences at UW-Madison; and the Chancellors and Provosts or Academic Vice Chancellors at the UW institutions.

Wisconsin statutes also specify the following restrictions on the salaries of UW senior executives:

- o the salary of the UW President cannot exceed 115% of the maximum of the Executive Salary Group (ESG) 10 maximum. In 93-94, 115% of the ESG 10 maximum is equal to \$141,298.62.
- o the salaries of the chancellors of UW-Madison and UW-Milwaukee must be within Executive Salary Group (ESG) 10. The current (93-94) range for ESG 10 is \$79,341.91-\$122,868.36.
- o the salaries of the chancellors at the UW comprehensive universities, UW-Extension, and the UW-Centers; the Academic Vice Chancellors (or Provosts) at all UW institutions; the Vice Chancellor for Clinical Health Sciences at UW-Madison; and the UW System Vice Presidents must be between the minimum of Executive Salary Group 7 and the maximum of Executive Salary Group 10. In 1993-94 the ESG 7 minimum and ESG 10 maximum are \$63,564.98 and \$122,868.36, respectively.

In November 1989, the Board of Regents adopted a salary policy which provides guidelines for setting the salaries of UW System senior executives, given the statutory restrictions in effect at that time. (Resolution 5357; see Attachment A). The 1989 policy was adopted to establish a "guide in setting salaries that better reflect the internal relationships in the University of Wisconsin System and the competitive external market".

An important development that has occurred since the adoption of Resolution 5357 in November 1989 is that the statutory restrictions on the salary of the UW System President have changed. In 1991, the legislature and Governor approved legislation that increased the maximum salary for the UW System President to 115% of the Executive Salary Group (ESG) 10 maximum. Previously the statutory limit on the UW System President's salary was 100% of the ESG 10 maximum.

In addition, the November 1989 policy defined a single figure as the target salary for each senior executive position. A policy consideration is whether it is preferable to utilize a range, rather than a single point, as the target salary to recognize differences in qualifications, experience, and performance among those that hold the position.

REQUESTED ACTION

It is proposed that Resolution 5357 of November 1989 be rescinded and a new salary policy for UW System senior executives be established. Key features of the new salary policy are:

- o The use and definition of external market salary data is explicit.
- o Recognition is given to the fact that Wisconsin has characteristics, such as a relatively low cost of living, which make it an attractive place to live and work.
- o A salary range rather than a single target salary is established for each senior executive position.

DISCUSSION

The proposed salary policy reflects the statutory changes noted in the background section that have occurred since the establishment of the Regent policy on senior executives' salaries in 1989.

In addition, the proposed senior executive salary policy is consistent with UW System policy on faculty salaries. Policy on UW faculty salaries is an outgrowth of two blue-ribbon commissions. In 1983 then-Governor Tony Earl established a blue-ribbon commission--the Governor's Faculty Compensation Study Committee--to examine faculty salaries in the UW System. The 1983 commission was composed of representatives from the executive departments, the legislature, the Board of Regents, the private sector, UW administrators, UW faculty, and UW students.

In its March 1984 final report, the Governor's Faculty Compensation Committee recommended the establishment of "peer groups" for the purpose of determining external market conditions for UW faculty. Three peer groups were established: one for UW-Madison; one for UW-Milwaukee; and one for the UW-Comprehensives. The 1984 Faculty Compensation Committee recommended that UW faculty salaries for each faculty rank (Assistant, Associate, and full Professor) be brought to the median of the relevant peer group. A list of the institutions in each of the three peer groups is provided in Attachment B.

The selection of the 1984 peer groups was based on the following principles: (1) only public (and no private) institutions were included; and (2) only institutions of similar size, structure, and mission were included. Based on these principles, the 1984 peer group for UW-Madison includes major public research universities; the UW-Milwaukee peer group includes public urban doctoral universities; and the UW-Comprehensive peer group includes public comprehensive universities in other mid-west states.

In 1991 Governor Thompson established a blue-ribbon commission--the Governor's Commission on UW System Compensation--to examine faculty and academic staff compensation in the UW System. Similar to the previous commission, the 1991 commission was composed of representatives from the executive departments, the legislature, the Board of Regents, the private sector, UW faculty, and UW staff. The 1991 compensation commission re-examined the 1984 peer methodology (along with other issues). In its final report, the 1991 Compensation Commission recommended the use of a number of market measurements as guidelines for faculty and academic staff salary levels. The 1991 Commission did not redefine the 1984 peer groups, but rather recommended that in addition to the 1984 peer groups, other measures be examined including the value of fringe benefits to employees, adjustments for regional cost-of-living differences, and market analyses on a discipline-specific basis.

Neither the 1984 or 1991 compensation commission was charged with examining chancellor or UW senior executive salaries. For this reason, neither commission report addressed whether the same peer groups should be used for chancellors and vice chancellors.

A peer group for UW system positions has never been formally established by a commission or by the Board of Regents. In practice, for external market comparison System Administration has used other large university systems that are similar in size and composition to the UW System. Attachment C lists the characteristics of the university systems to be used in the system peer group. All of the "peer" university systems have at least nine four-year institutions and 1990 student enrollment levels greater than 100,000 (headcount basis) in the four-year institutions.

The attached table shows the 93-94 salary ranges for the UW System senior executives under the proposed policy. Adoption of the new salary guidelines would not trigger immediate salary changes for any UW System senior executive.

1993-94 SALARY RANGES FOR UW SYSTEM SENIOR EXECUTIVES
UNDER PROPOSED SALARY POLICY

Position	Peer Median 1993-94	Target Salary Range*	Actual 93-94 Salary
UW System President	174,950	148,708-183,698	141,298
UW System Senior Vice Presidents	134,001	113,901-140,701	115,000
UW System Vice Presidents	109,500	93,075-114,975	99,500-101,200
UW-MDSN Chancellor	180,000	153,000-189,000	122,867
UW-MILW Chancellor	140,000	119,000-147,000	119,300
Other UW Chancellors	111,200	94,520-116,760	95,000-110,000
UW-MDSN Vice Chancellor/Provost	150,100	127,585-157,605	VACANT
UW-MDSN Vice Chancellor for Clinical Health Sciences	Not Avail.	Not Avail.	VACANT
UW-MILW Vice Chancellor/Provost	128,737	109,426-135,174	99,700
Other UW Vice Chancellors/Provost	95,254	80,966-100,017	84,000-95,550

*Due to statutory restrictions, the Board of Regents may be prohibited from paying salaries within all or parts of the target salary ranges.

ATTACHMENT A

Establishment of Salary Structure for Senior Executive Positions Covered by State Executive Salary Groups

Resolution 5357:

That, following consideration of University of Wisconsin System President Kenneth Shaw's report on University System executive salaries (provided at the September 1989 Board of Regents meeting) which highlights earlier actions by the Board, current Board authority to adjust salaries, State-imposed Executive Salary Group controls, and updates information on external market rates for comparable positions at other institutions, the Board of Regents endorse the following salary structure reflecting the duties and responsibilities borne by these positions and the competition for senior executives in the higher education market:

	<u>General Target Salary Percentage</u>
President	100%
Chancellor - Madison	97%
Chancellor - Milwaukee	92%
Executive Vice President	89%
Vice Chancellor - Madison	89%
Vice President - Academic Affairs	87%
Vice Chancellor - Milwaukee	84%
Chancellors - University Cluster (Average)	80%
Vice Chancellor - CHS	80%
Other Vice Presidents (Average)	80%
Vice Chancellors - University Cluster (Ave.)	72%

The purpose of this structure is to serve as a guide in setting salaries that better reflect the internal relationships in the University of Wisconsin System and the competitive external market. The target salary percentages should be a guide in setting individual salaries subject to: statutory salary limits, availability of funding, and other considerations such as performance. The targets do not guarantee individual salary rates.

Approved by the Board of Regents
November 10, 1989

Attachment B

I. Faculty Salary Peer Groups established by the 1984 Governor's Faculty Compensation Study Committee.

Peer institutions for UW-Madison are: University of California-Berkeley, University of California-Los Angeles, University of Michigan, University of Texas-Austin, Ohio State University, Purdue University, University of Illinois-Urbana, University of Minnesota, Indiana University, Michigan State University, University of Washington.

Peer institutions for UW-Milwaukee are: Rutgers/State University of New Jersey-Newark, State University of New York-Buffalo, University of Cincinnati, Georgia State University, University of Texas-Dallas, University of Illinois-Chicago, Wayne State University, Cleveland State University, University of Toledo, University of Akron, Temple University, University of Louisville, University of Missouri-Kansas City, University of New Orleans.

Peer institutions for the UW Comprehensive Universities are: Michigan Technological University, Wright State University, University of Akron, Youngstown State University, Oakland University, Indiana University-Northwest, Mankato State University, Central Michigan University, Winona State University, University of Michigan-Flint, Moorhead State University, Western Michigan University, St. Cloud State University, University of Minnesota-Duluth, University of Michigan-Dearborn, Bemidji State University, Eastern Michigan University, Purdue University-Calumet, Northern Michigan University, University of Northern Iowa, Grand Valley State University, Indiana/Purdue University-Fort Wayne, Ferris State College, Indiana University-South Bend, Southern Illinois University-Edwardsville, Indiana University-Southeast, University of Southern Indiana, Sangamon State University, Saginaw Valley State College, Western Illinois University, Eastern Illinois University, Chicago State University, Northeastern Illinois University.

II. Peer university systems used for external market comparisons for UW System Administration senior positions: University of California System, California State University System, State University of New York, City University of New York, University of Texas System, State University System of Florida, University of North Carolina System, University of Maryland System.

ATTACHMENT C
COMPARABLE UNIVERSITY SYSTEMS¹

	<u>Number of Institutions (excluding 2 year institutions)</u>	<u>2 year Institutions under System</u>	<u>Student Enrollment Fall 1990</u>	
			<u>Headcount</u>	<u>FTE</u>
State University of New York	29	30 Community Colleges	403,028	315,264
California State University	20	0	369,053	275,510
City University of New York	15	6 Community Colleges	201,091	143,185
University of Massachusetts ²	14	15 Community Colleges	180,347	122,353
State University of Florida	9	0	175,960	107,104
University of California	10	0	165,388	142,079
University of Wisconsin	13	13 Centers	159,979	133,001
University of North Carolina	16	0	144,527	126,829
University of Texas	14	0	143,340	114,568 (est.)
University of Maryland	11	0	104,584	74,176

¹University Systems with student enrollment greater than 100,000 (headcount basis) in baccalaureate and graduate institutions

²Excluded from salary peer group because of pending legislative proposal to split system into two systems

Amendments to Trust Fund
Investment Guidelines

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Business and Finance Committee, the Board of Regents eliminates from the Guidelines for the Principal Fund (Section IV.5.c.) and the Income Fund (Section IV.3.b.) the phrase "this prohibition shall be applied to corporations doing business in South Africa, without regard to the number of individuals employed;."

May 6, 1994

I.2.d.(1)

**AMEND TRUST FUND GUIDELINES
INVESTMENTS IN CORPORATIONS DOING BUSINESS IN SOUTH AFRICA**

EXECUTIVE SUMMARY

BACKGROUND

At their March 1994 meeting, the Board of Regents amended Regent Resolution 1615 by deleting Section 1 which prohibited investments in corporations doing business in South Africa. The same restriction is included in the Trust Fund Investment Objectives and Guidelines. The Board of Regents Business and Finance Committee has the responsibility to establish the investment objectives and guidelines of the UW System Trust Fund.

REQUESTED ACTION

That the Business and Finance Committee eliminates from the Guidelines for the Principal Fund (Section IV.5.c.) and the Income Fund (Section IV.3.b.) the phrase "this prohibition shall be applied to corporations doing business in South Africa, without regard to the number of individuals employed;".

DISCUSSION

Although the prohibition on investing in corporations doing business in South Africa has been removed from Resolution 1615, the current investment guidelines of the Principal and Income Funds prohibit the UW System investment managers from considering investing in such corporations. In order to complete the removal of this restriction, it is necessary that the investment guidelines of the Principal and Income Funds be amended.

RELATED REGENT POLICIES

Resolution 6266 - Investments in Corporations Doing Business in
South Africa

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Objectives and Guidelines

Principal Fund

**Adopted December 8, 1993
September 10, 1993**

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

STATEMENT OF INVESTMENT OBJECTIVES AND GUIDELINES

PRINCIPAL FUNDS

I. General

The purpose of these Investment Objectives and Guidelines is to set forth the key considerations and policies that will govern the investment management of the assets of the Principal fund. Additionally, each investment manager will have an individual set of investment objectives that define more precisely their goals.

Each investment manager shall be responsible for investing fund assets in a manner consistent with the intent and provisions of this Statement. Investment managers shall have full discretion with respect to asset allocation, diversification and issue selection subject to the constraints of this statement and the provisions of each manager's individual investment objectives.

II. Investment policy

The overall investment policy shall be to manage Fund assets in a prudent, productive manner in accordance with provisions of pertinent Wisconsin statutes governing the investment of these Trust Funds. (Sections 36.29 and 881.01 Wis. Stats. and Regent Resolutions 695 1590 and 1615 are attached.) The investment managers shall seek to increase the aggregate value of the assets under management while conscious of the need to preserve asset value. Excessive volatility in fund asset values is to be avoided. Reasonable consistency of return is expected on a year-to-year basis although the Board of Regents recognizes the inherent volatility of securities markets on a short-term basis.

The investment objectives for the total Fund are to satisfy all spending requirements through investment income and, secondarily to earn a real (inflation-adjusted) rate of return over an extended time period. For evaluation purposes the achievement of the Funds' long-term growth objective will be measured over a four-year time period, a period generally representative of a full investment market cycle, with a comparison made to the NACUBO (National Association of College and University Business Officers) asset size median.

Rate of return shall mean total annualized time-weighted rate of return, that is, investment income plus realized and unrealized capital gains and losses calculated consistent with AIMR (Association for Investment Management and Research) performance presentation standards.

The four-year measurement period shall be computed on a 16 calendar quarter moving average basis. More precise investment objectives are contained in Statements of Investment Objectives and Guidelines for each individual manager

III. Investment Risk Guidelines

Since consistency of return and protection against loss of capital are of prime importance, the Fund is to be managed to limit downside risk.

In an effort to address the issue of risk, certain concerns have been identified, including but not limited to: potential loss of capital, volatility and variability of returns, credit or bankruptcy, liquidity and diversification. These are applied to the market, sectors of the market, and individual issues. To a varying degree, each of these points is addressed implicitly or explicitly in different sections of these guidelines, but for clarity, they are summarized as follows:

1. Capital Loss - Preservation of the value of capital (in real terms) is of major concern regardless of whether price action is due to the market, a sector or a particular issue - and whether based on technical or fundamental considerations.
2. Volatility of Investment Returns - Portfolio exposure to such volatility is expected to be limited as a reflection of the need to preserve capital and achieve consistent returns.
3. Credit or Bankruptcy - Only securities of well-established companies are expected to be used in a portfolio; a minimum five year operating history ordinarily is expected for the equity securities held in the Fund.

4. Liquidity - Portfolio positions should be issues that are publicly traded in sufficient volume to facilitate, under most market conditions, prompt sale without severe market price effect.
5. Diversification - Concentration in any one issue, issuer, industry or geographic area is to be avoided.

IV. General Portfolio Guidelines

1. Common stocks may represent no greater than 75% of the market value of the total Fund.
2. Common stocks, All Preferred Issues and Convertible Bonds

Not more than 5% of the equity portion of a portfolio may be invested in the securities of any one corporation, no more than 15% in the securities of any one industry (measured using Indata industry groupings) and not more than 10% in foreign securities. Foreign (international) securities may only be held by the international manager in a co-mingled type account. A portfolio may contain no more than 5% of the outstanding shares of any company.

For purposes of interpreting this paragraph the "equity portion" is the greater of (1) the market value of equities plus cash reserves or (2) 50% of the total portfolio market value. Holdings above the imposed limitation resulting from changes in market value are acceptable provided the securities are not more than 10% of the equity portion, and with the understanding that the Business and Finance Committee of the Board of Regents shall be notified of any such variation at the next regularly scheduled investment review meeting.

3. Fixed Income Securities excluding (short-term obligations)

Debt securities, excluding issues of the U.S. Government and its agencies, shall be rated A or above by Moody's and Standard & Poor's except that up to 10% of the manager's portfolio may be

invested in BBB rated bonds. This exception is subject to review upon manager change. No more than 5% of the fixed-income portion of a manager's portfolio may be invested in the securities of any one issuer or in any one issue. No more than 15% of the fixed-income portion of a manager's portfolio shall be invested in any one industry.

For purposes of interpreting this paragraph the "fixed-income portion" is the greater of (1) the market value of fixed income investments plus cash reserves or (2) 50% of the total portfolio market value.

These constraints are to be applied on a market value basis. Holdings above the imposed limitation resulting from market appreciation are acceptable with the understanding that the Business and Finance Committee of the Board of Regents shall be notified of any such variation at the next regularly scheduled investment review meeting.

4. Cash Equivalents

Investment managers are expected to be fully invested as stated elsewhere in the guidelines and objectives. To the extent that cash exists awaiting investment, managers are expected to handle their short-term needs using U.S. Government and Agency issues. Alternately, the State of Wisconsin Investment Board Short Term cash fund may be used. Balances of less than \$5,000 or unanticipated balances such as failed security settlements will be held in the custodian Short Term Investment Fund (Common Trust Cash Investment Fund or CTIF) to be invested subject to the guidelines of that fund, attached as appendix A. The international co-mingled fund or debit balance with the custodian may be invested in repurchase agreements, provided the underlying securities are direct obligations of the United States Government.

5. Investment activity in the following is prohibited:

- a) any municipal or other tax-exempt securities;
- b) short sales;
- c) the securities of any issuer which practices or condones through its actions discrimination on the basis of race, religion, color, creed or sex including any issuer employing persons

in nations by which their laws discriminate on the basis of race, religion, color, creed or sex; this prohibition shall be applied to corporations doing business in South Africa, without regard to the number of individuals employed;

- d) foreign equity securities, in excess of 10% of the total market value of a manager's portfolio.
- e) non-dollar bonds in excess of 10% of the total market value of the bond manager's portfolio. The non-dollar bonds will be held in the bond manager's separate co-mingled fund. This provision is subject to review upon manager change.
- f) dollar issues of foreign corporations or governmental entities in excess of 15% of the total market value of the bond manager's portfolio;
- g) margin purchases;
- h) letter stock;
- i) commodities;
- j) options;
- k) futures.

Monitoring portfolios for compliance with the above provisions is the primary responsibility of the investment managers.

6. All security transactions should be executed with the view of obtaining the best net execution with due consideration given to all other relevant factors.

V. Reports

1. Portfolio valuation reports should be submitted on a calendar quarterly basis to:

Trust Fund Operations
Attn: Mr. David M. Konshak, Asst. Trust Officer
423 A. W. Peterson Office Building
750 University Avenue
Madison, WI 53706

2. Annual investment meetings (more frequently, as warranted) will be held with the Business and Finance Committee of the Board of Regents.
3. Immediate telephone advice should be rendered by the investment managers when in their judgement the consequences of financial/economic developments will have a material impact on the Fund's asset value.

VI. Equity Manager Investment Objectives

The following shall apply exclusively to that portion of the Principal Fund's assets managed by equity managers.

1. The total investment manager composite return* over a four-year period should exceed the performance of the Standard & Poor's 500 Composite Stock Price Index plus two (2) percentage points. A similar performance comparison will be made with a South Africa free equity universe index, if available. Individual equity investment managers will have a specialized index comparison developed through a discussion between the manager and the Business and Finance Committee. Managers holding large capitalization issues will be compared to the S & P 500 composite plus two (2) percentage points. Managers holding small capitalization issues will be compared to the NASDAQ Composite plus two (2) percentage points.
2. Total investment performance over a four-year period should exceed the percentage change in the GNP Price Deflator plus the Endowment Spending Plan distribution rate (currently five (5) percent).
3. Equity managers shall be fully invested, that is a cash position would not normally be found in their portfolios.

*All references to investment return relate to annualized time weighted total return that includes all investment income plus realized and unrealized capital gains and losses calculated consistent with AIMR (Association for Investment Management and Research) performance presentation standards.

VII. Fixed Income Investment Objectives

The following statement shall apply exclusively to that portion of the Principal Fund's assets managed by fixed-income managers.

1. Total investment return* over a four-year period should exceed the performance of the Intermediate Shearson Lehman Government/Corporate Bond Index by two (2) percentage points.
2. Fixed Income managers shall have full discretion regarding the portfolio's asset mix with respect to long-term fixed-income obligations and short-term securities.

VIII. Amendments and Review

This document will be reviewed regularly and revisions will be made, if warranted.

If at any time an investment manager feels that the objectives cannot be met, or that the guidelines constrict performance, notification in writing should be forthcoming. By initial and continuing acceptance of these Objectives and Guidelines, the manager concurs with the provisions of this document.

