

**Minutes**  
**Business and Finance Committee**  
**Board of Regents of the University of Wisconsin System**  
**April 2, 1998**

The Business and Finance Committee convened at 1:33 p.m. in Room 1920 Van Hise Hall, Madison. Present were Regents De Simone, Grebe, Hempel and Marcovich.

**I.2.a. Approval of Minutes of the March 5, 1998, Meeting of the Business and Finance Committee**

Upon the motion of Regent De Simone and the second of Regent Marcovich, the minutes of the March 5, 1998, meeting of the Business and Finance Committee stood approved.

**I.2.b. Student Biennial Budget Priorities (United Council Presentation)**

Jamie Kuhn, President of United Council, stressed the importance of the role students play in deciding the State budget priorities for UW System. They understand that needs and services are not always equally balanced, but hope that, with their first-hand experience and the Regents' commitment to higher education, a budget can be presented to the Legislature which honestly addresses the needs of the UW System and doesn't sell the students short. She noted that students have been discussing budget priorities and continue to do community outreach and education, and have started their voter registration drive early to tie voting into the budget process. Students were delighted to see that suggestions by UW System contained much of what they were looking for also: a commitment to increase technology, provide more full-time staff and faculty positions, international and multicultural literacy, increase financial aid and library funding. Students, however, are not excited about more flexibilities that increase their tuition without accountability.

Joanne Jensen of UW-Superior addressed the need for more advisors, noting only seven of the 26 campuses have full-time advisors. She encouraged better training for advisors, especially for distance education and transfer students; more professional full-time advisors; funding towards proposed advising initiatives; and providing stipends for peer advisors.

Corey Mandley of UW-Parkside spoke on the need for funding for diversity initiatives. There are needs for improving multicultural resource centers, increased support for recruitment and retention programs for students, faculty and staff and ensuring support for students with disabilities, especially focusing on learning disabilities.

Shelley Haag of UW Colleges addressed the need for more FTE positions to meet the declining enrollments in the Colleges. Staff are needed in the areas of recruiting and advising, especially in the areas of transfer issues.

Stacey Hafner of UW-Madison stressed the need for increased financial aid to assist students being priced out of an education. Specifically, she mentioned the need for maintaining a biennial 20% increase in WHEG, promoting a 5% increase in the Minority Retention Grant, Indian Student Grant and Handicap Student Grant, and increasing State funding for the Talent Incentive Program to make up for lost Federal funding.

Theresa Zirbel of UW-River Falls spoke of the need for additional student support services, including career placement centers, daycare centers and development of resource rooms.

Chuck Droege of UW-Superior focused on the need for GPR funding for new programs versus reverting to differential tuition and tuition flexibility. He stressed the need to keep tuition rates lower than the rate of inflation.

The students promised to continue working to impress upon the legislature that their commitment to fund the UW System determines the fate of Wisconsin's economy.

### **I.2.c. 1999-2001 Institutional Initiatives**

Because Chancellor Kuipers had not yet arrived, the Committee moved to Item I.2.c.(2).

#### **(2) UW-Stout Graphic Communications Management**

Chancellor Sorensen noted that UW-Stout is unable to meet the current demand in the printing and publishing industry for new graduates and ongoing professional training. This industry has a major economic impact, both nationally and in Wisconsin. The Graphic Communications Management degree program has 100% placement of its graduates. It is anticipated there will be 14,000 jobs (a 28% increase) by 2005, and a stable source of base funding through the biennial budget is needed to expand the program by 100 students and about 25 graduates annually.

The Graphic Communications Management degree program has received generous support from the printing and publishing industry in scholarships, materials, supplies, equipment, software and cash donations. UW-Stout has received about \$1.8 million from the industry between 1990 and 1997, and expects continued support of \$200,000 to \$300,000 annually.

A research and training facility established with the support of the State and Federal governments and the printing and publishing industry would also generate additional revenue through research projects and noncredit, professional development training.

