Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
April 8, 1999

The Business and Finance Committee met in Room 1820 Van Hise Hall, Madison, at 1:18 p.m., with all Regents invited. Present were Regents Barry, DeBraska, De Simone, Marcovich, Mohs, Olivieri, Orr, Randall, Smith and Staszak.

I.2.a. Revisions to ORS Principles

Regent Marcovich explained that the Legislature had requested an actuarial study of an Optional Retirement System (ORS) as well as direction from the Board of Regents in the form of principles which would be considered when drafting legislation for a possible ORS. Following action on the principles at this meeting, the Board will be acting on the drafting recommendations at the May meeting. Although the Board agreed to hear from a number of people who wished to speak on the issue, Regent Marcovich suggested they address their concerns about having an ORS to the Legislature.

Senior Vice President Olien indicated that staff continue to feel that an Optional Retirement System (ORS) could be an important benefit option as the University seeks to recruit faculty and staff. While salary is, by far, the most important consideration in the overall employment package, both health care insurance and retirement plans are important. Most states offer alternatives to a state retirement system for university faculty and academic staff, and the trend is toward offering these types of programs.

Significant care needs to be given to ensure a plan which might be beneficial to the UW System does not either become an undue administrative burden or put at risk the financial wellbeing of the Wisconsin Retirement System (WRS). Staff believe the principles being considered offer protection in both areas of concern.

The Board cannot create an ORS. The Legislature must act on any draft put forward by the Board. Additionally, the Governor would have to be involved in a thorough examination of any proposed legislation before it would become law.

Historically, faculty and academic staff, as well as all public sector employes (except city and county employes in Milwaukee), mandatorily participate in the WRS. Almost two years ago, legislation was proposed to establish an ORS for new faculty and academic staff of the UW System. The ORS was proposed to offer a defined contribution alternative to the WRS. When the legislation was initially proposed, the Board of Regents adopted principles to frame the University's position with regard to the proposal. The principles expressed the Board's concerns that any ORS be good for the University and its employes, that WRS employes and employers not be harmed by an ORS, that the Board of Regents be the plan sponsor and assume fiduciary responsibility for the plan, and that full State funding for retirement contributions to the WRS and any optional plan be continued.

When the preliminary ORS legislation was not enacted, the 1998 budget repair bill authorized an actuarial study of the impact of an ORS on the WRS and required the Board of Regents to submit recommended legislation to establish an ORS to the Legislature by June 1, 1999.

The principles being considered at this time do not react to the 1997 legislation, but are intended to guide the proposal from this point forward. The principles are being put forward to give the administration Regent guidance before preparing a submission to the Legislature. In order to submit the proposal to the Legislature by June 1, the proposal will likely be on the agenda of the May Board meeting.

Over the past ten months, staff have studied the experience of peer universities which have recently implemented optional retirement systems. The actuarial study conducted by Gabriel, Roeder & Smith and a supplemental analysis by the Retirement Research Director were completed. These studies suggest that the financial impact on the WRS can be neutralized by UW system contributions to the WRS. The studies also suggest that new, younger faculty and academic staff may experience investment return advantages in an ORS over the WRS with its current 5% interest cap.

Internal consultation with governance groups has gone forward. In February, the President's Advisory Committee on Fringe Benefits recommended that the University seek ways to improve retirement benefits for faculty and academic staff. While supporting enhancements to the WRS, such as removing the 5% interest cap, as the most effective and equitable way to achieve this goal, the Committee agreed that it could accept an ORS as an alternative retirement plan, provided no significant negative effect on the WRS is expected.

Faculty and academic staff from various institutions have been communicating with System Administration to express support for the ORS. They had requested that their names be read into the minutes, and the Regents have been given copies of their correspondence: Dr. Kerry Vandell, UW-Madison School of Business; Dr. William Richardson, UW-Madison School of Music; Dr. William Dobson, Distinguished Professor, UW-Madison College of Agricultural and Life Sciences; Dr. Gary Griepentrog, Professor Finance and Insurance, UW-Oshkosh; Dr. Bruce Dewey, Outreach Program Manager, UW-Extension; and Paul Rowe of UW-Madison.

Associate Vice President Brooks explained that, during the past year, staff studied ORS design and implementation at several peer institutions. Although many peers offer a defined contribution plan, there are few good comparisons to the University of Wisconsin with regard to the size and complexity of the workforce and the history of previous retirement plans.

One of the most interesting of the institutions was the University of Illinois System. ORS legislation recently enacted there places responsibility for plan design and administration with the State University Retirement System (SURS). The SURS Board of Trustees, as the ORS plan fiduciary, is responsible for vendor and investment fund selection and periodic evaluation. During the two-year implementation period, SURS hired a consultant with expertise in benefit plan design and pension tax law. The consultant provided services including design of the plan, handling the tax qualification issues, determining the appropriate contribution rates and developing and managing the Request for Proposal process.