*All references to investment return relate to annualized time weighted total return, that income plus realized and unrealized capital gains and losses calculated consistent with AIMR (Association for Investment Management and Research) performance presentation standards.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Objectives and Guidelines

Income Fund

**Adopted October 8, 1981
September 10, 1993**

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

STATEMENT OF INVESTMENT OBJECTIVES AND GUIDELINES

INCOME FUND

I. General

The purpose of these Investment Objectives and Guidelines is to set forth the key considerations and policies that will govern the investment management of the assets of the Income fund. Additionally, each investment manager will have an individual set of investment objectives that define more precisely their goals.

Each investment manager shall be responsible for investing fund assets in a manner consistent with the intent and provisions of this Statement. Investment managers shall have full discretion with respect to asset allocation, diversification, and issue selection subject to the constraints of this statement and the provisions of each manager's individual investment objectives.

II. Investment Policy

The overall investment policy shall be to manage Fund assets in a prudent, productive manner in accordance with provisions of pertinent Wisconsin statutes governing the investment of these Trust Funds. (Sections 36.29 and 881.01 Wis. Stats. and Regent Resolutions 695 1590 and 1615 are attached.) The investment managers shall seek to increase the aggregate value of the assets under management while conscious of the need to preserve asset value. Excessive volatility in fund asset values is to be avoided. Reasonable consistency of return is expected on a year-to-year basis although the Board of Regents recognizes the inherent volatility of securities markets on a short-term basis.

The investment objective for the Fund is to generate an incremental increase in the rate of return of 1.5-2.5%, annually over the State of Wisconsin Investment Board Short Term Cash Fund (90 day maturity).

Rate of return shall mean total annualized time-weighted rate of return, that is, investment income plus realized and unrealized capital gains and losses calculated consistent with AIMR (Association for Investment Management and Research) performance presentation standards.

III. Investment Risk Guidelines

Since consistency of return and protection against loss of capital are of prime importance, the Fund is to be managed to limit downside risk with the preservation of capital as the top priority. Liquidity of investments to meet unanticipated expenditure needs must be given a high priority.

IV. General Portfolio Guidelines

1. Fixed Income Securities

- a.) Investment of Income Fund balances shall be limited to:
 - 1.) United States Government obligations.
 - 2.) United States Government Agency obligations.
 - 3.) Bank Certificates of Deposit of highest quality.
 - 4.) Variable rate Small Business Administration loans guaranteed by the United States Government.
 - 5.) High quality corporate bonds.
- b.) Average maturity should not exceed 5 years.
- c.) All debt securities, excluding issues of the U.S. Government and its agencies, shall be rated-A or above by Moody's and Standard & Poor's.
- d.) Certificates of Deposit should be issued by major money center banks who are insured by FDIC. Credit quality should be assessed utilizing recognized national banking services and shall be rated A or above.

- e.) Excluding United States government, government guaranteed, or agency obligations, not more than 5% of the fixed-income portion of a manager's portfolio may be invested in the securities of any one issuer or issue and no more than 15% of the fixed income portion of a managers portfolio shall be invested in one industry.

For purposes of interpreting this paragraph the "fixed-income portion" for the fixed-income manager is the total of the market value of the fixed-income investments plus cash reserves.

These constraints are to be applied on a market value basis. Holdings above the imposed limitation resulting from changes in market value are acceptable provided the securities are not more than 10% of the fixed income portion, and with the understanding that the Business and Finance Committee of the Board of Regents shall be notified of any such variation at the next regularly scheduled investment review meeting.

2. Cash Equivalents

Investment managers are expected to be fully invested as stated elsewhere in the guidelines and objectives. To the extent that cash exists awaiting investment, managers are expected to handle their short-term needs using U.S. Government and Agency issues. Alternately, the State of Wisconsin investment Board Short Term cash fund may be used. Balances of less than \$5,000 or unanticipated balances such as failed security settlements will be held in the custodian Short Term Investment Fund (Common Trust Cash Investment Fund or CTIF) to be invested subject to the guidelines of that fund, attached as appendix A.

3. Prohibited Activities

Investment activity in the following is prohibited:

- a.) any municipal or other tax-exempt securities;

- b.) the securities of any issuer which practices or condones through its actions discrimination on the basis of race, religion, color, creed or sex including any issuer employing persons in nations by which their laws discriminate on the basis of race, religion, color, creed or sex; this prohibition shall be applied to corporations doing business in South Africa, without regard to the number of individuals employed;
- c.) foreign securities;

Monitoring portfolios for compliance with the above provisions is the primary responsibility of the investment managers.

- 4. All security transactions should be executed with the view of obtaining the best net execution with due consideration given to all other relevant factors.

V. Communications

Reports

- 1. Portfolio valuation reports should be submitted on a calendar quarterly basis to:

Trust Fund Operations
Attn: Mr. David M. Konshak, Asst. Trust Officer
423 A. W. Peterson Office Building
750 University Avenue
Madison, WI 53706
- 2. Annual investment meetings or more frequent as warranted will be held with the Business and Finance Committee of the Board of Regents.

3. Immediate telephone advice should be rendered by the investment managers when in their judgement the consequences of financial/economic developments will have a material impact on the Fund's asset value.

VI. Amendments and Review

This document will be reviewed regularly and revisions will be made, if warranted.

If at any time an investment manager feels that the objectives cannot be met, or that the guidelines constrict performance, notification in writing should be forthcoming. By initial and continuing acceptance of these Objectives and Guidelines, the manager concurs with the provisions of this document.

VII. Fixed Income-Investment Objectives

The following statements shall apply exclusively to that portion of the Income Fund assets managed by fixed-income managers.

1. Investment Objectives

Total investment return* over a four-year period should exceed the performance of the State of Wisconsin Investment Board Short Term Cash Fund by 1.5-2.5% annually.

2. Asset Mix

Fixed Income managers shall have full discretion regarding the portfolio's asset mix with respect to intermediate fixed-income obligations and short term securities.

* All references to investment return relate to annualized time-weighted total return, that includes all investment income plus realized and unrealized capital gains and losses calculated consistent with AIMR (Association for Investment Management and Research) performance presentation standards.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

State Statutes, Regent Policies and

Boston Safe CTFI Guidelines

Boston Safe Deposit and Trust Company

COMMON TRUST CASH INVESTMENT FUND (CTFI)

For the collective investment of assets held by Boston Safe as trustee for non-profit organizations exempt from Federal income tax pursuant to Section 501 (c) or (d) of the Internal Revenue Code of 1986.

INCEPTION: March, 1991

OBJECTIVES: To provide safety of principal, daily liquidity and a competitive rate of return for clients' funds.

FEATURES:

- Constant unit value of \$1.00.
- Daily opening.
- Interest credited on third business day of the following month.

INVESTMENT GUIDELINES:

- Average maturity of 15-50 days.
- Maximum maturity per issue is one year.
- Maximum of 20% of portfolio may mature over 91 days.
- Approximately 20% of portfolio matures next business day.
- Maximum holding in any one name will not exceed 5% of market value.

ELIGIBLE INVESTMENTS:

- U.S. dollar denominated investments only.
- Repurchase agreements backed by U.S. Treasuries, Federal Agencies, U.S. Government guaranteed securities, AA rated debt, and eligible money market securities.
- U.S. Treasury, Federal Agency securities and U.S. Government Guaranteed Securities.
- Bankers' acceptances of domestic and foreign banks.*
- Certificates of Deposit of domestic and foreign banks.*
- Eurodollar certificates of deposit of domestic and foreign banks.*
- Commercial paper rated A1/P1 or better.
- Other debt instruments - corporate notes and bonds.

*Rated B/C, or better, by Thompson Bank Watch.

The fund will not buy any security or obligation of any South African Corporation or of the South African government, or, any obligations of any corporation owning 10% or more of the equity in a South African Corporation.

FEE: -15 basis points charged against gross yield.

ENDOWMENT UPDATE
UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
EXECUTIVE SUMMARY

BACKGROUND

Annually, the Committee receives an annual update on Trust Funds and a comparison to the National Association of College and University Business Officers (NACUBO) survey of endowment funds. The attached tables and graphs provide several views on the growth and health of the UW System endowments along with comparisons to endowment funds of the 440 universities that participated in the survey.

REQUESTED ACTION

This is an informational item, no action is requested.

DISCUSSION AND RECOMMENDATIONS

The first two pages are the endowment annual update, which provide information on changes to the UW-System endowment over the past five years. The remaining pages compare the UW-System endowment to the NACUBO survey and, in some cases to the Big 10 schools. Investment performance relative to the market, of the past ten years is encouraging, although lagging, relative to our benchmark, the \$100-399 NACUBO grouping.

RELATED REGENT POLICIES

There are no system policies affected by this report.

xc: David M. Konshak

UW System Trust Funds
Endowment Funds
Fiscal Year Ended June 30, 1993

Principal Fund

<u>Investment Type</u>	<u>Market</u>	<u>Percent Market</u>
Cash & Equivalent	\$ 8,906,460	6.4%
Mortgages/Land Contracts	17,452	0.0%
Bonds, Notes & Debentures	48,955,900	35.0%
Common & Preferred Stock	81,894,581	58.6%
Miscellaneous Investments	<u>694</u>	<u>0.0%</u>
Total Funds	<u>\$139,775,087</u>	<u>100.0%</u>

*Gifts & Bequests up 77% from previous year (\$4.7 million to create the Harry Steenbock fund enhanced 92-93 totals).

*Gift flow rate of 6.2% is greater than the 4.7% rate of the \$100-\$400 million grouping of the NACUBO survey.

*Total principal fund has increased 43% over the past five years.

*Total portfolio outperformed the market comparative indices in three of the five past years.

*1992-93 equity performance considerably above the S&P; bonds slightly below indice.

Five Year History of Fund Transactions

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
Beginning Balance July 1	\$ 90,538,736	\$ 92,227,323	\$ 96,758,462	\$102,658,301	\$111,763,838
Gifts & Bequests	3,772,311	3,224,526	3,475,210	4,597,994	8,120,658
Transfers & Repayments ¹	-656,316	-1,210,669	691,066	-1,264,986	-559,896
Realized Investment Gains/Losses	<u>-1,427,408</u>	<u>2,517,282</u>	<u>1,733,563</u>	<u>5,772,529</u>	<u>9,140,176</u>
Book Value	\$ 92,227,323	\$ 96,758,462	\$102,658,301	\$111,763,838	\$128,464,776
Unrealized Gains/Losses	<u>5,621,384</u>	<u>4,614,247</u>	<u>6,183,949</u>	<u>9,658,842</u>	<u>11,310,311</u>
Market Value June 30	<u>\$ 97,848,707</u>	<u>\$101,372,709</u>	<u>\$108,842,250</u>	<u>\$121,422,680</u>	<u>\$139,775,087</u>

(1) Consists of transfers to income for expenditures, repayments for student loans and transfers to/from Gift funds. In 1990-91 there were significant transfers of idle income funds to principal.

Five Year Investment Performance

	<u>Trust Funds</u>			<u>Indices</u>		
	<u>Total Portfolio¹</u>	<u>Stocks</u>	<u>Bonds</u>	<u>S&P 500</u>	<u>Bonds²</u>	<u>Indices³</u>
1992-93	12.7%	17.7%	9.1%	13.4%	10.5%	11.6%
1991-92	12.9%	13.2%	15.9%	13.4%	10.3%	11.7%
1990-91	9.1%	7.6%	9.3%	7.3%	10.5%	8.5%
1989-90	7.0%	4.5%	5.8%	16.2%	7.9%	12.1%
1988-89	14.3%	17.3%	10.6%	20.1%	10.3%	15.1%
5 Year Compound Rate of Return	10.0%	15.6%	9.5%	12.9%	9.9%	11.8%

(1) Includes Stocks, Bonds & Cash Equivalents

(2) Lehman Government Corporate Intermediate Index

(3) Indices adjusted to match the average asset ratio

UW System Trust Funds
Endowment Funds Annual Update
Fiscal Year Ended June 30, 1993

Income Fund

<u>Investment Type</u>	<u>Market</u>	<u>Percent Market</u>
Cash & Equivalent	\$ 3,464,003	8.0%
Mortgages/Land Contracts	---	---
Bonds, Notes & Debentures	39,651,998	92.0%
Common & Preferred Stock	---	---
Miscellaneous Investments	---	---
Total Funds	<u>\$ 43,116,001</u>	<u>100.0%</u>

*Income Fund Earnings, net of fees, were 7.9% in 1992-93 down from 8.1% the previous year.

*1992-93 spending of \$10.6 million exceeded income earned of \$8.2 million, reflecting departmental usage of accumulated income and/or gifts given for current use.

*Gifts given for current use have increased considerably over the past five years.

*Principal fund earnings, net of fees, were 3.4% in 1992-93 down from 4.5% in the previous year.

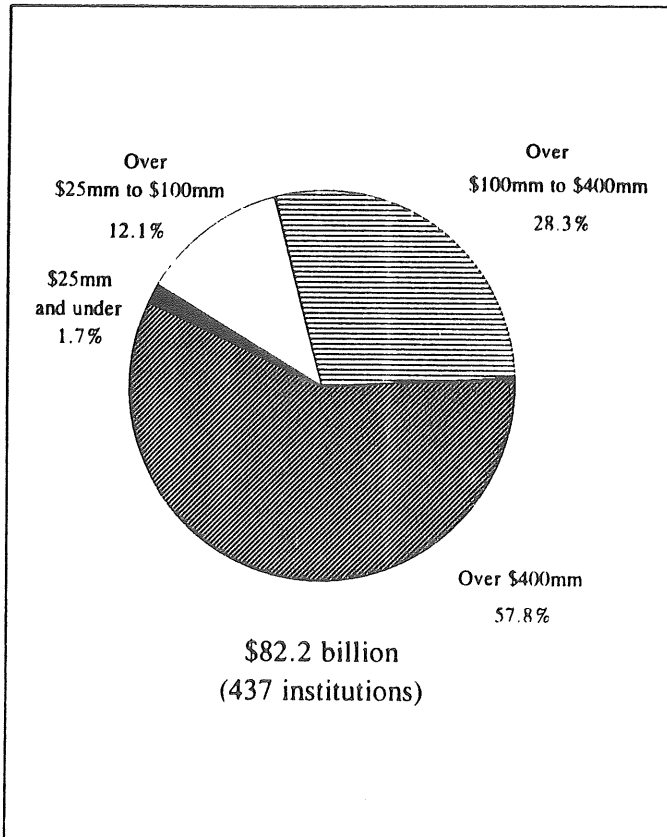
Five Year History of Fund Transactions

<u>Income Funds</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
Beginning Balance July 1	\$ 28,184,880	\$ 32,481,917	\$ 37,878,055	\$ 38,647,059	\$ 41,854,541
Earnings - Principal	5,826,710	6,220,916	6,448,274	5,268,944	4,752,549
Earnings - Income	2,542,661	3,234,491	3,606,884	3,636,202	3,410,882
Gifts & Grants	1,191,195	1,453,468	2,256,874	2,416,913	3,075,703
Expenditures:					
Salaries	-2,389,455	-2,196,491	-2,624,253	-2,941,239	-2,724,900
Student Aid	-1,611,604	-2,553,627	-2,660,170	-2,335,055	-2,950,834
Supplies	-1,900,661	-2,454,273	-2,783,968	-2,975,550	-3,023,373
Capital	-911,278	-934,170	-1,260,740	-1,419,486	-1,892,980
Subtotal	-6,812,998	-8,138,561	-9,329,131	-9,671,349	-10,592,087
Transfers & Repayments ¹	<u>1,549,469</u>	<u>2,625,824</u>	<u>-2,213,897</u>	<u>1,556,773</u>	<u>-399,079</u>
Book Value	\$ 32,481,917	\$ 37,878,055	\$ 38,647,059	\$ 41,854,542	\$ 42,102,509
Unrealized Gains/Losses	<u>50,352</u>	<u>-210,636</u>	<u>367,578</u>	<u>1,802,054</u>	<u>1,013,492</u>
Market Value June 30	<u>\$ 32,532,269</u>	<u>\$ 37,667,419</u>	<u>\$ 39,014,637</u>	<u>\$ 46,656,596</u>	<u>\$ 43,116,001</u>

(1) Transfers to/from gift funds, transfers from principal, and to student loan.

**UW System Trust Funds
Comparisons to NACUBO Annual Survey
of Endowment Funds
Fiscal Year Ended June 30, 1993**

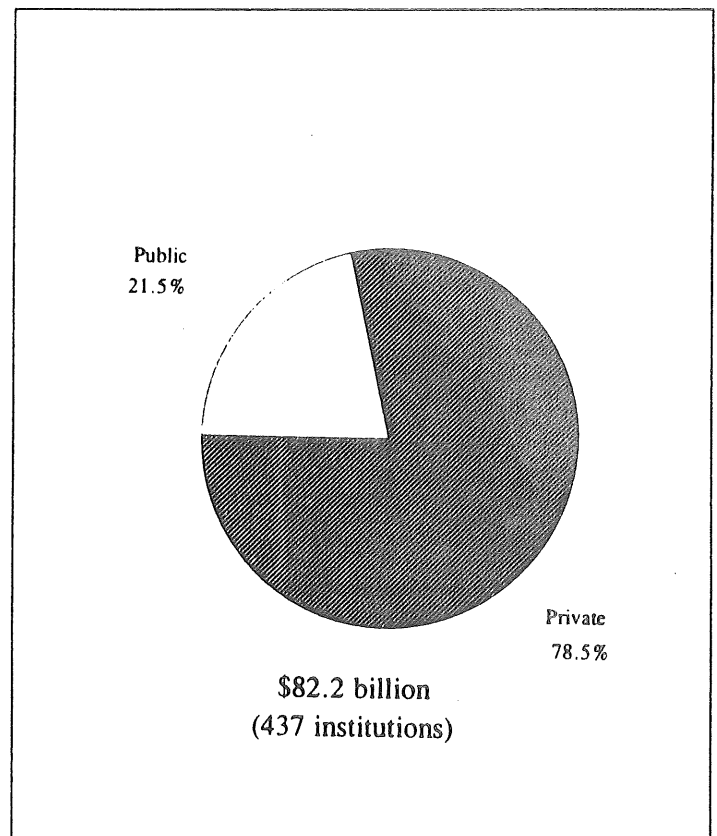
Assets By Endowment Size



- * 440 participating institutions in the 1993 survey, totaling \$82.2 billion.
- * UW Endowment ranks number 115 in size.
- * UW Endowment (\$139.8M) UW Foundation (\$215.9M) and the Wisconsin Alumni Research Foundation (\$550M) would rank UW number 18 in size at \$905.7 million.
- * Endowment assets remain highly concentrated; only 41 schools have greater than \$400 million, yet this group represents 57.8% of the total.

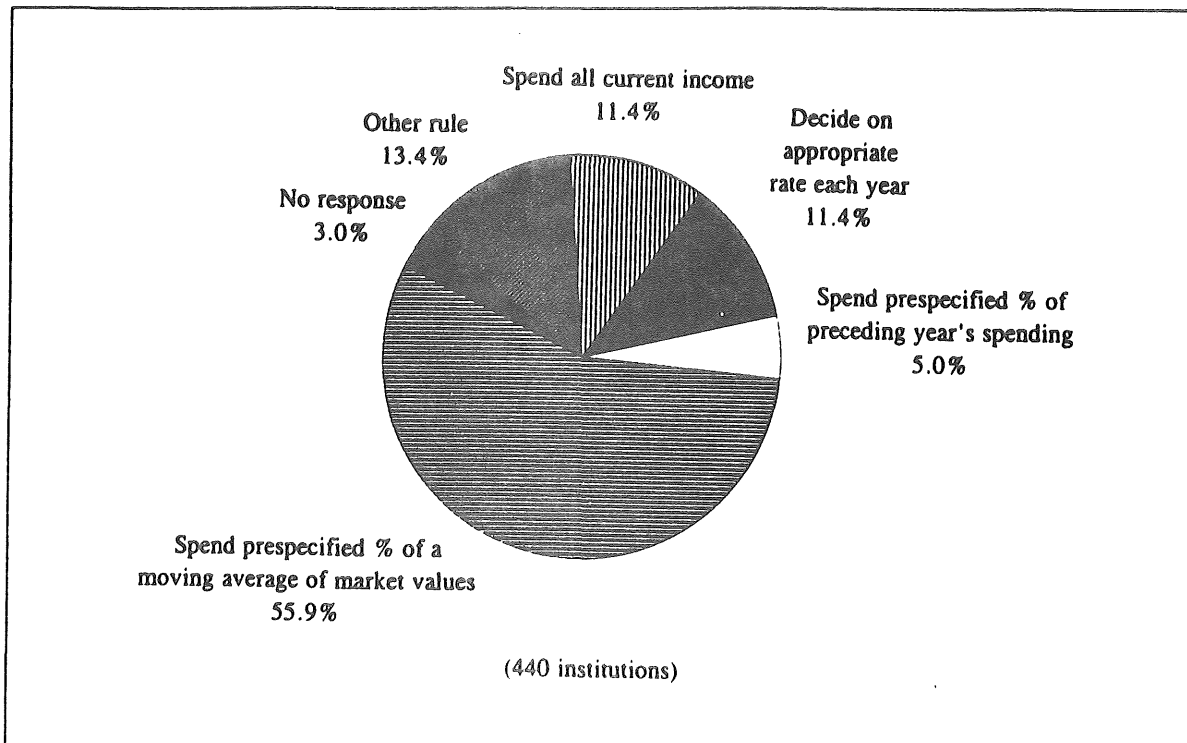
Assets By Institution Type

- * The study includes 306 private and 131 public institutions.
- * Slightly less than half the public institutions are research universities, and they hold 79.2% of the public sector assets.
- * Among the private institutions only 37 are research universities, yet their portion of the private institutions' assets is 57.3%.
- * The biggest public institution is Texas A & M - System (\$1.8 billion) and the largest private institution Harvard (\$5.8 billion).
- * A partial listing of participating institutions is attached, exhibit A.

