

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
May 8, 1997

The Business and Finance Committee met at 10:05 a.m. in Room 125-125A, University Center, UW-Stevens Point. Present were: Regents Barry, Brown, De Simone, Hempel, Smith and Grebe.

I.2.a. Closed Session to Consider Trust Fund Matters, as Permitted by s. 19.85(1)(e), Wis. Stats.

Upon the motion of Regent Grebe and the second of Regent De Simone, the Committee adjourned to closed session at 10:06 a.m., to consider trust fund matters, as permitted by s. 19.85(1)(e), *Wis. Stats.*

The Committee recessed at 11:40 a.m.

I.2.b. Physical Planning Subcommittee

See attached Physical Planning Subcommittee Minutes.

The Business and Finance Committee reconvened at 2:25 p.m., in Room 125-125A, University Center, UW-Stevens Point. Present were: Regents Barry, Brown, De Simone, Hempel and Smith.

I.2.c. Approval of Minutes of the April 11, 1996, Meeting of the Business and Finance Committee

Upon the motion of Regent Smith and the second of Regent De Simone, the minutes of the April 10, 1997, meeting of the Business and Finance Committee stood approved.

I.2.d. Approval of Actions Taken by the Physical Planning Subcommittee

Upon the motion of Regent Barry and the second of Regent De Simone, the Committee approved Resolution I.2.d.

Resolution I.2.d.

That the following Consent Agenda Resolutions adopted by the Physical Planning Subcommittee be approved and forwarded to the Board of Regents:

<u>Resolution</u>	<u>Campus/Request</u>
I.2.b.3.(a)	UW-Madison: Authority to design and construct a renovation project in Agricultural Hall for Student Academic Affairs, \$249,000 Gift Funds
I.2.b.4.(a)	UW-Madison: Authority to increase the Materials Science and Engineering Building Remodeling and Addition project by \$520,000, Revised total project cost of \$5,262,000 from \$2,300,000 WISTAR funds, \$2,734,000 Gifts/Grants, and \$228,000 All-Agency Health and Safety Funds
I.2.b.4.(b)	UW-Madison: Approval of the Design Report/construction authority for Campus Utility System Water and Sanitary Sewer Improvement Project, \$1,845,000 General Fund Supported Borrowing

- I.2.b.4.(c) UW-Madison: Authority to construct an Eagle Heights Apartments Remodeling project including all units in Buildings 401, 402, 901-903, 918-925, 944, and Units E-F in Buildings 904 and 943, \$3,733,900 (\$1,700,000 Program Revenue Borrowing and \$2,033,900 Program Revenue Cash)
- I.2.b.4.(d) UW-Eau Claire: Authority to sell to the City of Eau Claire at its appraised value of \$3,705 a strip of land along State Street for street widening purposes

I.2.e. 1997-98 Annual Budget Decision Rules

The UW System uses decision rules to allocate new GPR/fee funding approved by the Legislature and the Governor. These allocation rules are based on the UW System Biennial Budget request, legislative intent and institutional needs.

Regent Brown inquired if the student technology fee was pooled. In the way the allocation is described, since it is a tuition amount raised by the number of students paying it at a specific institution, she inquired if an institution could be in a situation where more tuition is raised than it receives back. Associate Vice President Sell responded that it is prorated back to the institutions on July 1, based on the original budget allocation. As an example, if an institution has ten percent of the total technology fee, they receive ten percent of that original increment. Adjustments are made in the fourth quarter when it is known what the actual allocations are.

Associate Vice President Sell noted there are three new decision rules in 1997-98:

1. Distribution of new funding for instructional technology and distance education.
In keeping with the Board's desire to adopt an incentive-funding approach whenever possible, PK-12 funds and 25% of the faculty/staff development funds will be held to be used for collaborative efforts with K-12 and interinstitutional efforts. Funds for BadgerNet, including 1997-98 Technology Infrastructure funding, will also be held centrally because a number of details are not yet known. Seventy-five percent of the funding will be allocated directly to the institutions, based on target FTE student enrollment. Funding for institutional input costs of SIS will be distributed following a review of centralized, regionalized and institutional approaches to achieve a cost-effective distribution of funds.
2. Differential Tuition.
Funding will be allocated for revenue generated from Board-approved differential tuition initiatives at UW-Centers, the Undergraduate Initiative at UW-Eau Claire, Allied Health at UW-La Crosse and the Doctor of Pharmacy at UW-Madison.
3. UW-Extension Reduction.
The Governor directed that the \$2.5 million reduction for UW-Extension be taken from base funding for the divisions of Continuing Education and Extension Communications and from administration and services. Cooperative Extension and Business Programs are exempt from the reductions. Continuing Education will be assigned a reduction proportional to its total share of the overall UW-Extension reduction and, in aggregate, allocations to UW institutions will be proportional to their overall share of the continuing education GPR base.

Decision Rule II.A.2. regarding the Advanced Opportunity Program (AOP) has been revised to eliminate the last sentence, which previously read: "At a minimum, institution base funding is kept at 1995-96 levels." The last sentence now reads: "Allocation will no longer be held harmless at a minimum of the prior fiscal year level." In the past two years, there has been money available from the Minority Doctoral Support Loan Fund. That money is no longer available beginning in 1997-98, so the institutions that have had lower minority enrollment will take some cut to their AOP funding.

Upon the motion of Regent Smith and the second of Regent De Simone, the Committee approved Resolution I.2.e., as amended to reflect the revision to Decision Rule II.A.2.

Resolution I.2.e.

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 1997-98 annual budget allocation decision rules.