Throughout the implementation and as part of the ongoing ORS administration, SURS staff with expertise in accounting auditing, investments, finance and staff legal counsel assumed ORS responsibilities. A consulting actuary and outside investment consultants are also engaged in ORS administration. SURS staff provide benefit counseling and educational presentations. In addition, SURS has contracted with a third party administrator to provide all recordkeeping services. The Illinois ORS is available to current employes as well as new hires and competes with two other plans, the traditional defined benefit plan and a portable defined benefit plan. The Illinois experience illustrates the administrative demands of an ORS.

UW System staff also looked at the State of Wisconsin Deferred Compensation Plan, created by the Legislature in 1981 as a supplementary, defined contribution plan available to State and local government employes. The Legislature assigned authority for oversight and administration of the WDC to the Department of Employe Trust Funds (DETF) and the Deferred Compensation Board. The Board selects the investment options for the plan and contracts with a third party for employe education, enrollment and recordkeeping. DETF staff provide expertise in tax compliance issues, auditing and financial statement preparation.

Staff also reviewed some of the legal requirements for an ORS. Under the Employee Retirement Income Security Act (ERISA) guidelines, the plan sponsor must have a reasonable and well-documented process for selecting and monitoring investment products. To avoid liability, plan sponsors must offer participants an adequate array of investment choices, sufficient information and education and control of their accounts. ERSIA is not mandatory for government employers, but the guidelines do provide a prudent standard for an ORS.

The study makes it clear that design and management of an ORS demands substantial legal and technical resources, including legal expertise, plan design experience, appropriate information systems and adequate auditing and accounting function, none of which are a part of the University's mission. Efficiency dictates this responsibility be housed with the State agency that has the expertise in this area. Therefore, it is recommended that the Employe Trust Funds Board, not the Board of Regents, be authorized as the plan sponsor to exercise oversight and control of the University of Wisconsin's ORS.

The DETF administers a large and sophisticated retirement plan for public employes as well as a major supplemental retirement plan, the Wisconsin Deferred Compensation Program. DETF has a specialized legal and policy staff, a controller familiar with financial reporting and auditing for retirement plans, involvement with retirement investment issues through the Deferred Compensation Program and the State of Wisconsin Investment Board (SWIB) and extensive experience in negotiating consulting and administrative contracts in the area of employe benefits. Its information system maintains individual account records for retirement and insurance benefits and would continue to keep insurance eligibility data for ORS participants. These existing resources and efficiencies should be adapted to include the ORS.

Staff recommend as a principle that funding for the costs incurred by DETF for creating and managing the ORS must be guaranteed. The ORS must not result in unfunded administrative costs to the University. At a minimum, there will need to be changes to the payroll and benefits information system. Additionally, University staff would need to work closely with DETF and there would need to be modest additional GPR and positions to provide training to existing institutional staff with regard to the ORS. The new professional staff would serve as liaison with the plan sponsor and coordinate education and enrollment functions at the institution level. A fiscal note will be developed once the ORS legislation is drafted.

Sue Chamberlain, Staff Benefits and Payroll Policy Director, addressed some of the more technical aspects of the ORS as well as the educational dimension of the initiative.

Employes will need education on how to choose and manage their retirement portfolios. Before making their initial election for the WRS or the ORS, eligible employes should receive a coordinated retirement education program from a single source. The program should fairly and accurately communicate the advantages and disadvantages of each plan. The State currently does this in other benefits areas where an informed choice is important, such as selecting a health insurance option. Group meetings or individual conferences may also be desirable. It is essential that information be coordinated by an expert.

Employes choosing an ORS should also have access to ongoing education to help them monitor their investments and make the most suitable allocation of assets. This is not an assignment the University is currently staffed to undertake. The University does not have a staff of benefits experts with investment background and expertise in employe education sufficient to meet this requirement, nor should it assume the potential liability associated with this function. Therefore, it is recommended that DETF be responsible for overseeing the educational component of the ORS.

Staff recommend the ORS be established as a qualified pension plan under section 401(a) of the Internal Revenue Code. This would mirror WRS qualification features, would permit the broadest choice of investment products and would avoid exposing ORS participants to possible reductions in the permitted contributions to the voluntary tax-sheltered annuity program under IRC section 403(b).

The principles also contain several technical recommendations related to equity between the WRS and ORS. Actuarial studies showed that, on average, the younger unclassified employes receive something less than the full value of the WRS contribution made on their behalf, primarily because many of them do not stay at the UW for their entire careers. Principle Seven affirms that the plan sponsor will set contribution rates so as to ensure equity among all employe groups. This means that, insofar as can be actuarially determined, employer contributions will provide all employe groups with a retirement benefit of equal expected value.

Similarly, it is important that the Board affirms the rights of ORS participants to retain any WRS rights they may have accrued and to participate in other ETF-administered insurance and benefit plans on the same basis as WRS participants.

The actuarial study has also made it clear that only new employes should be allowed to participate in an ORS and once that election is made the decision is irrevocable. Without these features, there is a risk of destabilizing the WRS. Therefore, staff recommend an ORS option be available only to new, unclassified employes and that it be an irrevocable election.