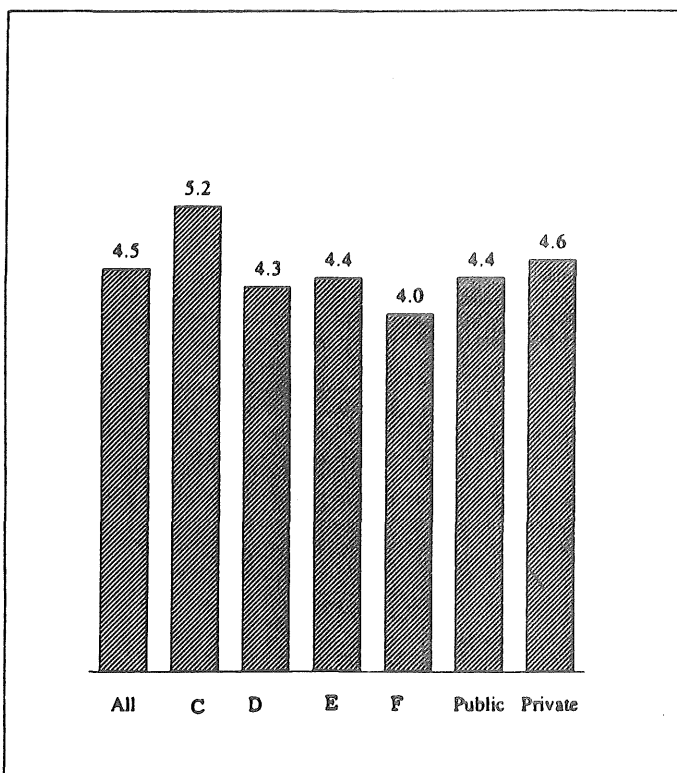


UW System Trust Funds
Comparisons to NACUBO Annual Survey
of Endowment Funds
Fiscal Year Ended June 30, 1993

Endowment Spending Rules



Endowment Spending Rates



* For fiscal year 1993, the average endowment spending rate was 4.5%, up from 4.2% in 1992. NACUBO attributes the rise to more accurate reporting than to any shift in policy.

* On average, the smallest endowments spent more (5.2%) than the larger (4.0%) while private institutions spent more (4.6%) than those in the public sector (4.4%).

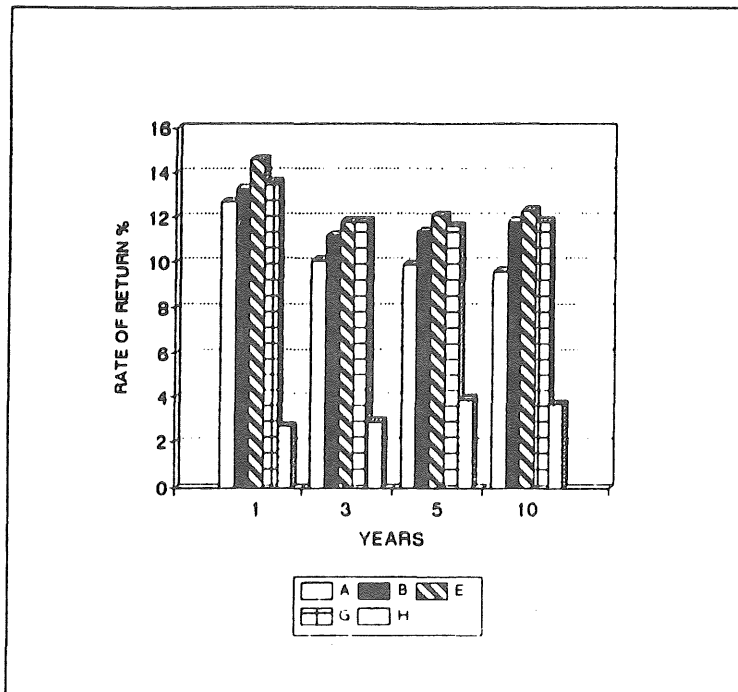
* UW spending fraction is 5.0%. (The rate is set .25% below the actual earned whenever the actual earned is less than 5%.)

* The median spending rate for the Big 10 schools is 5.2% (range is from 4.0% to 6.0%).

Code	Endowment Size Range
C	Under \$25 million
D	\$25-99 million
E	\$100-399 million
F	\$400 million and over

UW System Trust Funds
Comparisons to NACUBO Annual Survey
of Endowment Funds
Fiscal Year Ended June 30, 1993

Investment Performance Results



* Investment pools between \$100-399 million reported the best average nominal return for the year (+14.6%). The range of returns was from +4.2% to +36.3%.

* UW Performance lags the Big 10 and the NACUBO \$100-399 million grouping (our Investment Guideline Benchmark) for all periods measured.

* The real (inflation adjusted rate of return for the median endowment was 8.1% (deflated by the CPI-U).

Code	Endowment Comparison
A	UW Trust Funds
B	Median
E	\$100-399 Million Group
G	Big 10 Median
H	CPI-U (Inflation)

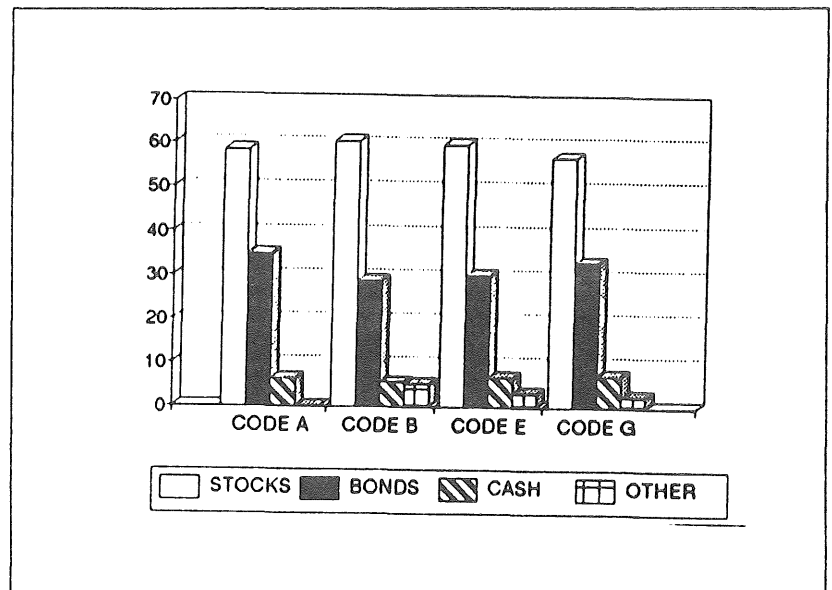
Asset Allocation Ratio

* Stated asset allocation ratio, for the UW, is 60% equities/40% fixed income.

* Commitment to equities continues to increase.

* Largest pools, over \$400 million, have continued enthusiasm for alternative equity investments.

* NACUBO \$(100-399M) foreign currency Equity holdings are now 6.6% of holdings vs. 4.7% foreign on June 30 one year earlier (UW was at 6.6% on 6/30/93).

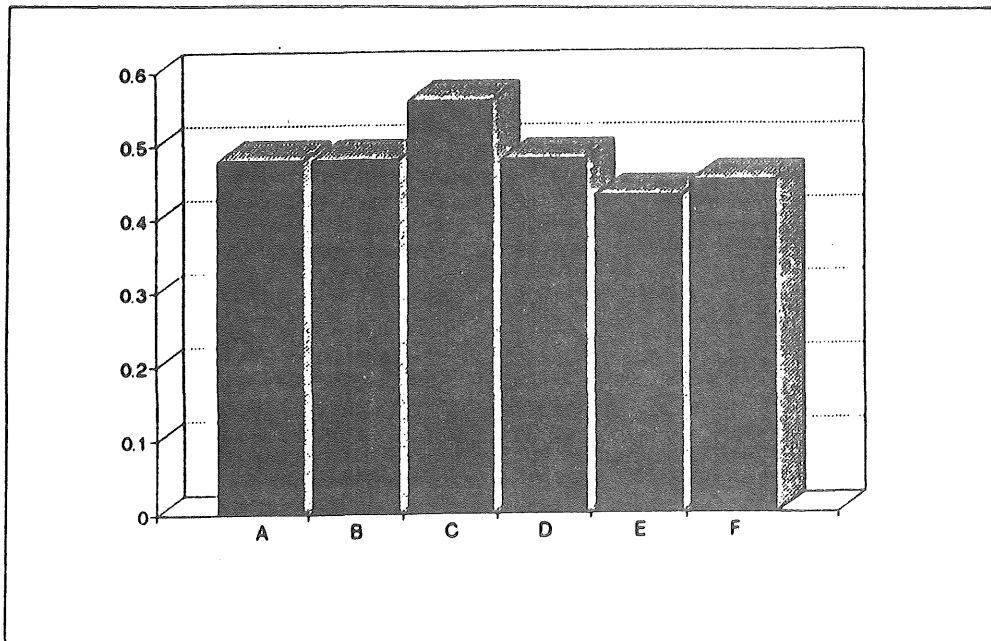


Code	Endowment Size Range
A	UW Trust Funds
B	Median
E	\$100-399 Million Group
G	Big 10 Median

Other consists of equity real estate, faculty mortgages, venture capital, oil & gas and leveraged buyouts.

UW System Trust Funds
Comparisons to NACUBO Annual Survey
of Endowment Funds
Fiscal Year Ended June 30, 1993

Manager Fees



* Manager fees on average decreased to .48% (48 basis points) from .54% in 1992.

* UW Endowment manager fees declined from .52% in 1992 to .48% for 1993-94.

* Multiple managers/asset classes have higher fees than a single balanced account.

Code	Endowment Comparison
A	UW Trust Funds
B	Equal Weighted Mean
C	Under \$25 million
D	\$25-99 Million
E	\$100-399 Million
F	\$400 Million and over

Custodial Fees

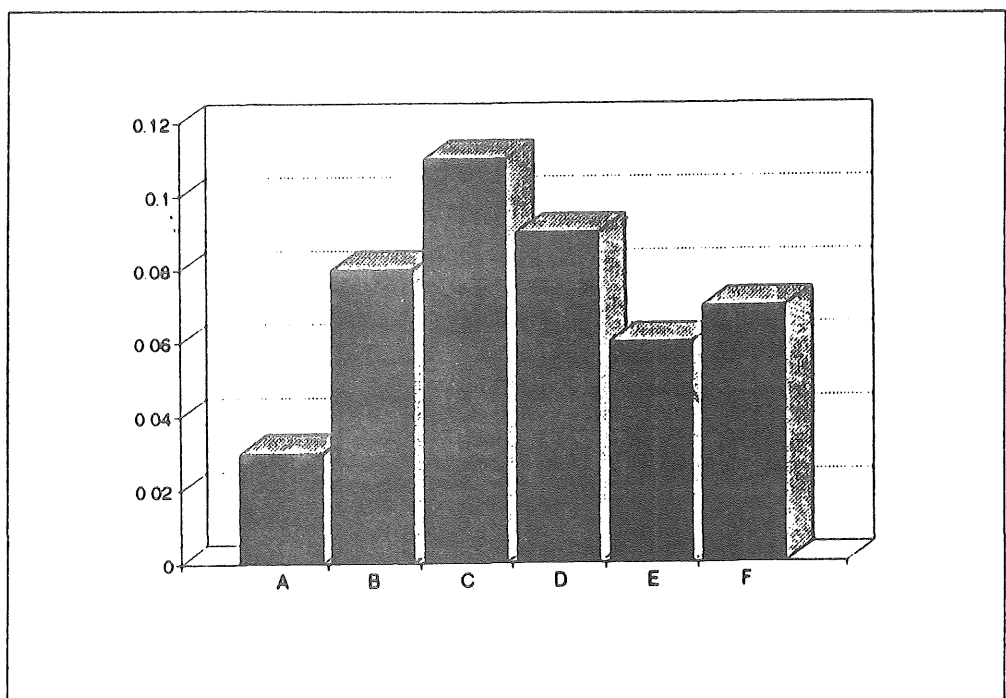
* Average increase to .08% (one basis point) above 1991-92 total of .07%

* UW fees declined one basis point.

* Comparison can be misleading since many institutions have special relationships with their custodian.

* There is generally an economy of scale with lower fees for larger accounts.

Code	Endowment Comparison
A	UW Trust Funds
B	Equal Weighted Mean
C	Under \$25 Million
D	\$25-99 Million
E	\$100-399 Million
F	\$400 Million and over



INSTITUTIONS RANKED BY 1993 MARKET VALUE OF ENDOWMENT ASSETS

Endowment Assets as of June 30, 1993 (\$000s)			Endowment Assets as of June 30, 1993 (\$000s)		
Rank	Institution		Rank	Institution	
1	Harvard University	5,778,257	50	Minnesota, University of	368,209
2	Princeton University	3,286,327	51	Berea College	358,286
3	Yale University	3,219,400	52	Tulsa, University of	354,351 [M]
4	Stanford University	2,853,366 [A]	53	The George Washington University	353,099
5	The Texas A&M University System and Foundation	1,848,525	54	Georgetown University	340,505
6	Columbia University	1,846,600	55	Trinity University (Texas)	339,304 [M]
7	California-Berkeley, University of	1,834,955	56	Boston University	334,507
8	Emory University	1,763,518	57	Lehigh University	329,663
9	Massachusetts Institute of Technology	1,752,943	58	Amherst College	327,232
10	Washington University	1,687,413	59	Wesleyan University	319,449
11	Northwestern University	1,308,363	60	Kansas University Endowment Association	319,187
12	Rice University	1,302,576	61	Baylor University	309,329 [M]
13	Chicago, University of	1,224,036	62	Middlebury College	303,647
14	Cornell University	1,214,600	63	Minnesota Foundation, University of	295,865
15	Pennsylvania, University of	1,095,796	64	Toronto, University of	294,193 [P]
16	Texas System, University of	1,094,659	65	Tulane University	291,039
17	Notre Dame, University of	828,554	66	Washington, University of	283,790
18	Vanderbilt University	800,632	67	Vassar College	279,373
19	Michigan, University of	797,149	68	Pennsylvania State University	279,358
20	Dartmouth College	743,670	69	Florida Foundation, Inc., University of	278,321
21	Johns Hopkins University	725,035	70	Georgia Tech Foundation, Inc.	275,140
22	New York University	694,443	71	Rensselaer Polytechnic Institute	274,226
23	Duke University	669,075	72	Saint Louis University	273,537
24	Southern California, University of	669,063	73	Yeshiva University	266,972
25	Rochester, University of	656,178	74	Oberlin College	264,537
26	Virginia, University of	634,600	75	Nebraska, University of	259,453
27	California Institute of Technology	626,575	76	Lafayette College	257,909
28	Rockefeller University	586,286	77	Alabama System, University of	256,063 [S]
29	Brown University	572,644	78	North Carolina at Chapel Hill, University of	240,239
30	Case Western Reserve University	551,300	79	Syracuse University	230,168
31	Ohio State University and Foundation	493,172	80	Miami, University of	228,311 [M]
32	Wellesley College	485,115	81	Washington State University	227,942
33	Macalester College	475,166	82	Purdue University	222,571
34	Delaware, University of	448,773	83	Mount Holyoke College	221,093
35	Swarthmore College	442,298	84	Carleton College	219,099
36	Smith College	435,565	85	Rochester Institute of Technology	214,917
37	Southern Methodist University	427,124 [M]	86	Tufts University	214,775
38	Loyola University of Chicago	425,164	87	Thomas Jefferson University	213,473
39	Boston College	410,304 [M]	88	Northeastern University	212,818
40	Grinnell College	408,541	89	Missouri System, University of	212,600
41	Carnegie-Mellon University	404,531	90	Bryn Mawr College	208,547 [M]
42	Texas Christian University	394,174 [M]	91	Agnes Scott College	205,309
43	Cincinnati, University of	394,050	92	Rush University	203,398
44	Wake Forest University	384,148	93	Houston System, University of	198,246
45	Pittsburgh, University of	381,888	94	Illinois Foundation, University of	197,169
46	Williams College	380,023	95	Loyola University of New Orleans	195,938 [J]
47	Pomona College	379,632	96	Colgate University	191,137
48	Indiana University and Foundation	373,965	97	SUNY, University at Buffalo and Foundation	186,890
49	Richmond, University of	372,436			

[P] As of April 30.

[M] As of May 31.

[J] As of July 31.

[A] As of August 31.

[S] As of September 30.

* Throughout this report, the University of California-Berkeley represents the entire University of California system.

INSTITUTIONS RANKED BY 1993 MARKET VALUE OF ENDOWMENT ASSETS

Endowment Assets as of June 30, 1993 (\$000s)			Endowment Assets as of June 30, 1993 (\$000s)		
Rank	Institution		Rank	Institution	
98	Bowdoin College	185,292	146	Furman University	109,009 [M]
99	Claremont McKenna College	182,514	147	Spelman College	108,445
100	Colorado College	178,446	148	Saint Thomas, University of	107,954
101	Trinity College (Connecticut)	176,575	149	Rhodes College	106,984
102	Academy of the New Church	176,518	150	St. Lawrence University	106,735
103	Rutgers, The State University	165,870	151	West Virginia University Foundation, Inc.	103,174
104	Virginia Tech Foundation	164,400	152	Kentucky, University of	103,172
105	Wabash College	154,374	153	Utah, University of	102,011
106	Regent University	154,369	154	Colby College	99,129
107	Southwestern University	152,046	155	Fordham University	97,979
108	Earlham College	151,348	156	Illinois Institute of Technology	96,086 [M]
109	Santa Clara University	149,584	157	Bates College	95,339
110	Tennessee System, University of	148,891	158	Michigan State University	94,986
111	Washington & Lee University	145,785	159	Willamette University	94,926 [M]
112	Occidental College	144,493	160	Berry College	94,354
113	Hamilton College	144,485	161	Vermont, University of	94,341 [M]
114	Georgia and Foundation, University of	143,133	162	Texas Tech University	93,673 [A]
115	Wisconsin System, University of	139,775	163	Mills College	93,482
116	Holy Cross, College of the	139,383	164	Ithaca College	93,445 [M]
117	Loyola Marymount University	139,307	165	Butler University	92,707
118	Bucknell University	136,082	166	Wooster, College of	91,948
119	Cooper Union	134,272	167	Harvey Mudd College	91,775
120	Woods Hole Oceanographic Institution	133,572	168	Drew University	91,256
121	UCLA Foundation	133,110	169	Nevada and Community College System, University of	90,728
122	Union College (New York)	132,426	170	Ohio University	90,098
123	Cranbrook Educational Community	131,059	171	Temple University	89,380
124	Maryland System and Foundation, University of	130,676	172	Dayton, University of	89,342
125	Samford University	128,692 [M]	173	New Mexico and Foundation, University of	87,829
126	South, University of the	128,277	174	Kansas State University Foundation	87,143
127	Whitman College	127,978	175	Lawrence University (Wisconsin)	84,717
128	Marquette University	127,137	176	Drexel University	84,090
129	Worcester Polytechnic Institute	126,228	177	Virginia Commonwealth University	83,743
130	Howard University	125,105	178	Austin College	79,676
131	Louisville, University of	123,845	179	Dickinson College	78,877
132	Radcliffe College	123,686	180	Simmons College	78,458
133	VMI Foundation, Inc.	123,421	181	Clemson University and Foundation	77,326
134	Franklin and Marshall College	122,986	182	Puget Sound, University of	76,936
135	William & Mary, Endowment Assoc. of the College	122,146	183	Oregon Health Sciences University Foundation	75,208
136	DePauw University	120,218	184	South Carolina System, University of	74,969
137	College of the Ozarks	119,760 [M]	185	Scripps College	74,343
138	Denison University	119,577	186	Oregon State University Foundation	73,969
139	Haverford College	119,438	187	Rhode Island School of Design	73,320
140	Mercer University	118,570	188	Creighton University	72,988
141	Pepperdine University	117,761	189	Albion College	72,974
142	Auburn University and Foundation	116,310 [S]	190	Hawaii, University of	72,683
143	Davidson College	113,297	191	Bentley College	72,634
144	Colorado Foundation, Inc., University of	111,880	192	Goucher College	72,124
145	Wheaton College (Illinois)	109,806			

[P] As of April 30.