I.2.f. 1997-98 Annual Budget Management Conditions

The 1997-98 Annual Budget Management Conditions outline specific requirements for reports to the Department of Administration and Joint Finance Committee, which provide accountability and annual budget oversight for State and Regent policies and requirements.

Associate Vice President Sell stated that, as with the Decision Rules, the Conditions are basically similar to those presented to the Board last year. The one new Management Condition relates to institutional base reallocations for Instructional Technology and Distance Education. The Board's Study for the 21st Century recommended that each institution create an innovation/incentive fund to support systemwide priorities such as distance education, instructional technology and collaborative programs. Institutions are to provide in their annual budget submissions, beginning in 1997-98, a brief plan for how the innovation/incentive funding will be spent by subcomponent of the original 1997-99 UW System Budget Request for IT/DE.

I.2.g. UW System: Campus Development Planning Process Presentation

Vice President Brown and James Albers, Campus Planner, presented a brief overview of the planning process used to care for the University's physical plant.

The physical plant is a major resource and should be managed accordingly, to provide a proper environment for higher education, provide the necessary physical infrastructure, identify capital needs, identify and obtain capital resources, focus capital resources on highest system priorities and implement Regent approved plans.

A physical development plan is a statement of direction across the five planning areas: land holdings and boundaries; building space; external space; transportation and circulation; and utilities and services. This planning is a continuous activity. However, because current, long range plans are required by Statute each biennium, it is necessary every two years to update the plan documents and prepare a capital budget request.

The institutions must define their program directions, identify issues, establish issue priorities and identify and evaluate alternatives. System Administration staff assist the institutions in the process and, based on the institutions' development plans and project requests, they prepare a recommended System project priority list, prepare and present a capital budget to the Board of Regents and then to the State Building Commission. When approved, the State Division of Facilities Management staff manages the projects.

Regent Smith inquired about the role of cost reduction in the planning process. As buildings age, efficiency becomes an issue. Mr. Albers responded that impact on the operational budget is considered and cost benefits, especially energy efficiency, is a major part of the consideration.

I.2.h. UW-Stevens Point: Approval of 1997 Campus Development Plan Reflecting Updates to the 1992 Plan

Chancellor George provided a very interesting presentation summarizing challenges facing UW-Stevens Point in areas of: land acquisitions; land use; noncontiguous properties; space use and building projects; open space and site development; transportation and circulation; and parking.

Upon the motion of Regent Smith and the second of Regent Barry, the Committee approved Resolution I.2.h.

Resolution I.2.h.

That, upon the recommendation of the UW-Stevens Point Chancellor and the President of the University of Wisconsin System, the 1997 Campus Development Plan, reflecting changes to the 1992 Campus Development Plan and documenting physical facilities and campus boundaries, be approved.

I.2.i. Report of the Vice President**(1) Agreements with Private, For-Profit-Making Organizations
Wyeth-Ayerst Research Division of American Home Products Corporation**

Vice President Bromberg presented the contractual agreement with Wyeth-Ayerst Research Division of American Home Products Corporation to the Committee for approval. Board of Regent policy requires Regent approval when a contractual agreement with a private, for-profit organization exceeds \$200,000.

Upon the motion of Regent Brown and the second of Regent De Simone, the Committee approved Resolution I.2.i.(1).

Resolution I.2.i.(1)

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents approve this contractual agreement entitled “Identification of Genes Affecting Neural Signaling in *Drosophila* and Mammals” that will provide \$450,000 in support research.

(2) Gifts, Grants and Contracts

Vice President Bromberg reported to the Committee that total gifts, grants and contracts for the ten-month period ended April 18, 1997, were \$497.1 million, an increase of \$34.4 million from the previous year. Federal awards increased \$6.5 million, while non-Federal awards increased by \$27.9 million.

I.2.j. Trust Funds**(1) UW System Trust Fund Annual Report**

Vice President Bromberg reported that 1995-96 was a year of exceptional growth in the endowment. The combination of realized gains, unrealized gains and gifts made it the best year of the past ten. The rate of return was 16.8% in 1995-96.

The UW asset allocation goal is 67% stock, 33% bonds. Endowment exposure to alternative investments continues to increase. UW performance lags the Big 10 and NACUBO over \$100 to \$400 million group in all periods measured. The real return for the endowment over the past ten years was 6.6% compared to 7.3% for NACUBO.

Returns exceed the comparative index in four of the last five years. The five-year gross return is above the market.

(2) Discussion of Investment Objectives and Guidelines

Vice President Bromberg discussed minor changes in the Investment Objectives and Guidelines, noting both the Intermediate and Long Term Funds were changed to add Regent Resolution 7406, reflecting the change made in the policy at the February meeting.

The Investment Objectives of the Long Term Fund were amended to state: “The investment objectives for the total fund are to provide real return/investment return net of endowment spending plan distribution over an extended period of time.”

Upon the motion of Regent Smith and the second of Regent De Simone, the Committee approved Resolution I.2.j.(2).

Resolution I.2.i.(2)

That, upon the recommendation of the Business and Finance Committee, revisions to the Investment Objectives and Guidelines for the Intermediate and Long Term Funds be approved.

I.2.k. Additional Items Which May be Presented to the Business and Finance Committee with Its Approval

There were no additional items were submitted to the Committee.

The Business and Finance Committee adjourned into Closed Session at 3:25 p.m., as permitted by s. 19.85(1)(f), *Wis. Stats.*, relating to naming of facilities.

The meeting adjourned at 3:27 p.m.

Donita R. Zintz, Recording Secretary