#### **(3) UW-Superior Integrated Assessment Program**

Professor Albert Katz explained that assessment methodology has always been essential in determining student achievement and in reviewing and improving academic programs. A portfolio system of assessment provides an opportunity for the university to pattern student work in a way that documents learning of individual students and documents learning in the student body. It also provides each student with the means to highlight his/her achievements and capabilities to potential employers and graduate schools.

UW-Superior's goal for the 1999-01 biennium is to provide funding to develop and implement an electronic portfolio system as part of an integrated program of assessment. UW-Superior currently commits in excess of \$25,000 and approximately one FTE of staff time in the use of nationally normed tests to assess the General Education program and most individual major disciplines. With a conversion to electronic portfolios, these funds would be used in the new endeavor. To initiate the conversion, and to properly support a computerized, integrated assessment program, additional State funding will be required.

This would be a pilot program at UW-Superior which the other UW System institutions could then enhance to meet their needs and, ultimately, the UW System could be a national leader in technology-based portfolios.

#### **(4) UW Colleges Student Services for Admissions**

Chancellor Messner stressed that the core of the UW Colleges' mission is to promote access to the UW System by providing the first two years of a general education, transfer-oriented curriculum. In order to improve its effectiveness as an access point for the System and meet enrollment projections, the UW Colleges want to establish a coordinated admissions outreach effort along with technological

improvements. A coordinated, more proactive outreach program along with technological improvements would better meet students' needs for accurate, timely information and improve the application and registration process.

A recent market research study revealed that high school students have a very limited awareness of the role of UW Colleges. Many viewed the Colleges as similar to technical colleges. A major reason for the misinformation is that UW Colleges does not have an admissions office to provide the services available on other campuses. Most of the UW Colleges campuses have only .5 FTE available to handle all student services functions; as a result, valuable staff are leaving because of the stress of overwork and outreach efforts are further suffering.

The UW Colleges must currently pay for enhanced admissions efforts through the reallocation of base resources. The institution utilized this approach in 1997-98 to establish a marketing plan and to hire a marketing director. Additional reallocation cannot be made without eroding the institution's educational program.

### **(1) UW-La Crosse Medical Health Science Operations**

Chancellor Kuipers noted that, to meet Wisconsin's 21<sup>st</sup> century health care practitioner needs, UW-La Crosse assumed leadership in the formation of the La Crosse Medical Health Science Consortium, Inc. The Consortium represents a not-for-profit, corporate alliance among the UW-La Crosse, Western Wisconsin Technical College, Viterbo College, Gundersen Lutheran Medical Center and Franciscan Skemp Healthcare/Mayo. The Medical Health Science Education and Research Center is currently under construction. It is a multi-source funded, 168,650 square foot facility which will be managed by the Consortium with the understanding that the maintenance, operations and technology expense will be charged back to the users of the building. The University's share of the general maintenance and operations funding has been identified at \$790,000 annually. Without this additional funding, UW-La Crosse will be unable to pay its share of the cost of operating the facility without adversely affecting existing programs.

In response to concerns by Regents that, because of rapidly changing technology, the costs will be significantly greater than anticipated when the first estimates were made four years ago, Chancellor Kuipers indicated that every effort will be made to keep core maintenance in balance.

Because Associate Vice President Sell needed to attend another meeting, the Committee agreed to take Item I.2.e. ahead of Item I.2.d.

### **I.2.e. Auxiliary Transfer Policy Guidelines - First Reading**

Associate Vice President Sell explained that the 1997-99 biennial budget authorized the UW System to transfer surplus moneys from auxiliary enterprises for the purpose of funding the one-time, fixed duration costs of any student-related activity. In addition, the 21<sup>st</sup> Century Study advocated allowing transfers out of auxiliaries as well as exercising existing authority to make transfers within auxiliaries. In October 1997, the Board passed a resolution which provides institutions with the flexibility to transfer surplus funding from one auxiliary activity to another. Transfer requests would be made to System Administration and would be considered at the time of the Board's deliberations on the annual operating budget.

The recommended auxiliary transfer policy was formed by a working group that included six institutional representatives and three System staff who tried to address several issues in the finalized policy. (1) It provides for appropriate student consultation on the surplus money transfer. These transfers will not involve funds from allocable segregated fees. (2) It provides clear definitions of terms

in the statutory language. (3) There is a clear approval process with sound review of the request while not making an overly cumbersome process for the institutions.