[M] As of May 31.

[J] As of July 31.

[A] As of August 31.

[S] As of September 30.

**ASSET ALLOCATION RATIO
UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS - PRINCIPAL
EXECUTIVE SUMMARY**

BACKGROUND

Each year the Business and Finance Committee examines the asset allocation ratio, i.e. the percentage of assets in stocks/bonds. The ratio is balanced between the need for endowment growth vs. the need to generate income.

REQUESTED ACTION

Consideration of a change to the asset allocation ratio.

DISCUSSION

Historically, over the past ten years our asset allocation has tended to be conservative, overweighted in bonds. This overweighting jeopardizes the long-term growth of the endowment. Growth is more likely with a stronger commitment to equities. The ratio moved from 40% to 60% equities becoming less conservative in the latter part of the past ten year period. The decision for the committee is to weigh the concern for future growth vs. the need for spendable income given the perpetual nature of the endowment.

ASSET ALLOCATION RATIO

Asset allocation is by definition the most important task in investment management. A historical perspective should be factored with current inflationary concerns and the need to provide real growth of assets. Diversification between the various asset classes and multiple managers each using a variety of styles, is a known means of reducing risk in a portfolio.

BACKGROUND INFORMATION

History of Ratios:

7-01-82 Ratio at the discretion of the Balanced Fund Manager

7-12-84 40% Equities/60% Fixed

4-04-85 50% Equities/50% Fixed

4-10-86 55% Equities/45% Fixed

9-06-90 60% Equities/40% Fixed

* Equities by statute, are limited to 75% of the total market value of the fund.

AVERAGE ANNUAL COMPOUND RETURN

Stocks, Bonds, Cash Equivalents and Inflation

Nominal Returns:

	<u>1926-1993</u> <u>(68 years)</u>	<u>1954-1993</u> <u>(40 years)</u>	<u>1974-1993</u> <u>(20 years)</u>	<u>1984-1993</u> <u>(10 years)</u>
Stocks (S&P)	10.3%	11.8%	12.8%	14.9%
Bonds (20-yr Govt)	5.0%	6.0%	10.1%	14.4%
Cash (T-Bills)	3.7%	5.5%	7.5%	6.4%
Inflation (CPI- all urban consumers, not seasonally adjusted)	3.1%	4.3%	5.9%	3.7%

NAACUBO and Big 10 Endowment Survey 6/30/93 (440 Universities)

Nominal Returns:

	<u>NAACUBO</u>			
	<u>Median</u>	<u>\$ 100-399</u> <u>Million</u>	<u>UW</u>	<u>Big</u> <u>10</u>
1 year	13.3	14.6	12.7	13.6
3 years	11.2	11.8	10.1	11.8
5 years	11.4	12.1	9.9	11.6
10 years	11.8	12.3	9.6	11.8

NACUBO and Big 10 Endowment Survey 6/30/93 (440 Universities)

Investment Pool Asset Allocation:

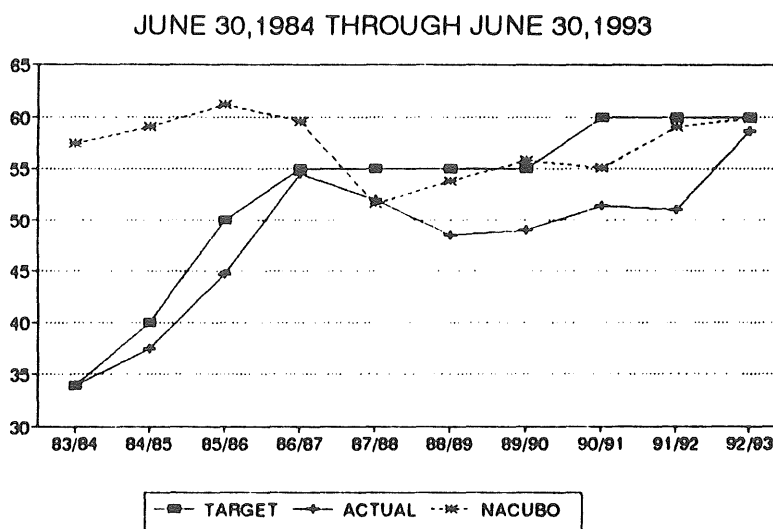
		<u>NACUBO⁽¹⁾</u>			
		<u>All Institution</u>	<u>\$100-399</u>	<u>UW</u>	<u>Big</u>
		<u>Average</u>	<u>Million</u>		<u>10</u>
Equity					
U.S.		45.6%	50.0%	47.3%	41.1%
International		8.4%	6.6%	11.3%	15.9%
Private/Venture		<u>6.5%</u>	<u>3.3%</u>	<u>-0-</u>	<u>n.a.</u>
		60.5%	59.9%	58.6% ⁽²⁾	57.0%
Fixed					
U.S.		26.3%	28.9%	35.0%	19.9%
International		2.5%	1.3%	-- ⁽³⁾	13.3%
Cash		5.6%	6.7%	6.4%	7.3%
Other		<u>2.0%</u>	<u>.8%</u>	<u>-0-</u>	<u>2.5%</u>
		36.4%	37.7%	41.4% ⁽²⁾	43.0%
Real Estate		<u>3.1%</u>	<u>2.4%</u>	<u>-0-</u>	<u>-0-</u>
Total		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Dollar-Weighted Mean.

(2) UW TARGET RATIO: 60% Equity/40% Fixed with a maximum of 10% of the equity portion in international; 10% of bonds in non-dollar international.

(3) International investing starting October, 1993.

EQUITY ASSET RATIO



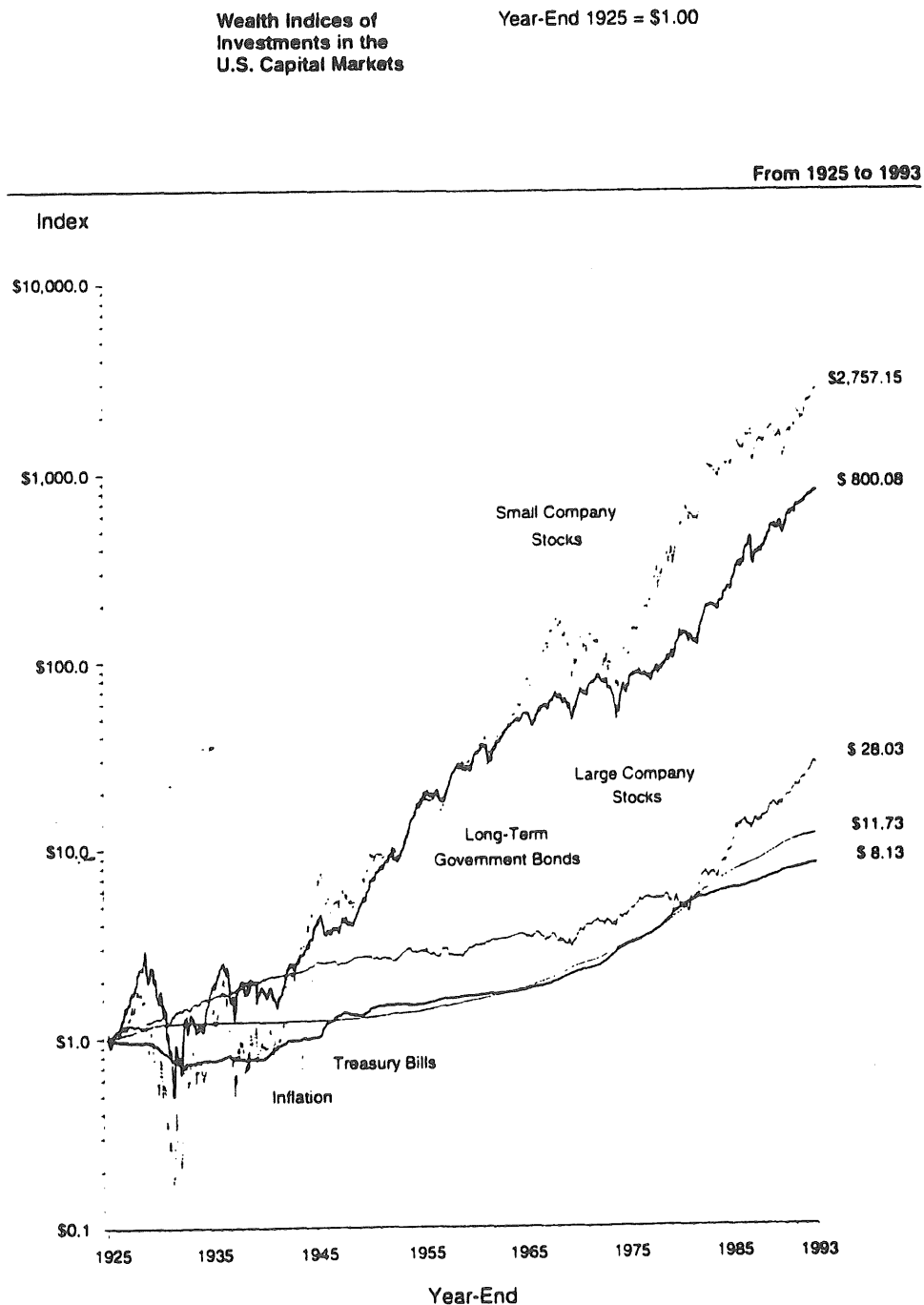
The investment guideline (10/93) change which now requires equity investment managers to be fully invested has helped to bring the actual ratio closer to the target ratio.

DISCUSSION

Need for Income:

With the adoption of the endowment spending plan, the need for bonds is reduced since they are no longer needed in the portfolio to generate income, but rather are used as a means of diversification by asset class. Endowment earnings are now calculated by applying a prespecified rate, i.e. 5% (the rate is set .25% below the actual earned whenever the actual earned is less than 5%), of a three year moving average of endowment market values. In accordance with Wisconsin Statutes, any income generated from the endowment in the form of dividends, interest, or realized gains can be used to meet the spending rate. Current Board policy limits spending to income earned.

Investment Considerations:



The investment focus for the endowment is long term given the perpetual nature of endowments. Regent Nicholas distributed a study of Endowment Policy, by Edward H. Jennings, professor of finance and president emeritus -- Ohio State University, several months ago. The study recommends the endowment be invested in a fully diversified portfolio of common stocks with income distribution policies that are a percent of the market value of the portfolio. This recommendation assumes that:

1. over the long-term, equity returns will always be greater than those available on fixed-income securities;
2. market fluctuations over the short-run are not relevant because complete or partial liquidation will never be required;
3. market recoveries are sufficiently robust to achieve equity superiority over a period of 4 or 5 years and a maximum of 7 to 14 years;
4. income fluctuations implied by such a policy are tolerable;
5. market predictions and individual security selection will not be profitable to the individual college or university;
6. full diversification is possible; and
7. the "prudent man rule" will tolerate a policy of full equity investment.

Professor Jennings promotes a portfolio of 100% equities. Wisconsin statutes limit the UW to a maximum of 75% equities.

At the Endowment and Foundation Funds Forum (November, 1993) redefining asset allocation was a topic. In theory, the presenters and attendees supported a 100% equity as the appropriate position for a perpetual endowment. In practice, few institutions are at this high a level. Of the 390 responding institutions, the NACUBO Investment Pool Asset Allocation had 156 institutions, or 40% with equity allocations above 60%! The highest allocation was 99.7% and the lowest 1.2% in equities.

Future uncertainty can be reduced through diversification of investments. A stock portfolio with investment concentrations tends to fluctuate more extensively than a broadly diversified stock portfolio, thus greater diversification among stock issues leads to more stable spending. So it follows that the broader the diversification, the more stable the fund's market value over time. Because spending is based on the market value of the endowment fund, it too reflects the greater stability. Likewise, diversification across a variety of managers will further add to the stability and reduce uncertainty.

Considerations:

1. Leave the asset allocation ratio at 60% Equities/40% Fixed.
2. Increase the asset allocation ratio to:
 - 65% Equities/35% Fixed
 - 70% Equities/30% Fixed
 - 75% Equities/25% Fixed

--and, if the equity ratio increases, consider--

Spending 5% of a three-year moving average value of principal, the source of which is A) investment income and B) realized investment gains and losses to offset the decline in income caused by the greater equity percentage.

May 6, 1994

Agenda Item I.2.e.

UNIVERSITY OF WISCONSIN SYSTEM 1994-95 ANNUAL BUDGET PREVIEW AND BASE REVIEW

EXECUTIVE SUMMARY

BACKGROUND

Although the Board of Regents will make the majority of its annual budget decisions at its June meeting, this document provides background information on the annual budget, including:

1. a preview of the 1994-95 annual operating budget;
2. a summary of the annual budget development process used by UW System Administration and by each UW System institution; and
3. a review of significant base shifts at each institution.

REQUESTED ACTION

The Board of Regents will be acting on the UW System's 1994-95 annual budget during its June meeting. The following table shows the specific actions the Business and Finance Committee, and ultimately the full Board of Regents, take on the annual budget.

BOARD OF REGENTS MAJOR DECISIONS RELATED TO THE 1994-95 ANNUAL BUDGET

MARCH

1. Approved Decision Rules to Allocate 1994-95 Additional Funding (Item I.2.d.)

JUNE

1. Approve Total Additional GPR/Fee Budget Level and Allocations of New Funding
2. Approve Tuition Level
3. Approve Rates for Segregated Fees, Room and Board, Apartments, Parking, and UW Hospital and Clinics
4. Approve Projected Additional PR/Federal Budget Level
5. Approve the 1994-95 Quality Reinvestment Program Planned Reallocations

DISCUSSION

This document is for information purposes only.

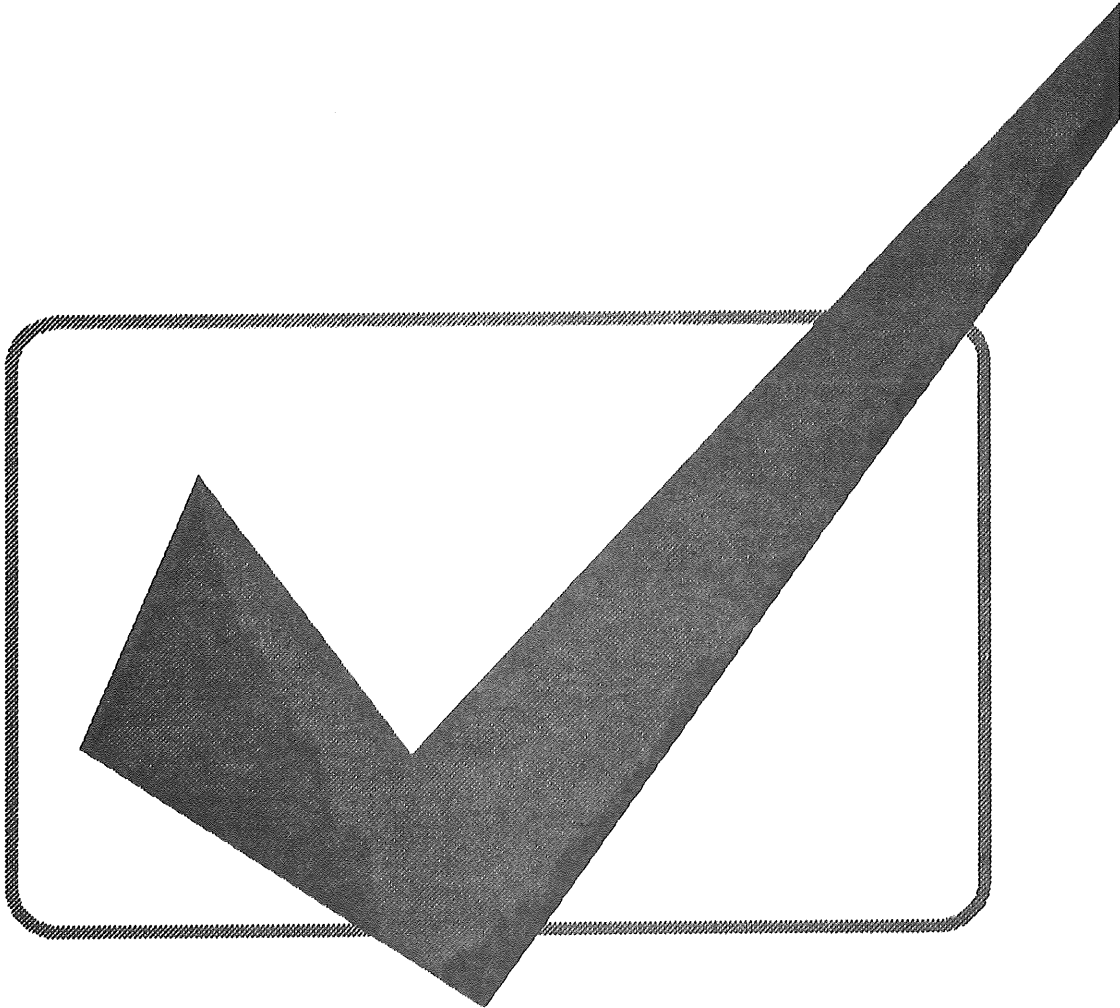
The first section of the report provides a preview of the 1994-95 Annual Operating Budget. The first section includes:

- highlights of the 1994-95 annual operating budget, which show GPR and fee increases for the UW System as approved in the 1993-95 biennial budget;
- a description of New Initiatives and Budget Reductions, providing a brief overview of budget changes and anticipated use of the new funding; and
- a description of cost-to-continue and compensation changes for 1994-95.

The second section of the document describes the fiscal year 1994-95 annual budget development and base reallocation process, including descriptions of:

- the process used by the Office of Budget Planning to scrutinize each institution's annual budget;
- the timeline and steps involved in the preparation and approval of the UW System annual budget;
- the common elements that apply to institution budget development processes;
- factors that have limited the ability of UW System institutions to reallocate funding to institutional priority needs during the 1994-95 fiscal year;
- improvements in the annual budget development process made by the University of Wisconsin System;
- the roles played by the Offices of Business and Finance and Academic Affairs in implementing and monitoring UW System programs;
- the timeline and steps involved in the preparation and approval of each institution's annual budget; and
- the types of reallocations planned at each UW System institution during the 1994-95 fiscal year.

***UNIVERSITY OF WISCONSIN
SYSTEM***



***1994-95 ANNUAL OPERATING
BUDGET PREVIEW AND
BASE REVIEW***

I. 1994-95 ANNUAL BUDGET PREVIEW

A. HIGHLIGHTS OF THE 1994-95 BUDGET

THE FOLLOWING PRELIMINARY BUDGET INFORMATION IS BASED ON THE 1993-95 BIENNIAL BUDGET APPROVED BY THE LEGISLATURE AND THE GOVERNOR. THE JUNE ANNUAL BUDGET DOCUMENT WILL INCLUDE 1994-95 ADJUSTED NUMBERS FOR COST-TO-CONTINUE AND COMPENSATION, INCLUDING A 2% PARITY ADJUSTMENT EFFECTIVE JANUARY 1, 1995 FOR ALL FACULTY AND ACADEMIC STAFF AND NOT CONTAINED IN THE FIGURES BELOW.

- The UW System will receive an additional \$35.5 million GPR/Fees in 1994-95, funding 62% of the Board of Regents' request for that year (\$57.3 million GPR/Fees.)
- A major portion of UW System's new GPR/Fee funding in 1994-95 is for compensation.
- Only \$4.4 million GPR/Fees (or 12.5% of the increase) is for new initiatives.

<u>Budget Category</u>	<u>\$ Increase</u> <u>(1), (2)</u>	<u>% of Total</u> <u>GPR/Fees</u>
Cost-to-Continue	\$0.5	1.4%
New Initiatives	\$4.4	12.5%
Adjustments (3)	-\$0.6	-1.8%
<u>Compensation</u>	<u>\$31.2</u>	<u>87.8%</u>
Totals	\$35.5	100%

- (1) Preliminary Numbers based on 1993-95 biennial budget
(2) Dollars in Millions
(3) Administrative Base Cut

GPR

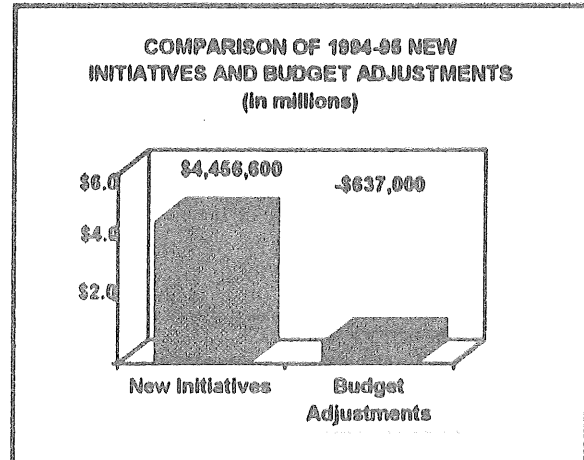
- The 1994-95 budget includes a 0.3% increase (\$2.7 million) in GPR to meet ongoing cost-to-continue (\$.1 million) and new initiatives (\$2.6 million) (excluding compensation and budget adjustments).
- When compensation and budget adjustments are factored in, the GPR increase is 2.9% (\$24 million).

TUITION

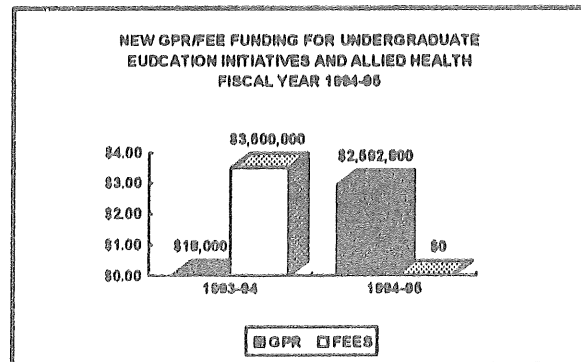
- Tuition increases for 1994-95 will be submitted to the Board of Regents in June. The current range, based on the biennial budget bill and expected fringe benefit cost increases, is 6.5 to 7%. The parity adjustment is funded about 30% by tuition and is expected to increase tuition costs by .6%, for a revised range of 7 to 7.6%. A final figure is dependent on student mix and fringe benefit/salary supplemental costs. [UW-Madison's tuition will be 1.5% higher, due to its special initiatives/technology fee.]

B. NEW INITIATIVES/BUDGET REDUCTIONS

The 1994-95 budget provides \$4.4 million for new UW System initiatives. However, the funding is reduced by base cuts of \$637,000 in administrative costs.



\$2.6 million GPR funding is provided for the Undergraduate Education and Allied, Rural, and Inner City Health Professions initiatives.



The 1994-95 budget provided funding of \$4.4 million for the following four new initiatives:

- Improving Undergraduate Education
- Allied, Rural, Inner City Health Professions
- UW-Madison Tuition Funded Increases
- UW-Madison Law School Fee Increase

<u>1994-95 New Initiatives</u>	<u>1994-95 Increase</u>
Improving Undergraduate Education (all GPR)	\$2,500,000
Allied, Rural, and Inner City Health Professions (all GPR)	\$92,800
UW-Madison Tuition Funded Initiative (all Fees)	\$1,700,000
UW-Madison Law School Fee (all Fees)	\$163,800
TOTAL NEW INITIATIVES	\$4,456,600

IMPROVING UNDERGRADUATE EDUCATION

\$2.5 million GPR in 1994-95 in new initiatives is directed at improving undergraduate education systemwide.

The state biennial budget provides the undergraduate education funding as a lump-sum. This allows UW System institutions flexibility to meet priority needs in these undergraduate areas.

- *Library Acquisitions and Automation*
- *Supplies and Expenses*
- *Instructional Technology*
- *Academic Advising and Degree Audit Systems*
- *Individualized Learning*

MEETING THE NEEDS OF THE STATE

The state biennial budget recommends an additional \$92,800 GPR to expand Wisconsin Area Health Education Center (AHEC) programming in Wisconsin communities and serve as a match for federal funding, and to expand recruitment activity for select health professionals.

- *Allied, Rural, and Inner City Health Professions*

ADDITIONAL TUITION SUPPORT FOR UW-MADISON IMPROVEMENTS

The budget provides for UW-Madison supplemental tuition increases of 1.5% in 1994-95. This initiative will provide an estimated \$1,700,000 for UW-Madison improvements.

- *Full implementation of Degree Audit Reporting System and a significant expansion of undergraduate advising.*
- *Expanding student access to and use of instructional technology.*
- *Providing additional junior- and senior-level classes, initiating undergraduate research seminars, and establishing a business fellows program.*

UW-MADISON LAW SCHOOL SUPPORT

The state biennial budget includes UW-Madison Law School special fee increase of \$182 annually. The estimated \$163,800 that will be generated in 1994-95 would aid in keeping the Law School among the top law schools in the nation.

- *Increasing support for the Law School library.*
- *Creating additional project assistants to provide opportunities to students in legal research.*
- *Improving instructional faculty-student contact.*

C. OTHER BUDGET RECOMMENDATIONS

COST-TO-CONTINUE/TECHNICAL ITEMS

GPR/Fee cost-to-continue budget adjustments in 1994-95 include utilities, debt service M/D financial aid programs, and removing costs for the UW-Superior Environmental Health Lab.

<u>Cost-to-Continue Items</u>	<u>GPR/Fees</u>
GPR Debt Service	-\$1,861,900
UW-Superior Envir. Health Lab	-\$70,000
M/D Financial Aid Programs	\$821,800
<u>Utilities</u>	<u>\$1,622,200</u>
Total	\$512,100

COMPENSATION

Faculty and Category A and B Academic Staff will receive 6% compensation increases in 1994-85, and Category C Academic Staff will receive 5% increases. These numbers include a 2% parity increase (\$6.2 million GPR/Fees) effective January 1, 1995, and a 1% special market adjustment effective July 1, 1994 for faculty and academic staff except Category C.

<u>Type of Staff</u>	<u>Compensation Increase</u>
Faculty	6%
Academic Staff	
Category A	6%
Category B	6%
Category C	5%

QUALITY REINVESTMENT PROGRAM

1994-95 will be the final year of the Quality Reinvestment Program (QRP). UW System institutions will reallocate nearly \$8 million dollars during 1994-95. (System Administration completed its QRP reallocations during FY 1993-94.) The total ongoing annual QRP reallocations is \$26 million, 47% for salaries and 53% for other QRP priorities of: S&E, libraries, assessment, learning technologies, professional development, and engineering.

<u>Institution</u>	<u>1994-95 QRP</u>
Madison	\$3,714,300
Milwaukee	\$1,222,600
Eau Claire	\$376,200
Green Bay	\$12,400
La Crosse	\$268,400
Oshkosh	\$351,300
Parkside	\$188,600
Platteville	\$193,100
River Falls	\$237,300
Stevens Point	\$453,700
Stout	\$277,400
Superior	\$25,600
Whitewater	\$352,500
Centers	\$33,600
<u>Extension</u>	<u>\$270,800</u>
Total	\$7,977,800

II. ANNUAL BUDGET DEVELOPMENT

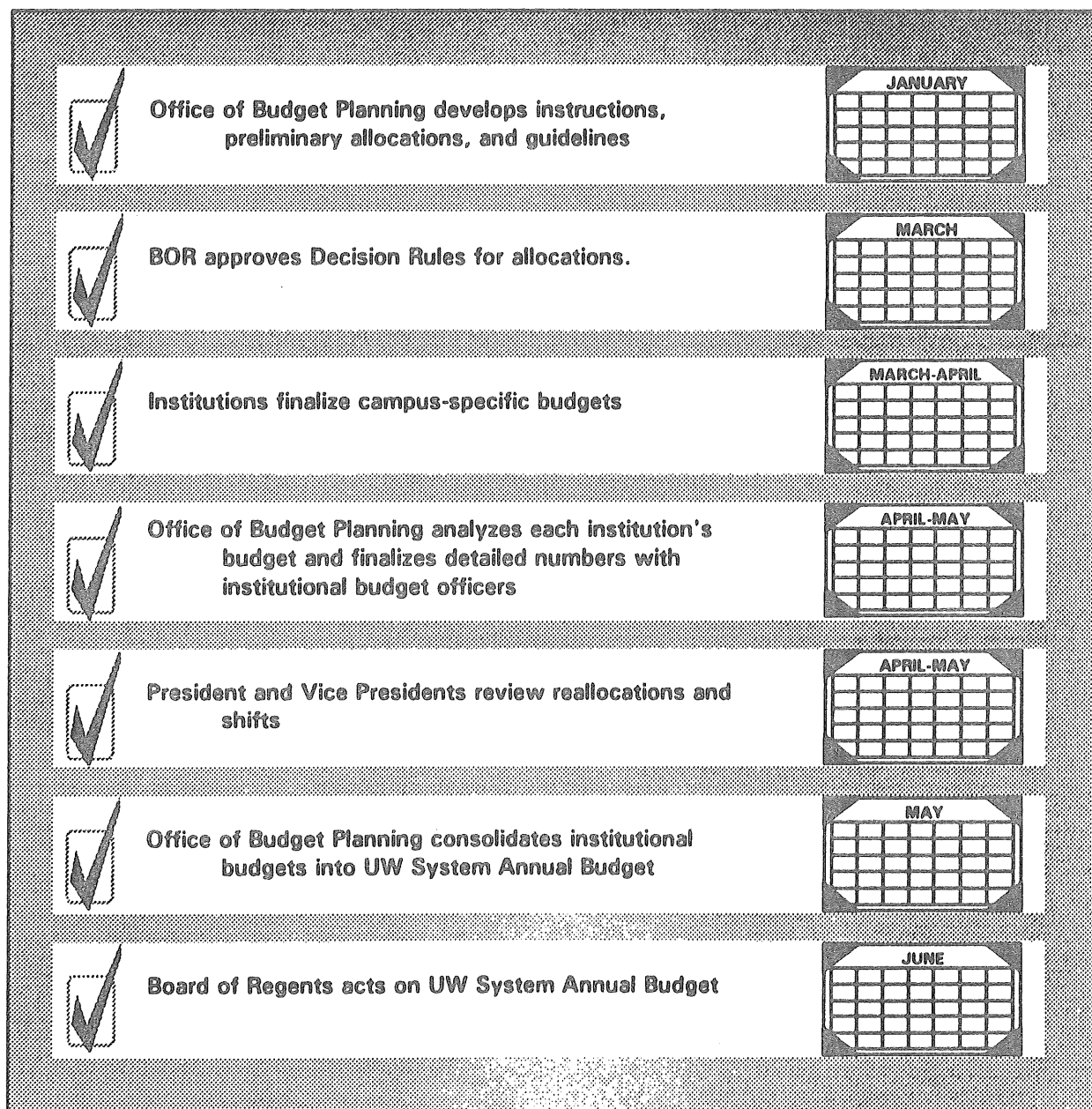
A. SYSTEM ADMINISTRATION REVIEW OF BASE BUDGETS

The Office of Budget Planning scrutinizes each annual budget using a comprehensive set of analytical procedures.

- ✓ A review of shifts by activity (instruction, research, student services, etc.) and line (salaries, supplies, equipment etc.) to ensure that they conform to guidelines.
- ✓ A review of each appropriation to determine that dollar and FTE amounts agree with allocations.
- ✓ A review of shifts of funds and positions across activities to assure that they meet Legislative, Board of Regents, and System policies. For example,
 - ➔ Shifts out of instruction and academic support are carefully examined to determine their impact on the quality of instructional services.
 - ➔ Building maintenance budgets and positions are monitored to assure that institutions meet DOA instructions to avoid shifts out of this area. These funds and positions are now accounted for in a separate appropriation.
- ✓ A review of salary increase awards (e.g. merit, QRP, recruitment and retention, and teaching excellence) to determine that they meet established distribution guidelines.
- ✓ A review of personnel changes to assure that they conform with academic policies regarding promotions, titles, status modifiers, and base salary adjustments.
- ✓ A review of individual salaries to determine that they fall within the minimum/maximum salary ranges established for the position.
- ✓ A review of all QRP shifts to assure that they meet the eligible categories of need, that appropriate position vacancies are held open, etc.

B. UW SYSTEM ANNUAL BUDGET DEVELOPMENT PROCESS

The UW System annual budget development process begins with instructions, allocations, and guidelines in January and ends with the adoption of the annual budget by the Board of Regents in June.



C. ANNUAL BUDGET DEVELOPMENT AT UW SYSTEM INSTITUTIONS

Although each UW System institution faces a unique set of circumstances when developing its annual budget, a number of common elements apply to most, if not all, institutions.

1. Priorities are identified at the start of the budget development process. The implementation of strategic plans are core annual priorities at several institutions. Other driving forces in 1994-95 include implementation of institutions' Quality Reinvestment Plans, program reviews, accreditation requirements, new Chancellors' goals, and other means.
2. The priorities also must take into account existing and proposed rules, regulations, and directives from the Board of Regents and state and federal government. These guidelines are identified in the annual budget directions each institution receives from System Administration.
3. At many institutions, a percentage of each division's base is held in a central pool to meet emerging institutional priorities and unanticipated needs.
4. Generally, managers (Chairs, Deans, Directors) at the department or unit level make decisions on where required cuts will be made. These people are most familiar with the specific needs and responsibilities of the department/unit, and are in the best position to make these difficult decisions without jeopardizing the ability to fulfill their missions.
5. Allocations of instructional-related funding are based on multiple criteria or formulas.

The ability of UW System institutions to reallocate funding to institutional priority needs during the 1994-95 fiscal year has been significantly affected by two major state fiscal decisions and systemwide priorities.

- Quality Reinvestment. During 1994-95, implementation of the UW System Quality Reinvestment Plan will be completed. QRP is a self-help initiative designed to meet the needs of students and faculty by funding from base resources items identified as vital to preserving quality. With the completion of 1994-95 QRP, an ongoing annual \$26.5 million will have been reallocated systemwide to meet high priority educational needs. The 1994-95 June report on the Quality Reinvestment Program will present data on the source of these funds by activity, planned spending by top educational priorities (compensation, learning technologies, supplies and expenses, libraries, etc.).

- Systemwide Permanent Budget Cuts. The State has required systemwide permanent budget cuts totaling \$637,000 during the 1994-95 fiscal year in administrative cost reductions. This is in addition to a \$637,000 cut which was experienced in 1993-94. The total base reduction is \$1,274,000.

The above two budget adjustments will absorb much of the funding which could have been used to address remaining high priority institutional needs not addressed through the Quality Reinvestment Plan.

D. ANNUAL BUDGET DEVELOPMENT PROCESS IMPROVEMENTS

Using Continuous Quality Improvement (CQI) and other process improvement methods, the University of Wisconsin System has made several improvements in the annual budget development process.

- At the suggestion of the Board of regents, key summary fiscal schedules will be moved to the front of the Annual Budget document.
- The checkout of institution budget submissions was improved by eliminating several checks and by improving the method for verifying that special fees are budgeted in the appropriate area.
- The checklist for analyzing institution budget was reviewed with institution budget officers. This review contributed to a better understanding of the annual budget process on the part of both System Administration and the institutions.
- Auxiliary budget sessions were conducted at each institution to review the process, reporting requirements, policies, instructions, and timetable used in developing the institutions' auxiliary budgets. Institutions were provided with a comprehensive reference manual relating to auxiliary budget issues and guidelines.
- Institution budget submission dates were reviewed and adjusted to recognize more complex budget development processes.
- The amount of information required for institutional reports on Engineering plans has been reduced based on positive reviews during the first two years of reporting.
- Guidelines for the General Computer Access program have been reviewed based on institutional comments to better meet changes in computer technology since the program began in 1989-90.
- Enrollment estimates by resident and full-time/part-time status for 1994-95 were reviewed with each institution to improve the tuition model used to determine tuition rates.

E. SYSTEM ADMINISTRATION BUDGET IMPLEMENTATION AND MONITORING

The Offices of Business and Finance and Academic Affairs play a crucial role in implementing and monitoring programs such as Quality Reinvestment, Laboratory Modernization, General Computer Access, Research and Public Service, Financial Aid, and Special Fees.

- ✓ **Quality Reinvestment:** System Administration annually reviews institutions' quality reinvestment plans and annual budget submissions to ensure compliance with the Quality Reinvestment Principles and Guidelines. This upcoming year (1994-95) will be the final year of the 3-year QRP program.
- ✓ **Laboratory Modernization and General Computer Access:** Institutions are required to submit annual plans for each project. These plans are reviewed by a special System Administration Committee to ensure that funds are spent in compliance with legislative intent, Board of Regents and System Administration guidelines, capital budget submissions, and academic entitlements.
- ✓ **Research and Public Service:** Institutions submit biennial reports which System Administration uses to prepare biennial reports to the Governor and the Legislature.
- ✓ **Financial Aid:** Each year the Offices of Budget Planning and Financial Administration send out semi-annual (October and February) surveys on the use of minority and disadvantaged financial aid funds administered by the UW System (Advanced Opportunity Program, Lawton Undergraduate Minority Retention Grant, Pilot Minority Tuition Award and Minority Teacher Forgivable Loans). Based on the responses in these surveys, and in consultation with Academic Affairs and the Special Assistant for Minority Affairs, funds are reallocated to institutions needing additional money from institutions with available funds.
- ✓ **Special Fees:** As part of the annual budget development process, System Administration monitors institutional budgets to ensure that the revenue from special fees are budgeted for the intended purpose and that other base resources are not diverted from the targeted area.

Other examples of areas that System Administration monitors are:

- ✓ *Distinguished Professors*
- ✓ *Applied Research*
- ✓ *Library Acquisitions and Automation*
- ✓ *Minority/Disadvantaged Programs*
- ✓ *Student:Instructional Staff Ratios*

F. INSTITUTIONAL SUMMARIES

The following institutional examples illustrate the types of reallocations planned at each UW System institution during the 1994-95 fiscal year. They demonstrate the prioritizing that takes place during the annual budget development process.

UW-MADISON

ANNUAL BUDGET DEVELOPMENT PROCESS:

- The 1994-95 budget development process for GPR/Fees has focused on:
 - Implementation of the second year of Madison's instructional technology and undergraduate education initiatives which are funded by the tuition supplement included in the 1993-95 biennial budget;
 - Implementation of the 1994-95 phases of school/college strategic plans;
 - Establishing base year allocations and set-asides to address distance education, Enrollment Management III, the campus master plan, and new undergraduate general education requirements in the 1995-97 biennium.
- The ongoing institutional priorities and basic policy framework are found in UW-Madison's Future Directions report. The planning and implementation of those priorities are being undertaken as part of the campus-wide and divisional strategic planning activities.

INSTITUTION PRIORITIES FOR 1994-95:

1. Instructional technology -- investments in both the physical and human resources "infrastructure" for both on-campus and distance learning purposes.
2. Undergraduate education initiatives -- continuation/implementation of the elements identified in the 1991-93 and 1993-95 biennial budgets. This priority includes initiation of activities related to UW-Madison general education requirements.
3. Advising -- implementation of the "cross-college" advising services which are targeted primarily on new freshmen and those who have not selected a major.
4. Library services
5. Supplies and expenses

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Reallocations within the College of Letters and Science (approximately \$750,000) and Agricultural and Life Sciences (approximately \$600,000) as they continue implementation of the budget reduction portion of their strategic plans.
2. The 1994-95 tuition supplement increase will provide funds for the planned expansion of instructional technology initiatives through the Division of Information Technology and the planned expansion of advising and undergraduate education initiatives. Further, UW-Madison anticipates allocating and reallocating as much as \$500,000 of additional funds to the advising and undergraduate initiatives.
3. The 1992-93 and 1993-94 reallocation of approximately \$1.0 million for instructional supplies and expenses support will be continued.
4. Funding (estimated at \$250,000) is being reallocated to develop the campus physical and facilities master plan.
5. Funds will be reallocated to meet the unfunded costs of the UW Processing Center reorganization.
6. Prior year allocations and reallocations of over \$750,000 for library services and acquisitions will be continued.
7. Reallocations of over \$200,000 in the various Allied Health professions will be initiated in order to increase enrollment opportunities and program quality.

UW-MILWAUKEE

ANNUAL BUDGET DEVELOPMENT PROCESS:

- UW-Milwaukee begins its planning process in September prior to the beginning of the new fiscal year. Schools, colleges, and divisions prepare planning documents that include:
 - reviewing the goals and results of the past fiscal year,
 - reviewing the progress to date in attaining the goals for the current fiscal year,
 - establishing goals for the new fiscal year and describing activities planned to achieve the goals,
 - describing progress over the past year in meeting hiring and retention goals as well as in enhancing the working environment for faculty and staff members,
 - analyzing the budget, and
 - planning for the implementation of the Milwaukee Initiative, UW-Milwaukee's renewed commitment to increase the presence of students, faculty and staff from the underrepresented racial/ethnic groups on campus.
- The goals section for the academic units include:
 - enrollment goals,
 - plans for enhancing program array and access to courses and the major,
 - plans for enhancing the quality of the learning environment,
 - plans for instructional outreach or community activities, and
 - other unit goals as appropriate.
- The budget analysis section addresses the budget needs of the unit based on the goals established. Major components include the base reallocation plan to fund QRP and campus decrements, plans for QRP increments, other internal base reallocations, suggested additions to the base budget, and capital equipment/laboratory modernization/classroom modernization needs.
- The academic divisions submit their plans to the Vice Chancellor who, upon consultation with the Deans, prepares the Academic Affairs plan. The Vice Chancellor and the Assistant Chancellors submit their plans to the Chancellor and the Chancellor's Budget Advisory Committee. The Chancellor and staff and the Chancellors' Budget Advisory Committee then consider the Academic Affairs plan and support division plans to determine allocations of any new funding and base reallocations necessary.
- The campus level planning process culminates with an allocation of dollars and positions to each school/college/division. Within the allocation constraints and campus budget policies, each division builds detailed budgets which are subsequently reviewed and approved by the campus administration prior to submission to UW System Administration.