The auxiliary transfer policy will be incorporated into FPPP 43, currently under revision. Formal approval of this policy will be made by the Board at its May meeting.

#### **I.2.d. 1999-2001 Supplies and Expense Budget Initiative**

Vice President Bromberg first defined the components of the supplies and expense (S&E) budget, including: operating supplies for classroom, laboratory and office use; postage and shipping; equipment maintenance and repair; purchase of equipment under \$5,000; faculty and staff professional activities and development; and telecommunications and computer support.

The State has not funded an inflationary increase in S&E since 1991-93 and budget reductions have further eroded these budgets. Beyond inflation, S&E needs have continued to grow for support of technology, demand for up-to-date teaching tools and increased cost of faculty recruitment.

Campuses have “made do” by base reallocations through and beyond the Quality Reinvestment Program (QRP), by reducing faculty and staff size and shifting budget to S&E and budget initiatives aimed at specific S&E needs such as the technology DIN for 1997-99.

Even with these efforts, S&E dollars have barely kept pace with inflation and the UW remains at the bottom of comparable state system S&E funding per FTE.

Several Chancellors commented that S&E remains a growing concern on their campuses to adequately support student learning and faculty needs. They cannot continue to base reallocate to meet this demand. The question is how to best approach the State for additional funding—as a base increase or through specific initiatives (such as technology) that focus on S&E.

#### **I.2.f. Report of the Vice President**

Vice President Bromberg introduced Don Norris, President of Strategic Initiatives who would relate his earlier remarks about higher education transformation to the role of the Business Officer.

##### **(1) The Business Officer’s Role in the Knowledge Age - Presentation by Don Norris**

Mr. Norris noted that the Business Officer’s role is critical to the transformation institutions of higher education will be making in the “Knowledge Age.” Business Officers must work collaboratively with Academic Officers to develop technological infrastructure, identify new revenue sources, pursue technological products as investments, tap new markets and investigate new ways to distribute course content. It is up to Business Officers to leverage resources to build competencies and transform learning through scaleable learning products, leveraging faculty time and effort and investing in new approaches to learning. These efforts can best take place through a redirection of campus processes to achieve transformative ends.

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

No additional items were presented to the Committee at this time.

#### **I.2.h. Trust Funds: Annual Comparisons (NACUBO and Other Benchmarks)**

Treasury Manager Mills reported that the trend in endowment fund balances is clearly upward; however, the rapidity of this growth has increased tremendously the past three years. This coincides with the great bull market which has caused the realized and unrealized gains on investments to reach \$67 million as of June 1997. The balance of \$218 million represents the long-term portion of the endowment fund only, excluding the intermediate term fund which contains reinvested earnings on investments.

Reviewing asset allocation data indicates the UW System maintains a slightly higher allocation to domestic stocks and domestic/international fixed income versus the Big 10 and NACUBO medians. Most significantly, peer institutions have maintained their allocation levels to alternative assets, primarily focusing on real estate and venture capital funds. Overall, the UW asset allocation reflects a conservative portfolio structured for asset growth, but with an eye for preservation of principal.

When the indices are adjusted to match our average asset allocation ratio, total performance is quite strong. In fact, actual performance only falls significantly short of this adjusted index in one year (1994-95).

When reviewing the fees/expenses paid by the UW Trust Funds, most striking is the fact that, on average, the UW pays five basis points more than other funds our size. During the recent investment manager negotiations, there was considerable focus given to lowering these expenses. However, we pay, on average, six basis points less for the recordkeeping and custody of our assets.

This year's survey involved nearly 500 institutions which maintain over \$150 billion in endowment/foundation assets. The largest public institution is the University of Texas with nearly \$7 billion in assets, and the largest private institution is Harvard at nearly \$11 billion. The UW Trust Fund is 129 on this list.

The Business and Finance Committee adjourned at 3:40 p.m.

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Donita R. Zintz, Recording Secretary