INSTITUTIONAL PRIORITIES FOR 1994-95:

1. Improve faculty and academic staff compensation.
2. Maintain/enhance the quality of instruction.
3. Improve library access.
4. Enhance student support services.
5. Provide custodial, maintenance, and security funding for the new Architecture and Business buildings.
6. Improve administrative efficiencies and regulatory compliance.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Institution priorities were funded through internal reallocations, including QRP and other base reallocations and through the UW System undergraduate education funding. In addition to reallocations made for QRP, all units were required to contribute 0.5% of their GPR/Fee budget to fund campus priorities.
2. As part of the Quality Reinvestment Plan, reallocated:
 - \$891,000 for salary adjustments for faculty and academic staff;
 - \$339,000 into supplies and expenses (includes \$227,000 reported in 5 below).
3. To maintain/enhance the quality of instruction, campus units reallocated:
 - \$41,500 to the College of Letters and Science's Center for International Studies to foster the expansion of offerings in foreign languages and other international focus courses; and
 - \$23,100 to the School of Business Administration to partially support a minority/disadvantaged student advisor position.
4. To enhance student support services, campus units reallocated \$15,000 to the Financial Aid Office to support the increased cost of computer maintenance and telecommunications.
5. Reallocated \$227,000 to partially fund the custodial, maintenance, and security costs associated with the new Architecture and Business buildings.
6. To improve administrative efficiencies and regulatory compliance:
 - Combined three units - Computing Services (academic computing), Educational Communications Services, and Information Services - into one unit, the Division of Information Technology Services.
 - Internally reallocated \$40,000 to fund the campus Continuous Quality Improvement program.
 - Internally reallocated \$57,000 to improve campus ADA and equal opportunity compliance.

UW-EAU CLAIRE

ANNUAL BUDGET DEVELOPMENT PROCESS:

- The annual budget development process is initiated with a centralized process of identifying top goals and priorities. Priorities are established by:
 - ➔ annual reports and meetings with all departments/offices;
 - ➔ an audit and review process;
 - ➔ consultation with University Planning Committee (which conducts continual long-range planning for the institution), University Senate Budget Committee, and student committees; and
 - ➔ an annual planning session of the Chancellor's executive staff.
- Resource allocation models are evaluated as a means of reallocating University funds to emerging priorities. For example, for 1994-95, a 1% reduction of the budgets for Business Affairs, Facilities Planning and Management, and Student Affairs and a .5% reduction in Academic Affairs were modeled to reallocate funds for diversity and technology needs.
- In November, tentative allocations are released to the Vice and Assistant Chancellors for budget planning purposes with a planning reserve of about 1% held by the Chancellor to respond to competing priorities.

INSTITUTION PRIORITIES FOR 1994-95:

1. Continue to address competitive salary needs.
2. Meet critical supply and expense needs and address the need to support emerging technology.
3. Maintain quality level student to instructional staff and credit to instructional staff ratios.
4. Continue to be responsive to student program needs.
5. Increase efforts for diversity.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Through Quality Reinvestment, 4.80 FTE positions have been eliminated. Three positions were from retirements and resignations in instruction, and the other 1.8 FTE positions were from non-instructional areas.
2. Reallocated approximately \$319,000 to fund Quality Reinvestment market salary adjustments.
3. Reallocated about \$69,400 to fund S&E needs, and more than \$100,000 to support technology needs.
4. Within Instruction, positions have been reallocated from lower priority areas to meet critical student program needs. For example, instructional positions have been reallocated to the Departments of English and Chemistry.
5. Reallocated approximately \$100,000 to fund diversity efforts. These funds will be used, for example, to infuse cultural diversity throughout the curriculum, support minority student recruitment, and for faculty and staff development.

UW-GREEN BAY

ANNUAL BUDGET DEVELOPMENT PROCESS:

- The Chancellor's Planning and Resources Committee (Chancellor, Vice Chancellor, Associate Chancellor, Assistant Chancellor for Business and Finance, Dean of Students, Chair of the University Committee, Chair of the Academic Affairs Council, Chair of the Faculty Senate Committee on Budgetary Matters, President of the Student Association, Chair of the Academic Staff Committee, and a representative of the classified staff) meets on an ongoing basis to discuss major budget problems and to assess budget allocations and/or budget deallocations.
- Institutional priorities are recommended by the Chancellor's Administrative Staff to the Chancellor, who also confers with the Chancellor's Planning and Resource Committee.
- Within Academic Affairs, resources are allocated using a combination of a funding formula, qualitative measures, and budget reviews.
 - The Vice Chancellor sends budget instructions and planning allocations to the academic deans and Academic Affairs Directors.
 - The three deans and all directors hold budget reviews with their units to identify critical needs for the upcoming year and to discuss how they would deal with different levels of resources.
 - Each dean and director, in turn, meets with the Vice Chancellor to outline both short-term and long-term needs in their areas.
- Within each subunit, new priorities are set and budget changes are proposed.
- During March, the Budget Office distributes allocations to senior administrative officers who, through a process of matching the University's strategic objectives with the department's operating objectives, establish new department and program budgets.

INSTITUTION PRIORITIES FOR 1994-95:

1. Reduction of the student:faculty ratio
2. Strengthening selected academic programs
3. Compensation
4. Summer session
5. Supplies and expenses
6. Assessment

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Shifted \$33,811 from Public Service to Instruction due to a change in the funding source for a portion of the salary of Director of the Weidner Center for the Performing Arts.
2. Reallocated \$4,820 to Instruction as a result of elimination of a campus-wide savings requirement.
3. Reallocated 1.75 FTE and \$88,206 within Instruction as match for a federal training grant.
4. Shifted \$14,437 from Instruction to Academic Support for the Faculty Advocate and Mentoring Program for new faculty at UW-Green Bay.

UW-LA CROSSE

ANNUAL BUDGET DEVELOPMENT PROCESS:

- UW-La Crosse is in its fourth year of a decentralized budget planning process designed to promote better and more efficient use of increasingly scarce resources. Deans and Division officers are given discretionary use of salary savings generated within their own areas, which has led to increased efficiencies as retirements and other personnel turnover opportunities are re-evaluated for replacement needs.
- The annual budget development process is initiated in January when the Chancellor, Provost and budget leadership team meet with each Dean and Division officer to discuss and identify primary goals and priorities within each College or Division. The Chancellor and Provost also meet with the standing governance groups to incorporate their concerns. Needs are enumerated on a resource allocation model which is data base driven and related to the strategic plan.
- The resource allocation model is shared with the Chancellor's Cabinet and the Dean's Council for further input and alteration considering the priorities of UW-La Crosse and the UW System as a whole. After input from both groups, a final model is accepted and allocations/deallocations are made to each Dean and Division officer beginning with a formula base and adding programmatic considerations. All decisions are data base driven and address the goals of UW-La Crosse's strategic plan.

INSTITUTION PRIORITIES FOR 1994-95:

1. Academic excellence: meeting the reallocation goals of the Quality Reinvestment plan while maintaining the student:instructional staff ratio established for UW-La Crosse.
2. Providing resources to begin the new Allied Health initiatives identified in the recent lateral review.
3. Continuing to decentralize the use of salary savings to Deans and Division officers to promote more efficient use of resources within colleges and divisions, and provide resources to address continuing S&E and technology resource shortfalls.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Quality Reinvestment funds of \$268,400 were reallocated with \$161,000 (60%) coming from non-instructional divisions and \$107,400 (40%) from instructional colleges.
2. Reallocation of 4.5 FTE instructional positions and \$202,500 from the Colleges of Business, Health/Physical Education/Recreation, and Liberal Studies to the new College of Science and Allied Health to support new Allied Health program development initiatives.
3. \$32,500 of Undergraduate Initiative funds were made available to provide matching funds for decentralized faculty development dollars.
4. \$66,000 of new state Undergraduate Initiative funding was made available to the Library for acquisitions.

UW-OSHKOSH

ANNUAL BUDGET DEVELOPMENT PROCESS:

- The budget process is initiated with the start of the fall semester. An Environmental Scan document is utilized to review external and internal issues related to anticipated revenue and expenses. The document includes a review of the university's goals and related budget issues.
- Resource allocation models are developed to identify and prioritize potential base reductions that allow maintenance of unit and university priorities.
- The process involves a continuous interaction with the Faculty Senate, Senate of Academic Staff, and the Oshkosh Student Association. The institution requires intensive input from faculty and staff within each unit as priorities are established.
- The process is completed in the Spring of each year with tentative allocation of positions completed by the prior December to allow search and screen procedures to continue.

INSTITUTION PRIORITIES FOR 1994-95:

1. Increase utilization of summer session to improve revenue and decrease the enrollment demand in required courses during the academic year.
2. Continue to improve the availability of gateway courses with specific attention to basic skills for new freshmen.
3. Increase participation in and funding for the new Undergraduate Research program.
4. Maintain library resources in support of instruction and research.
5. Continue to provide faculty with computing resources for access to and utilization of national networks. Implement a training program to support this effort.
6. Final QRP phase implemented.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Eliminated an Assistant Chancellor position by reassignment of duties.
2. Reduced administrative costs in the Dean's Offices in the College of Letters and Science.
3. Placed a moratorium on admission to the Administrator Educator emphases in College of Nursing.
4. The College of Letters and Science reallocated faculty resources from the Health, Physical Education and Recreation Department and the Psychology Department to the Anthropology and English Departments.

UW-PARKSIDE

ANNUAL BUDGET DEVELOPMENT PROCESS:

- The Chancellor works with the Administrative Council (Vice Chancellor; Assistant Chancellors for Student Affairs, Administrative Affairs, and University Relations; and the Chancellors' Assistant for Legislative Affairs). Each senior officer works with his/her line officers (the Deans of the four schools and the Directors) to develop budget priorities, recommendations, assessments, and strategies. The process is informal and continuous, and reviews different areas at different times depending on the situation.
- Annual budget decisions are discussed at Budget Council meetings. A plan is developed which takes into account the known biennial budget changes, Quality Reinvestment Program (QRP) plans, and networking and computer plans. The Plan also provides flexibility for future changes. A memo to the Administrative Council outlines the agreed-to budget plan, and sets budget target figures by area of responsibility. The Director of Business Services then works with each area on the detailed budget.
- The 1994-95 budget planning process identified QRP reallocations and needs (totaling \$183,028 in 1994-95). This was the third year of the three-year QRP program, which will total over \$566,600.
- Additional reallocations (totaling \$87,200 in 1994-95) were planned for the computing network.

INSTITUTION PRIORITIES FOR 1994-95:

UW-Parkside priority setting was based on the institution's strategic plan, stressing:

1. Quality Reinvestment Program priorities, including compensation, engineering and technology, supplies and expenses, general computer access, library electronic access, and assessment.
2. A network and computing infrastructure priority which will vastly expand communications.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. In the School of Business, an Administrative Science Associate Professor will not be replaced.
2. In the School of Science and Technology, a Computer Science and Engineering Professor will not be replaced and a Mathematics Lecturer position will not be filled.
3. In the Physical Plant area, a custodian position will not be filled. University Police will also generate some salary savings.
4. In Learning Assistance and Admissions, a reorganization and reclassification of an Associate Director position generated salary savings.
5. Reallocated \$101,500 for compensation increases.
6. Reallocated \$5,000 for engineering and technology programs.
7. Reallocated \$44,500 into supplies and expenses.
8. Reallocated \$15,000 for general computer access.
9. Reallocated \$10,000 for library electronic access.
10. Reallocated \$5,000 for assessment.

11. Half of an Associate Administrative Program Specialist position in the Associate Vice Chancellor's Office was reallocated to Athletics, Physical Education (\$5,250), and the other half to Grants Administration (\$16,500).
12. Physical Plant reduced administrative support by \$26,600 to supplement the Planning and Construction office.
13. A campus-wide institutional support budget reduction eliminated 47% of a Personnel Office Payroll/Benefit Specialist (approximately \$12,000).
14. Reallocated approximately \$32,000 for a network and computing infrastructure that will vastly expand communications at UW-Parkside. The five major components of this plan include:
 - a. Mainframe Computer (IBM ES/9000)
 - b. Voice Mail
 - c. Personal Computers for Faculty
 - d. Computing Network
 - e. Computer Maintenance

UW-PLATTEVILLE

ANNUAL BUDGET DEVELOPMENT PROCESS:

- Priorities are established by the Chancellor and the University Budget Commission. Budget instructions are provided in October/November to all campus fiscal agents and include general guidelines concerning objectives UW-Platteville wishes to meet during the next fiscal year. Each department was asked to begin implementing a prioritization of Capital Equipment to assist the University in determining future need.
- Each College within the University has a committee which reviews the individual departmental requests and recommends a final College request to be submitted to the Assistant Chancellor for Business Affairs' Office. Each College and/or Administrative Division prioritizes its requests prior to submission.
- In February, requests are compiled and printed in booklet form and mailed to appropriate administrative personnel and to the members of the University Budget Commission (UBC). The UBC is represented by faculty, staff, and students, and reviews all instruction-related budget items.
- Normally, administrative personnel meet with the Deans of each College and other departmental fiscal agents between January and April to discuss their specific requests and needs. However, this year the university is in the process of reorganization and the budget has been submitted to reflect prior commitments. A proposed budget will be presented to the UBC for its input and recommendation for change after final decisions are made for reorganization.
- Noninstructional budgets are reviewed by the Resource Planning Council, which consists of academic staff from noninstructional divisions.
- All recommendations for change are submitted to the Chancellor for final approval. At this point the Chancellor may accept or reject the recommendations prior to submitting the annual budget to System Administration.

INSTITUTIONAL PRIORITIES FOR 1994-95:

1. To increase the salaries of faculty and staff through the QRP process to bring the salaries more in line with peer institutions.
2. To continue to phase-in the recommendations of the Strategic Planning Group in Information Technology. Major emphasis will focus on the availability of computers for students, faculty, and instructional staff. Work will continue on the Student Degree Audit Program (DARS) and on campus computer networks.
3. To allocate supplies and expense dollars in accordance with new initiatives and the reorganization plans as developed through the FOCUS 2000 planning efforts.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Quality Reinvestment Plan. \$170,640 generated through QRP was used for market based compensation. \$20,400 was allocated to Faculty Development. All QRP dollars (\$195,300) were generated from salaries.
2. Funding from base reallocations within the University in accordance with the reorganization plans as developed through the FOCUS 2000 planning process.
3. Base reallocation of capital dollars to support the Strategic Plan for Information Technology. This is the second year of a three-year base reallocation of \$75,243 for assisting with the implementation of the Strategic Plan.

UW-RIVER FALLS

ANNUAL BUDGET DEVELOPMENT PROCESS:

- UW-River Falls utilizes program reviews and other academic planning activities, accreditation issues, and its long-range strategic plan to establish priorities.
- From October through December, priorities are translated into the budget through the goals and objectives established by the Chancellor, Vice Chancellor, Deans, and Assistant Chancellor. The Long Range Planning Committee's involvement in the formulation of campus priorities is essential. The University Budget Committee also meets to discuss the institutional budget process and priorities.
- The Cabinet -- which consists of the Chancellor, Vice Chancellor, Assistant Chancellor, and Special Assistant to the Chancellor -- works with the Budget Officer and Controller to compile a list of obligations, needs, and campus priorities that emerge during budget discussions (January and February) with senior administrators. This information is then used to make allocations by division.
- During March, senior administrators allocate funds among their areas of responsibility. (Academic Deans receive an allocation from the Vice Chancellor and then make departmental allocations.) This involves discussions on program cost projections, the proportion of laboratory instruction, programmatic needs in student services and academic support, and enrollment expectations. At the same time, proposals for Laboratory and Classroom Modernization, General Computer Access, and Recruitment and Retention are solicited and allocations made by the Vice Chancellor in consultation with the Deans.
- In July, after the Board of Regents approves the budget, budget managers are notified of their allocations.
- Since 1991-92, the Cabinet has been involved in an individual departmental review process. The Chancellor, Vice Chancellor, and Assistant Chancellor meet with each department over the course of the year in order to better understand departmental needs. These meetings are continuing, and prove to be beneficial for both the departments and the administration.

INSTITUTION PRIORITIES FOR 1994-95:

1. Preserving educational quality by maintaining support in instruction and library services.
2. To the extent possible, protecting the supplies and expenses budget from further reduction.
3. Strengthening the student advising system by establishing a pre-major advising center, committing additional funds to assessment (both salary and assessment tools), continuing to fine-tune the DARS system, and funding (through a grant) the development of a Student Support Services Office, which will handle tutoring and students with special needs.
4. Achieving Quality Reinvestment targets through reduction of personnel due to retirement and reorganization. For example, when the Director of Career Services resigned, the decision was made to combine the Career Services Office and the Counseling and Guidance Center under one director.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Delays in hiring, and freezing or eliminating vacant positions, as well as savings realized from retirements.
2. Undergraduate education initiative funding.
3. Reallocating \$958,400 (of which \$173,100 is from Summer Session) to salaries over a three-year period. Based on low faculty and academic staff salaries, the decision was made that all dollars accessed through Quality Reinvestment be placed in the salary pool. The \$958,400 is calculated to bring faculty to the estimated midpoint of peer institutions and academic staff to appropriate market levels. This amount has been assessed proportionately between instruction and non-instruction, and among the three academic colleges and the support areas. Position decreases have been identified based on enrollment and programmatic priorities.
4. Reallocating \$237,315 during 1994-95 as the third and final year of QRP, including an additional \$61,001 beyond the institution's QRP target. Of this total, \$168,072 will come from instructional staff, \$93,694 from non-instructional staff, and \$36,550 from Summer Session. Examples include:
 - Reallocated 1.0 FTE custodian from Physical Plant. This will cause a reduction in custodial services to facilities.
 - Reduced support to News Bureau staff. Eliminated half-time University Relations Specialist position.

UW-STEVENS POINT

ANNUAL BUDGET DEVELOPMENT PROCESS:

- Strategic planning and QRP priorities for funding are discussed with the Faculty Senate and Cabinet during the fall semester. Recommendations from the Senate and Cabinet are given to the Chancellor by the end of January.
- By mid-February, the Chancellor makes allocations to Cabinet Line Officers. Line Officers make allocations to the units in their divisions. A preliminary schedule for completing the GPR budget is provided at this time.
- After budget instructions are received from System Administration in February or March, the budget preparation schedule is finalized. A memo from the Budget Office reminds Line Officers how much of their budget is to be deallocated, about new program initiatives, and about the funds to be reallocated to them for the upcoming year. A reconciliation figure is also provided. The annual budget is completed based on the information provided.

INSTITUTION PRIORITIES FOR 1994-95:

The institution's strategic plan and QRP requirements established the following 1994-95 priorities:

1. Faculty and staff compensation.
2. Computer access.
3. Environmental compliance and safety.
4. Assessment/Institution research.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Eliminated 2.0 positions and saved resources on turnover to fund QRP faculty salary increases, faculty promotions, and strategic plan priorities.
2. Reallocated approximately \$75,000 to upgrade academic computing.
3. Reallocated approximately \$53,000 from Physical Plant to Instruction for competitive salaries for faculty under QRP.
4. Reclassed approximately \$80,000 to establish an Institutional Research unit to implement accountability and assessment.
5. Reorganized Cultural Diversity to reduce administration by approximately \$30,000 to increase recruitment and retention efforts.
6. Reallocated \$13,000 to Environmental Health and Safety for bloodborne pathogen vaccinations.

UW-STOUT

ANNUAL BUDGET DEVELOPMENT PROCESS:

The strategic planning process establishes goals and objectives. Objectives for the upcoming year are quantified and integrated into the deliberations of the budget setting process.

- Between September and November, budget issues meetings are held with all major units and the Chancellor. In addition, the Chancellor typically holds open forums on budget and compensation issues. The meetings provide the opportunity for faculty, staff and students to bring forth funding concerns required to implement strategic goals.
- In December, the Chancellor sets planning targets for each division at a level that provides for an All-University Special Projects Fund. This fund will be augmented by return of salary savings and any supplemental allocations made by System Administration. Planning targets are set using an incremental budget approach. The previous year's approved budget is the base for the new year budget. The base budget is then adjusted by allocations, reallocations and deallocations to arrive at the new year budget base.
- In December and January, division administrators develop their operations budgets. Using the Budget Planning target and funds allocated to each division, administrators develop an appropriate process and make allocations to the sub-units. The budget deliberation process provides for integration of university objectives.
- Division budget statements, reductions, and reallocations are reviewed in March by the Chancellor and his staff.

INSTITUTION PRIORITIES FOR 1994-95:

1. Technology: distance learning, advising, DARS/SPEEDE, Nakatani Center (for providing training in new teaching methods and technology), instructional technology.
2. Services to students: advising, registration, DARS, Design for Diversity.
3. Accountability: ensuring availability of high-demand courses, adjusting programs to reflect enrollment trends, creating new programs when needed.
4. Human resource development: QRP, Doctoral Tuition Reimbursement Program.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Reallocated about \$30,000 for membership in the WONDER Network System for distance education.
2. Reallocated \$27,000 for an Asian Coordinator for students.
3. Reallocated \$25,000 to support the TAFT endowment for an engineering position.

UW-SUPERIOR

ANNUAL BUDGET DEVELOPMENT PROCESS:

- The annual budget development process began in January. Coordination of the budget planning process and recommendations were provided by a committee comprised of the Vice Chancellor, Assistant Chancellor, and Controller. The committee received budget requests from the academic divisions and other budgetary units. The Division Chairs and staff reviewed tentative budget documents as UW-Superior has consolidated its five academic divisions into two colleges for 1994-95.
- The University Senate Executive Committee, which serves as the budget committee, reviews and comments on budget plans. For 1994-95, tentative information was presented to the Senate as a whole followed in approximately one week with a more detailed presentation to the Executive Committee.
- Campus priorities are guided by the Superior Plan, a campus-wide effort to enhance teaching, learning, and service to students. Higher expectations for student learning, new approaches to teaching and learning, and a highly supportive learning environment are key features of the plan. The Strategic Planning and Budget Committee has provided the campus community with recommendations on ways in which the University's quality could be enhanced. Those plans influenced budget decisions which were made for 1994-95.

INSTITUTION PRIORITIES FOR 1994-95:

UW-Superior priority setting reflects the Superior Plan and the activities of the Strategic Planning and Budget Committee.

1. Strengthening academic quality
2. Strengthening diversity
3. Providing regional leadership
4. Further developing distance learning capabilities
5. Increasing administrative efficiency and effectiveness

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. UW-Superior reorganized its academic units from five divisions to two colleges and reduced the number of academic departments from 19 to 15. As a result, \$22,550 was shifted from Academic Support areas to academic departments.
2. Completion of the Quality Reinvestment obligation of \$25,600 of which \$9,065 was allocated to the Library.
3. A reallocation of almost \$34,000 from Institutional Support was used to strengthen assessment efforts and for direct support of instruction.
4. Established a modest fund (\$10,000) to help promote the University's interactive distance learning program.

UW-WHITewater

ANNUAL BUDGET DEVELOPMENT PROCESS:

- The GPR budget development process at UW-Whitewater is used as a mechanism to implement the institution's strategic plan. Budget development has been decentralized and occurs primarily at the divisional level with general guidance from the Chancellor, the Strategic Planning and Budget Committee (SPBC), the Faculty Senate, and the Academic Staff Assembly. Decentralization allows each division to focus the decision-making process on internal funding of priorities. It encourages creative approaches to resource utilization by allowing management flexibility in administering the budget, and by allowing the benefits realized through effective budget management to be retained by the unit. It also increases each unit's accountability and responsibility.
- The SPBC functions as an advisory committee to the Chancellor and meets throughout the year. Its purpose is to guide the continuous development of the university's strategic plan and to set budget policy. Institutional goals and programmatic needs are drawn from the strategic plan in order to guide the budget development process.
- Each cost center within each division submits its fiscal needs to the division head who, in turn, consults with the department chairs and/or directors, evaluates programmatic needs and accomplishments, and reallocates resources based on these needs and program outcomes. Additional funding requests may be put forth by the division head for consideration by the SPBC.
- The SPBC prioritizes funding requests and makes recommendations to the Chancellor for his review and approval.
- Where possible, new funds are used to meet these requests for additional funding. Typically, however, new funds are not available and budget cuts are assigned to the divisions to create a central pool from which only the top priorities are funded. Divisional budget cuts are implemented through programmatic review to ensure that institutional goals are being achieved. Those requests that do not receive priority funding from the central pool may still be funded through base reallocation at the divisional level.
- Once the divisional budgets are completed in late February or early March, they are integrated and consolidated into a comprehensive package by the budget office. Pay plan monies are distributed as appropriate. The Chancellor reviews the budgets with divisional leadership and the Provost, and suggests necessary modifications prior to giving his final approval.

INSTITUTION PRIORITIES FOR 1994-95:

1. General education development.
2. Teaching excellence through faculty development and enhancement of instructional technologies.
3. Faculty and staff compensation.
4. Supplies and expenses.
5. Faculty computer access.
6. Implementation of assessment, accountability, and related initiatives.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Reallocation of salary savings generated from retirements, resignations, and position consolidations.
2. Quality Reinvestment Plan.
3. Reduction in student help budgets.
4. Reductions in LTE budgets.
5. Reductions in S&E and capital budgets.
6. Reallocated \$47,109 from Academic Support to Instruction to cover the addition of instructional assignments to the workload of the Associate Dean of the College of Letters and Science and the Associate and Assistant Deans in the College of Business and Economics. Each position will teach two courses per year.
7. Reallocated \$40,000 to Institutional Support to rent space in PR buildings for temporary use by GPR operations (Financial Services and Personnel).
8. Reallocated \$13,000 to Institutional Support to provide full funding of the compensation package needed to staff the reformatted office of Institutional Research.
9. Reallocated \$2,866 to Instruction to reflect the assignment of the Associate Director of Career Planning to teach a course in Curriculum and Instruction.
10. Reallocated \$3,472 to Academic Support to provide additional S&E funding for the Education Computer Lab.
11. Reallocated \$12,000 to Student Services to be held as S&E in an institutional reserve pending further reallocation decisions.
12. Reallocated \$11,000 to Institutional Support for UW-Whitewater's assessment to cover operational costs of the new Risk Management Office at System Administration.
13. Reallocated \$27,893 and .5 FTE to Academic Support to provide a coordinator for international education programs.
14. Reallocated \$1,397 to Instruction, \$957 to Academic Support, \$575 to Student Services, and \$671 to Institutional Support to cover the increasing cost of institutional memberships.
15. Reallocated \$9,531 to Student Services to provide administrative support for the Irvin L. Young Auditorium.
16. Reallocated \$10,000 to Institutional Support to cover UW-Whitewater's new assessment for a GPR insurance premium.
17. Reallocated \$9,736 to Student Services to provide additional S&E and student help needs for the Registrar's office.
18. Reallocated \$2,500 to Public Service to help the College of Letters and Science Lecture Series bring in speakers of interest to the university community.
19. Reallocated \$50,000 to Instruction to implement the revised General Studies program in the College of Letters and Science.

UW-CENTERS

ANNUAL BUDGET DEVELOPMENT PROCESS:

- With the exception of instructional staffing, the UW Centers' annual budget development process has been designed to place primary decision-making close to the program level. Instructional staffing decisions are made by the systemwide Department Chairs and the Vice Chancellor's office.
- **Centerswide Priorities/Programs.** The Chancellor and the central staff develop budgets for the systemwide departments and other systemwide programs including personnel recruitment, professional development, sabbaticals, faculty senate, minority/disadvantaged programs, library automation, CentersNet, hazardous materials management, etc. Various governance committees and individuals are consulted as appropriate. The Chancellor also directs the central staff in the preparation of the central office budget.
- **UW-Center Campus Activities.** Each UW Center Dean works with the central office and the Department Chairs in planning and developing the annual budget.
 - Unclassified Staffing. The Vice Chancellor provides each Dean with a personnel allocation for the next fiscal year. The allocation is based on enrollments, cost figures, curricular analysis, recommendations by deans and department chairs and other factors. Based on impact statements submitted by the campuses on the budget plans for the department, the Vice Chancellor will approve or modify the allocation. The Chancellor reviews major budget changes with the UW Centers Senate Budget Committee.
 - Classified Staffing. Requests for changes are submitted to the Assistant Chancellor, who monitors classified positions centerswide. Major changes are reported to the budget committee of the UW Centers Senate by the Chancellor.
 - Campus Operating Funds. UW-Centers uses a formula to allocate and reallocate new and existing funds to the campuses to use for all other activities. The campus Dean, working with the faculty and staff, is given maximum flexibility to apply the funds according to local priorities. The formula provides a fixed amount, in recognition of fixed costs, and distributes the remainder according to weighted enrollment figures for the previous three years. The results are phased-in over two years to avoid precipitous budget increases or decreases without adequate planning.

INSTITUTION PRIORITIES FOR 1994-95:

1. Improve the management information, library automation and communication systems of the UW Centers.
2. Reallocate salary savings to fund quality reinvestment and gender equity.
3. Continue to enhance professional development opportunities for faculty and staff.
4. Develop plans for expanding distance education opportunities.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. The primary methods for reallocation are to align class sections in a manner consistent with enrollment management targets at all campuses and to standardize faculty workload.
2. Reduced sections over two semesters at eleven campuses (approximately \$80,000 and the equivalent of 4 FTE Lecturer positions) and reallocated the savings to professional development, academic support, and faculty/academic staff promotions.
3. Replaced resigning/retiring faculty with lecturers for 1994-95 year to meet QRP obligation from salary savings.
4. Assigned teaching responsibilities for two courses to UWC-Fond du Lac Associate Dean for PREP and reallocated two lecturer sections to QRP (approximately \$9,000).
5. Reallocated one non-instructional academic staff position at UWC-Waukesha (approximately \$35,500) to multiple functions including a part-time lecturer, an advisor, and a clerical classified staff position.

UW-EXTENSION

ANNUAL BUDGET DEVELOPMENT PROCESS:

The basic principles and procedures used by UW-Extension to develop the annual operating budget for statewide extension programs include:

- Decisions based on statewide and divisional priorities, guided by annual program plans submitted by UW System institutions and partnerships with state agencies.
 - ➔ Priorities are defined by statewide and divisional (Cooperative Extension and Continuing Education Extension) long-range and annual plans. Statewide plans are developed after extensive consultation with institutional representatives, citizen and public groups, faculty and academic staff, and others interested in priorities for extension programs in Wisconsin.
 - ➔ Priorities are also defined by initiatives and innovation which lead UW-Extension into collaborative programmatic or technological areas.
- To guide planning and budget development, UW-Extension annually issues program planning, budget and inter-institutional agreement guidelines to other UW institutions and works with them, through mutual consultation, review, and concurrence to develop budget and position commitment. State agency partnerships are also developed through a mutual understanding of goals and programmatic initiatives, with related budgetary commitment.
- Program planning and budget allocations are consistent with and support the Board of Regents' policies regarding the Integration of the Extension Function.
 - ➔ UW-Extension is responsible for the statewide planning, management, and delivery of the University of Wisconsin's extension activities. UW-Extension retains responsibility for operating budget authority and positions allocated annually to institutions to support those staff who deliver programs.
 - ➔ Institutions are responsible for both the extension programs they define in their annual program plans and the management of budget and position resources allocated by UW-Extension.
 - ➔ UW-Extension is responsible for the use of extension resources and is authorized to reallocate resources within and among programs, at and between UW System institutions.
 - ➔ Budget and position allocations change annually in response to shifting priorities and emerging needs, as defined by annual plans and the longer-term planning processes.

INSTITUTION PRIORITIES FOR 1994-95:

1. Distance Education, providing access to education statewide through all technological means. Working with other UW institutions, UW-Extension assumes its leadership role in statewide coordination and delivery of education.
2. Changing Families and Youth at Risk, focusing on assisting teenagers and their parents through prevention of teen pregnancy, child abuse, drug and alcohol abuse, and through conflict resolution in areas like diversity..
3. Technology Transfer and Industrial Technology, collaborating with UW institutions and the Wisconsin Technical College System to develop a systemwide technology transfer program to improve competitiveness of manufacturers and small business through integration of services in economic development, technical assistance and environmental education and problem-solving.
4. Solid and Hazardous Waste and Recycling, focusing on new recycling markets, community recycling programs and reduction of waste pollution.

5. Other areas include Cooperative Extension's and Continuing Education Extension's statewide emphasis in the following areas: effective government, excellent schools, quality environment, a strong economy, food safety, human health and nutrition, competitive and profitable agriculture, cultural environment, and the population's lengthening lifespan.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. In 1993-94, Continuing Education Extension reallocated \$100,000 GPR from various departments to support program activities using distance education delivery methods and techniques. For 1994-95, Continuing Education Extension, following recommendations from the Distance Education Committee, awarded funds to the following projects: (a) \$35,979 to the Wisconsin Rehabilitation Counselor's On-Line In-Service Project (UW-Stout, UW-Madison, UW-Stevens Point); (b) \$17,716 to Advances in Genetics and Biotechnology: a Distance Education Project (UW-Madison, UW-River Falls); (c) \$27,404 to Life Storytelling in Library Programming for Children (UW-Madison, UW-Oshkosh); (d) \$19,128 to Gerontology: Two-Year Certificate Program (UW-Parkside, UW-Whitewater).
2. The Wisconsin Technology Access (WisTAP) program helps entrepreneurs access technological information. From the central WisTAP budget, \$79,853 was reallocated to 10 UW institutions (Madison, Milwaukee, Eau Claire, Green Bay, La Crosse, Oshkosh, Parkside, Stevens Point, Superior, Whitewater) for technical counseling of Small Business Development Center clients.
3. Reorganized and reallocated \$48,000 from the Division of Extension Communications to the Division of Continuing Education Extension, the Instructional Communication Systems unit, to support campuses more directly and to support distance education technology initiatives.
4. Reallocated \$200,000 from across the Division of Cooperative Extension to establish an Initiative Fund that will be used to address targeted elements within three Statewide Issues (Families and Youth at Risk, Managing Society's Wastes, Improving the Quality of Water) and five Base Program Priorities (Food Safety, Quality and Human Health; Competitive and Profitable Agriculture; Community and Economic Development; Changing Families and Youth Development; Natural Resources and Environmental Stewardship).
5. Reallocated \$39,952 from Agricultural Economics to the Local Government Center for coordination of growth management issues such as housing, waste management, and conflict in land use.
6. Shifted \$63,000 from forestry issues to Land Use Law.
7. Reallocated \$37,287 from Continuing Education Extension to Urban Community Development at UW-Milwaukee to coordinate a planning process for a pilot comprehensive adult learning and community leadership development school/center in one or two Milwaukee inner city minority neighborhoods.
8. Reallocated funds from the statewide Small Business Development Center (SBDC) budget to SBDC sub-centers at four institutions (Eau Claire, Green Bay, La Crosse and Madison) for special projects related to SBDC Activities.
9. Reallocated \$30,736 from Curriculum and Program Development Initiatives to Women's Consortium at UW-Parkside to be the lead campus in program development for Women's Studies.
10. Reallocated \$21,896 from Continuing Education Extension to Fine Arts at UW-Stevens Point to support programs in visual arts, dance, music, and theater outside the city of Stevens Point.
11. Reinvested \$111,453 in cross divisional educational programs involving UW-Extension and departments at UW-Milwaukee and UW-Madison (Family and Consumer Education Computer Network - \$25,144), UW-Green Bay (Helping Communities Deal with HIV/AIDS II, Evaluation - \$12,114), UW-La Crosse (Wisconsin Primary Prevention and Health Promotion Initiative - \$25,513), UW-Stout (Wisconsin Focus on International Year of the Family - \$15,537), UW-Centers (Financial Management Programs at the Fox Valley Center - \$12,148), and UW-Madison (Nutrition Risk Assessment and Education - \$20,997).

UW-SYSTEM ADMINISTRATION

ANNUAL BUDGET DEVELOPMENT PROCESS:

- The annual budget development process began in January with a review of mid-year expenditures of each department.
- In February, departments analyzed existing budget levels, requested authorization for all student help and LTE funding and documented any unmet S&E needs.
- Budget requests were reviewed in light of existing limited resources by the Vice President for Business and Finance and the Senior Vice President for Administration.

INSTITUTION PRIORITIES FOR 1994-95:

1. Eliminate mainframe applications and develop new applications on smaller, more cost effective computers.
2. Provide support for the merger of the accounting and payroll administrative functions into the UW Processing Center housed at UW-Madison.
3. Establish funding for Distance Education.
4. Improve desktop and network support staffing.
5. Provide adequate funding for the consolidation of multiple office sites into one.
6. Promote professional development for staff.

SOURCES OF FUNDS FOR PRIORITY AREAS/EXAMPLES OF FUNDING SHIFTS:

1. Earmarked \$25,000 of Information Technology New Initiatives specifically to Distance Education.
2. Replaced a director level position with an MIS-2 and an LTE to provide better desktop and network customer support.
3. Transferred approximately \$1.0 million in salaries, fringe benefits, supplies and expense and capital to UW-Madison to establish the UW Processing Center.
4. Reduced funds available for personal computer upgrades to support capital purchases for the new building.
5. Eliminated Assistant Vice President position, \$69,367.

May 6, 1994

1.2.f.

Reorganization of the UW-Madison Division of Information Technology using a Structural Model

EXECUTIVE SUMMARY

BACKGROUND

The Division of Information Technology (DoIT) was formed in 1992 by the merger of three separate departments responsible for academic computing, administrative computing, and telecommunications. An explicit goal was to achieve a better level of service and quicker response to campus, state, and national demands through an integrated approach to information technology.

REQUESTED ACTION

This report is for information only.

DISCUSSION AND RECOMMENDATIONS

In 1992-93, the top management of the three units affected developed an action oriented strategic plan that called for very significant changes in the services of the organization (e.g., build and support the student information technology initiative). Quality Management was introduced at the same time to improve the basic culture and operations of the organization. In 1993-94, DoIT has extensively reorganized to better support a high performance response to these objectives. This included the elimination of an entire layer of management, systematic reliance on teams of specialists, refocusing resources toward strategic objectives, and an extensive new entrepreneurial approach to operations. The resulting organization is a unique adaptation of the model of a leading expert in this field, and was planned from the top down by the staff of the organization. UW-Madison is gaining prominence as the first university to make this dramatic change.

RELATED REGENT POLICIES

Regent Resolution 5689 (February 8, 1991) adopted the Supplies and Expense Task Force report, recommending that University of Wisconsin System institutions adopt Continuous Quality Improvement methods.

MAY 6, 1994
GIFTS, GRANTS AND CONTRACTS SUMMARY
ITEMS PROCESSED 03-19-94 THROUGH 04-15-94

	EXTENSION	INSTRUCTION	LIBRARIES	MISC.	PHY. PLANT	RESEARCH	STUDENT AID	UNRES.	TOTAL
SYSTEM ADMINISTRATION	-0-	-0-	-0-	1,959	-0-	-0-	-0-	-0-	1,959
CENTERS	0-	-0-	-0-	1,480	-0-	3,000	654,511	-0-	658,991
EAU CLAIRE	2,894	94,366	-0-	-0-	-0-	200,000	93,541	-0-	390,801
EXTENSION	249,598	-0-	-0-	-0-	-0-	-0-	-0-	-0-	249,598
GREEN BAY	-0-	-0-	-0-	1,206	-0-	21,650	381,981	-0-	404,837
LA CROSSE	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
MADISON	121,378	38,248	9,948	4,946,022	3,500,000	21,679,163	1,074,614	51,000	31,420,373
MILWAUKEE	-0-	76,072	-0-	58,290	-0-	1,135,215	89,441	-0-	1,359,018
OSHKOSH	73,722	100,000	-0-	-0-	-0-	17,595	-0-	-0-	191,317
PARKSIDE	4,000	26,465	35	6,618	-0-	(62,937)	745,380	-0-	719,561
PLATTEVILLE	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
RIVER FALLS	250	-0-	-0-	2,000	-0-	1,800	-0-	-0-	4,050
STEVENS POINT	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
STOUT	410,720	6,941	-0-	16,732	-0-	89,446	-0-	-0-	523,839
SUPERIOR	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WHITEWATER	13,500	75	-0-	23,356	-0-	-0-	-0-	-0-	36,931
 TOTAL MAY 1994	 876,062	 342,166	 9,983	 5,057,663	 3,500,000	 23,084,932	 3,039,468	 51,000	 35,961,275
PREVIOUSLY REPORTED	24,445,720	22,171,817	2,382,482	32,913,100	10,710,781	251,069,783	65,167,243	76,891	408,937,818
GRAND TOTAL	25,321,782	22,513,983	2,392,464	37,970,764	14,210,781	274,154,716	68,206,711	127,891	444,899,093
 TOTAL MAY 1993	 3,133,654	 990,659	 16,390	 2,594,162	 1,373,633	 23,915,535	 8,380,374	 7,227	 40,411,633
PREVIOUSLY REPORTED	17,512,322	22,443,364	1,548,533	32,114,728	21,100,098	244,837,938	69,484,613	65,908	409,107,504
GRAND TOTAL	20,645,976	23,434,023	1,564,923	34,708,890	22,473,731	268,753,472	77,864,987	73,135	449,519,136
 FEDERAL TOTAL MAY 1994	 692,250	 62,366	 -0-	 111,217	 -0-	 17,646,340	 2,426,738	 -0-	 20,938,911
PREVIOUSLY REPORTED	12,255,183	18,973,658	206,513	7,191,729	4,868,625	179,388,530	59,868,476	7,500	282,760,213
FEDERAL GRAND TOTAL	12,947,434	19,036,024	206,513	7,302,947	4,868,625	197,034,869	62,295,214	7,500	303,699,124
 FEDERAL TOTAL MAY 1993	 1,699,762	 774,484	 -0-	 426,829	 873,633	 19,236,365	 8,022,087	 -0-	 31,033,159
PREVIOUSLY REPORTED	6,173,574	18,858,757	152,859	6,752,263	7,304,177	171,325,131	65,542,219	19,999	276,128,978
FEDERAL GRAND TOTAL	7,873,336	19,633,241	152,859	7,179,091	8,177,810	190,561,496	73,564,306	19,999	307,162,138

5/6/94

I.2.8.(1)

May 6, 1994

I.2.i.(1)

Prioritized 1994-95 Internal Audit Schedule

EXECUTIVE SUMMARY

BACKGROUND

This report is presented to the Board of Regents Audit Subcommittee annually to provide a report on internal audit activities which took place in 1993-94 and the UW System audit plan for 1994-95.

REQUESTED ACTION

This item is for information only.

DISCUSSION

This audit schedule provided for the 1993-94 fiscal year has been analyzed to indicate which audits have been performed and the amount of time spent on those audits. It shows which audits are currently in progress and which have been deferred until 1994-95. It also indicates which audits were moved into Priority One and were performed during the year.

The audits scheduled for the 1994-95 fiscal year have been prioritized as Priority One and Two. Those audits scheduled in Priority One are audits which will be performed because of outside requirements, agreements or UW System requirements. At times, new audits are requested and will replace audits scheduled in Priority One or Two. Once Priority One audits have been completed, we will proceed with Priority Two audits.

The time available for audit performance totals 3,068 days. This is calculated as follows:

Total Available Days per Auditor		266
Less: Sick Leave	5	
Vacation	15	
Training	<u>5</u>	<u>25</u>
Total Days Available for Auditing		241
Audit Staff		<u>x 13</u>
Total Available Audit Days		3,133

The total scheduled audit days for 1994-95 Priority One audits is 3,155 audit days.

Priority One audits have been categorized into four different groups as follows:

1. Athletics - Audits required by NCAA to include all athletic departments within the UW System, except UW-Madison which has external auditors.
2. Corporation for Public Broadcasting - Public broadcasting requires the audit of UW-Milwaukee and UW-La Crosse radio stations.
3. Academic Fee Systems - An agreement with the Legislative Audit Bureau to perform audits of the academic fee assessment and collection systems and verify the accuracy of the Central Data Request every three years.
4. Other Audits - Audits which have been mandated by the Board of Regents, existing UW System policy and donor requests.

SUMMARY OF PRIORITIZED 1993-94 AUDIT SCHEDULE
THROUGH MARCH 31, 1994

		AUDITOR DAYS			EXPLANATION
TYPE OF AUDIT	CAMPUS	BUDGETED	USED	PRIORITY	
IN PROGRESS JUNE 30, 1993					
3 ACADEMIC FEES ASSESS. & COLL. FOLLOW-UP	EAU CLAIRE	2	2		COM PLETED
4 COMPUTING SOFTWARE LICENSING	EXTENSION	15	16		COM PLETED
4 HOUSING AND RELATED FOOD SERVICE	GREEN BAY	60	41		COM PLETED
1 ATHLETICS	MADISON	75	76		COM PLETED
4 STUDENT CENTER & FOODSERVICE	MADISON	175	230		COM PLETED
4 PHYSICAL PLANT	MADISON	145	190		IN PROGRESS
4 STDNT CTR, FOODSVC, VEND, AMUSEMENT	MILWAUKEE	120	178		COM PLETED
3 ACADEMIC FEE ASSESSMENT AND COLLECTION	OSHKOSH	60	51		COM PLETED
3 ACADEMIC FEE ASSESSMENT AND COLLECTION	PARKSIDE	80	102		COM PLETED
1 ATHLETICS	PARKSIDE	20	37		COM PLETED
3 ACADEMIC FEES ASSESS. & COLL. FOLLOW-UP	PLATTEVILLE	5	5		COM PLETED
4 BOOKSTORE	PLATTEVILLE	25	35		COM PLETED
1 ATHLETICS	PLATTEVILLE	20	39		COM PLETED
4 STDNT CTR, FOODSVC, VEND, AMUSEMENT	PLATTEVILLE	70	116		COM PLETED
3 ACADEMIC FEES ASSESS. & COLL. FOLLOW-UP	RIVER FALLS	3	3		COM PLETED
4 STDNT CTR, FOODSVC, VEND, AMUSEMENT	STEVENS POINT	60	45		COM PLETED
4 BOOKSTORE	STEVENS POINT	20	15		COM PLETED
3 ACADEMIC FEE ASSESSMENT AND COLLECTION	SUPERIOR	60	59		COM PLETED
4 TRUST FUNDS	SYSTEM ADMIN	30	61		COM PLETED
4 QUALITY REINVESTMENT PROGRAM	SYSTEMWIDE	50	45		COM PLETED
4 RECRUITMENT AND RETENTION	SYSTEMWIDE	30			POSTPONED TO 1994-95
PRIORITY ONE					
4 FIXED ASSET - PERSONAL PROPERTY	CENTERS	60			IN PROGRESS BY JUNE 30
4 COMPUTING DATA SECURITY	CENTERS	60			IN PROGRESS BY JUNE 30
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	EAU CLAIRE	30	8		IN PROGRESS
2 FIXED ASSET - PERSONAL PROPERTY	EAU CLAIRE	40			IN PROGRESS BY JUNE 30
4 COMPUTING DATA SECURITY	EAU CLAIRE	40	12		IN PROGRESS
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	EXTENSION	30			POSTPONED TO 1994-95
4 FIXED ASSET - PERSONAL PROPERTY	EXTENSION	30			IN PROGRESS BY JUNE 30
4 COMPUTING DATA SECURITY	EXTENSION	30			POSTPONED TO 1994-95
4 CONFERENCE CENTER	EXTENSION	160			POSTPONED TO 1994-95
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	GREEN BAY	30			POSTPONED TO 1994-95
4 FIXED ASSET - PERSONAL PROPERTY	GREEN BAY	40			IN PROGRESS BY JUNE 30
1 ATHLETICS DEPT & NCAA MANDATED	GREEN BAY	20	10		COMPLETED
4 COMPUTING DATA SECURITY	GREEN BAY	30	20		COMPLETED
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	LACROSSE	30			IN PROGRESS BY JUNE 30
4 COMPUTING DATA SECURITY	LACROSSE	40	18		COMPLETED
4 FIXED ASSET - PERSONAL PROPERTY	LACROSSE	40			IN PROGRESS BY JUNE 30
2 COPORATION FOR PUBLIC BROADCASTING	LACROSSE	5	8		COMPLETED
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	MADISON	60			POSTPONED TO 1994-95
4 FLEET	MADISON	75			POSTPONED TO 1994-95
3 ACADEMIC FEE ASSESSMENT & COLLECTION	MADISON	130	131		COMPLETED
4 FIXED ASSET - PERSONAL PROPERTY	MADISON	40			POSTPONED TO 1994-95
4 HOUSING AND FOOD SERVICE	MADISON	200			POSTPONED TO 1994-95
4 COMPUTING DATA SECURITY	MADISON	100			POSTPONED TO 1994-95

SUMMARY OF PRIORITIZED 1993-94 AUDIT SCHEDULE

THROUGH MARCH 31, 1994

		AUDITOR DAYS			EXPLANATION
TYPE OF AUDIT	CAMPUS	BUDGETED	USED	PRIORITY	
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	MILWAUKEE	45			POSTPONED TO 1994-95
4 COMPUTING DATA SECURITY	MILWAUKEE	50			IN PROGRESS BY JUNE 30
4 FIXED ASSET - PERSONAL PROPERTY	MILWAUKEE	60	39		IN PROGRESS
1 ATHLETICS DEPT & NCAA MANDATED	MILWAUKEE	20	8		COMPLETED
3 ACADEMIC FEES ASSESS. & COLL. FOLLOW-UP	MILWAUKEE	15			IN PROGRESS BY JUNE 30
2 COPORATION FOR PUBLIC BROADCASTING	MILWAUKEE	2	1		COMPLETED
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	OSHKOSH	30			POSTPONED TO 1994-95
4 COMPUTING DATA SECURITY	OSHKOSH	40	16		COMPLETED
4 FIXED ASSET - PERSONAL PROPERTY	OSHKOSH	40	35		IN PROGRESS
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	PARKSIDE	30			POSTPONED TO 1994-95
4 HOUSING & RELATED FOOD SERVICE	PARKSIDE	40			IN PROGRESS
4 PHYSICAL PLANT, STORES & FLEET	PARKSIDE	20	18		COMPLETED
4 FIXED ASSET - PERSONAL PROPERTY	PARKSIDE	40			IN PROGRESS
4 SUMMER SESSION ENROLLMENTS	PARKSIDE	10			INCLUDED IN ACADEMIC FEE AUDIT
4 COMPUTING DATA SECURITY	PARKSIDE	40	17		COMPLETED
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	PLATTEVILLE	30			POSTPONED TO 1994-95
4 COMPUTING DATA SECURITY	PLATTEVILLE	40	16		COMPLETED
4 FIXED ASSET - PERSONAL PROPERTY	PLATTEVILLE	40			IN PROGRESS BY JUNE 30
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	RIVER FALLS	30	45		COMPLETED
4 FIXED ASSET - PERSONAL PROPERTY	RIVER FALLS	40			IN PROGRESS BY JUNE 30
4 HOUSING & RELATED FOOD SERVICE	RIVER FALLS	70	35		COMPLETED
4 COMPUTING DATA SECURITY	RIVER FALLS	40			IN PROGRESS
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	STEVENS POINT	30			POSTPONED TO 1994-95
3 ACADEMIC FEES ASSESS. & COLL. FOLLOW-UP	STEVENS POINT	5			IN PROGRESS BY JUNE 30
4 COMPUTING DATA SECURITY	STEVENS POINT	40	18		IN PROGRESS
4 FIXED ASSET - PERSONAL PROPERTY	STEVENS POINT	40	24		IN PROGRESS
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	STOUT	45	44		COMPLETED
3 ACADEMIC FEES ASSESS. & COLL. FOLLOW-UP	STOUT	10			IN PROGRESS BY JUNE 30
4 FIXED ASSET - PERSONAL PROPERTY	STOUT	40			IN PROGRESS BY JUNE 30
4 COMPUTING DATA SECURITY	STOUT	40			IN PROGRESS
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	SUPERIOR	30			IN PROGRESS
4 HOUSING & RELATED FOOD SERVICE	SUPERIOR	70			IN PROGRESS
4 FIXED ASSET - PERSONAL PROPERTY	SUPERIOR	40			IN PROGRESS BY JUNE 30
4 COMPUTING DATA SECURITY	SUPERIOR	40			IN PROGRESS BY JUNE 30
4 FIXED ASSET - PERSONAL PROPERTY	SYSTEM ADMIN	20			POSTPONED TO 1994-95
4 FACULTY DEVELOPMENT FUNDS	SYSTEMWIDE	80			POSTPONED TO 1994-95
4 LIBRARY ACQUISITIONS	SYSTEMWIDE	80			POSTPONED TO 1994-95
4 MINORITY & DISADVANTAGED STUDENTS	SYSTEMWIDE	80	84		IN PROGRESS
4 INDIRECT COST PROJECT	SYSTEMWIDE	70	34		COMPLETED
4 BURSAR OPERATIONS & SELECTED CASH CENTERS	WHITEWATER	30			POSTPONED TO 1994-95
4 FIXED ASSET - PERSONAL PROPERTY	WHITEWATER	40	34		IN PROGRESS
4 COMPUTING DATA SECURITY	WHITEWATER	40	14		COMPLETED
3 ACADEMIC FEES ASSESS. & COLL. FOLLOW-UP	WHITEWATER	10			IN PROGRESS BY JUNE 30
4 SPECIAL AUDITS	SYSTEMWIDE	60	45		

SUMMARY OF PRIORITIZED 1993-94 AUDIT SCHEDULE

THROUGH MARCH 31, 1994

		AUDITOR DAYS				
	TYPE OF AUDIT	CAMPUS	BUDGETED	USED	PRIORITY	EXPLANATION
MOVED TO PRIORITY ONE FROM OTHER PRIORITIES						
5	BURSAR OPERATIONS & SELECTED CASH CENTERS	CENTERS	250	329		IN PROGRESS
5	HOUSING AND RELATED FOODSERVICE	EAU CLAIRE	70	45		IN PROGRESS
2	FEDERAL GIFTS AND GRANTS – A133	SYSTEMWIDE	50	1		IN PROGRESS

PRIORITY ONE GROUPING

1. ATHLETICS NAIA, NCAA, WSUC, WWIAC AND TITLE 9
2. FED G & G OMB CIRCULAR A-133
3. CPB-LAX, MIL. PUBLIC BROADCASTING STATUTES
4. ACA FEES LAB AGREEMENT TO AUDIT EVERY 3 YEARS
5. OTHER AUDITS REGENTS, POLICY PAPERS, DONOR REQUESTS, ETC.

1994-95 INTERNAL AUDIT SCHEDULE

IN PROGRESS JUNE 30, 1994

GROUP	TYPE OF AUDIT	CAMPUS
4	PHYSICAL PLANT	MADISON
4	FIXED ASSET - PERSONAL PROPERTY	CENTERS
4	FIXED ASSET - PERSONAL PROPERTY	EAU CLAIRE
4	FIXED ASSET - PERSONAL PROPERTY	EXTENSION
4	FIXED ASSET - PERSONAL PROPERTY	GREEN BAY
4	FIXED ASSET - PERSONAL PROPERTY	LA CROSSE
4	FIXED ASSET - PERSONAL PROPERTY	MILWAUKEE
4	FIXED ASSET - PERSONAL PROPERTY	PLATTEVILLE
4	FIXED ASSET - PERSONAL PROPERTY	RIVER FALLS
4	FIXED ASSET - PERSONAL PROPERTY	STEVENS POINT
4	FIXED ASSET - PERSONAL PROPERTY	STOUT
4	FIXED ASSET - PERSONAL PROPERTY	SUPERIOR
4	HOUSING & RELATED FOOD SERVICE	EAU CLAIRE
4	HOUSING & RELATED FOOD SERVICE	PARKSIDE
4	HOUSING & RELATED FOOD SERVICE	SUPERIOR
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	CENTERS
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	LA CROSSE
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	SUPERIOR
4	MINORITY/DISADVANTAGED PROGRAMS	SYSTEMWIDE
4	COMPUTING DATA SECURITY	CENTERS
4	COMPUTING DATA SECURITY	MILWAUKEE
4	COMPUTING DATA SECURITY	SUPERIOR

PRIORITY ONE AUDITS - 1994-95

	TYPE OF AUDIT	CAMPUS	LENGTH
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	EAU CLAIRE	30
4	STUDENT CENTER, FOOD SERVICE & BOOKSTORE	EAU CLAIRE	80
4	PHYSICAL PLANT, STORES & FLEET	EAU CLAIRE	70
4	CONFERENCE CENTERS	EXTENSION	160
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	EXTENSION	30
4	COMPUTING DATA SECURITY	EXTENSION	10
4	ACA. FEE & COLLECTION SYSTEM FOLLOW-UP	GREEN BAY	10
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	GREEN BAY	30
4	PARKING	GREEN BAY	40
1	NCAA ATHLETICS	GREEN BAY	10
4	ACA. FEE & COLLECTION SYSTEM FOLLOW-UP	LA CROSSE	10
2	CORPORATION FOR PUBLIC BROADCASTING	LA CROSSE	5
4	PARKING	LA CROSSE	40
4	STUDENT CENTER & FOOD SERVICE	LA CROSSE	80
4	FIXED ASSET - PERSONAL PROPERTY	MADISON	40
4	COMPUTING DATA SECURITY	MADISON	20
4	HOUSING & ASSOCIATED FOOD SERVICE	MADISON	200
4	FLEET	MADISON	75
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	MADISON	60

PRIORITY ONE AUDITS - 1994 - 95

GROUP	TYPE OF AUDIT	CAMPUS	LENGTH
4	PARKING	MADISON	100
4	VETERINARY HOSPITAL	MADISON	70
3	ACA. FEE & COLLECTION SYSTEM FOLLOW-UP	MILWAUKEE	15
4	HOUSING	MILWAUKEE	85
2	CORPORATION FOR PUBLIC BROADCASTING	MILWAUKEE	5
1	NCAA ATHLETICS	MILWAUKEE	10
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	MILWAUKEE	45
4	PARKING	MILWAUKEE	60
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	OSHKOSH	30
4	PARKING	OSHKOSH	60
3	ACA. FEE & COLLECTION SYSTEM FOLLOW-UP	PARKSIDE	80
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	PARKSIDE	30
4	PARKING	PARKSIDE	60
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	PLATTEVILLE	30
4	PHYSICAL PLANT, STORES & FLEET	PLATTEVILLE	80
4	ICE RINK	RIVER FALLS	50
4	STUDENT CENTER, FOOD SERVICE & BOOKSTORE	RIVER FALLS	60
4	PARKING	RIVER FALLS	30
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	STEVENS POINT	30
3	ACA. FEE & COLLECTION SYSTEM FOLLOW-UP	STEVENS POINT	5
4	HOUSING	STEVENS POINT	70
4	HOUSING & FOOD SERVICE	STOUT	100
3	ACA. FEE & COLLECTION SYSTEM FOLLOW-UP	STOUT	5
4	PHYSICAL PLANT, STORES & FLEET	STOUT	80
4	STUDENT CENTER, FOOD SERVICE & BOOKSTORE	SUPERIOR	80
4	ICE RINK	SUPERIOR	30
3	ACA. FEE & COLLECTION SYSTEM FOLLOW-UP	WHITEWATER	5
4	PHYSICAL PLANT, STORES & FLEET	WHITEWATER	80
4	PARKING	WHITEWATER	60
4	BURSAR OPERATIONS & SELECTED CASH CENTERS	WHITEWATER	30
4	STUDENT CENTER, FOOD SERVICE & BOOKSTORE	WHITEWATER	100
4	FIXED ASSETS- PERSONAL PROPERTY	SYSTEM ADMIN	20
4	FARMS & RESEARCH STATIONS	SYSTEMWIDE	80
4	FRINGE BENEFITS	SYSTEMWIDE	80
4	UNCLASSIFIED SICK LEAVE	SYSTEMWIDE	80
4	LAB MODERNIZATION	SYSTEMWIDE	40
4	FACULTY DEVELOPMENT FUNDS	SYSTEMWIDE	60
4	INDUSTRIAL & ECONOMIC DEVELOPMENT RESEARCH	SYSTEMWIDE	30
4	DISTINGUISHED PROFESSORS	SYSTEMWIDE	40
4	RECRUITMENT AND RETENTION	SYSTEMWIDE	30
4	LIBRARY ACQUISITIONS	SYSTEMWIDE	70
4	SPECIAL PROJECTS	SYSTEMWIDE	50

TOTAL

3155

PRIORITY TWO AUDITS – 1994 – 95

GROUP	TYPE OF AUDIT	CAMPUS	LENGTH
4	GIFTS & GRANTS – NON-FEDERAL	EAU CLAIRE	30
4	GIFTS & GRANTS – NON-FEDERAL	GREEN BAY	30
4	GIFTS & GRANTS – NON-FEDERAL	LA CROSSE	30
4	GIFTS & GRANTS – NON-FEDERAL	MADISON	60
4	HOSPITAL BUSINESS OFFICE	MADISON	60
4	AGRICULTURAL SALES	MADISON	100
4	GIFTS & GRANTS – NON-FEDERAL	MILWAUKEE	60
4	GIFTS & GRANTS – NON-FEDERAL	OSHKOSH	30
4	GIFTS & GRANTS – NON-FEDERAL	PARKSIDE	30
4	STUDENT CENTER & FOOD SERVICE	PARKSIDE	100
4	GIFTS & GRANTS – NON-FEDERAL	PLATTEVILLE	30
4	GIFTS & GRANTS – NON-FEDERAL	RIVER FALLS	30
4	GIFTS & GRANTS – NON-FEDERAL	STEVENS POINT	30
4	GIFTS & GRANTS – NON-FEDERAL	STOUT	30
4	GIFTS & GRANTS – NON-FEDERAL	SUPERIOR	30
4	GIFTS & GRANTS – NON-FEDERAL	WHITEWATER	30
4	GIFTS & GRANTS – NON-FEDERAL	CENTERS	30
4	GIFTS & GRANTS – NON-FEDERAL	EXTENSION	30
	TOTAL		770