It is also important that employes are solely responsible for the outcome of their retirement plan elections. This is stated in Principle Eight. There must be no real or implied University or State responsibility for the risk participants choose to assume in their self-directed investment decisions.

The ORS has a probable cost to the WRS. As younger employes select the ORS, a gradual increase in contribution rates could result, payable by other WRS employers (including the University for its non-ORS employes) and potentially by employes. To avoid cost-shifting, the WRS must receive a supplementary, State-funded payment, estimated at 1.9% of the payroll of ORS participants. The estimate is subject to periodic recalculation based on actual experience. Principle Eleven states this offset payment, funded from GPR, should be a prerequisite for an ORS.

In response to Regent questions, Ms. Chamberlain explained that administrative costs related to the operation of the Wisconsin Retirement System are funded from the trust fund investment return. To distinguish the cost incurred between the WRS annuitants' beneficiaries and the new ORS, the plan provider would have to have a periodic actuarial evaluation of the two plans and the experience of the demographics of both plans, of who was electing the plans, to assure that the WRS was still on sound funding.

Also, in response to questions, Senior Vice President Olien clarified that there would be considerable discussion in the Legislature, and that there has been a trend, nationally, in state legislatures to move in this direction. Wisconsin is the 47th or 48th state to consider an ORS, and they are only asking that the UW System submit a plan for them to evaluate. This is very much a generational issue–younger individuals tend to want to control their own destiny.

Regents pointed out that, since discussion of an ORS began two years ago, some positive changes have been made to the WRS. There is now full vesting immediately in the WRS. In addition, the age for the death benefit has been lowered.

Randy Ryder, Chair of the System Fringe Benefits Committee, stated that the Committee has been examining an ORS for the past two years. They support an ORS if it is administered by ETF and has no adverse effects on the WRS. He asked that the Board consider three issues as they examine an ORS: (1) It is vital that employes are provided thorough education as far as the implication of the plan and in making their investment decisions; (2) There should be consideration of a WRS plan enhancement, eliminating the 5% cap on the plan for employes entering the WRS after 1983, and allow them to direct their monies to the various funds; and (3) Consider future risks to UW employes. It is imperative that the plan decision by the employes be irrevocable.

Ed Kehl, representing the Wisconsin Coalition of Annuitants, which consists of 18 retiree organizations, voiced sincere and unanimous opposition to what they feel is an obvious attempt to initiate the privatization of one of the most successful and respected public retirement systems in the world.

Mel Sensenbrenner, President of the Consortium of Retirees, indicated that organization is opposed to an ORS, but would support changes to the current WRS which would bring equity to all participants and still maintain the integrity of the system.

Steve Werner, representing the Wisconsin Professional Police Association, quoted from a March 22 letter sent on behalf of that organization to the Legislature, "We believe the inequities that currently harm some university staff are some of the same that hurt others in the retirement system. If we study these issues and change them for everyone, we will help everyone and thereby strengthen the system from within. If we attempt to go to the outside for help, we start tearing down that which we've worked too hard to build."

Bill Abramowitz, representing Aetna Retirement Systems, noted that Aetna currently participates in 15 state optional retirement systems and 13 state deferred compensation programs. Aetna supports legislation and provides employes with the ability to choose their retirement plan. Individual savings rates are at an all-time low and Aetna believes employes should take a more active role in their retirement planning and educating themselves with their retirement life goals. Although employe turnover is not as high with the university as with the private sector, most employes will work three to four different jobs in their life span, so a defined contribution plan and portability are critical. Currently, an employe leaving the WRS, can choose to leave their contribution in the existing defined contribution plan, roll it over to an IRA or roll it over to another defined contribution plan at their new employer. Although Aetna supports the principles before the Board, they would encourage language that targets retaining oversight and control, including employe education and counseling, with additional language that would encourage a working partnership with the plan sponsor and include the vendors in the employe education component. Currently, most optional retirement systems around the country have 3-5 vendors providing enrollment and education to employes. Aetna also hopes that draft legislation will embrace the concept of multiple vendors. It is critical to not only provide enough information, but also to provide information in a way which will help make an informed choice.

Hel Rebholz, representing the Wisconsin Retired Educators Association, expressed opposition to the proposed ORS and deep concern with the guiding principles. That organization believes the proposed ORS has the potential of establishing a disintegration in the precedence of the WRS. They have concern that annuitants will be impacted if people leave the WRS. They realize recruitment and retention is important, but have concerns that and ORS will increase costs to ETF, reduce State Investment Board investment monies and reduce WRS benefits. Mr. Rebholz urged Board members to read Chapter 40 of the Statutes on why the WRS was created.

Regent De Simone expressed concern over the 5% interest cap. Mr. Rebholz agreed, noting there are over 70% of WRS participants under that 5% cap.

Regent Barry indicated he would like to have input from Mr. Rebholz on suggestions on how to address some of the issues related to recruitment within the WRS and how to improve the status within the WRS of those employes within the UW System. Mr. Rebholz stated that a tremendous improvement would be for new employes to immediately have health insurance instead of having to wait for six months.

Blair Testin, also representing the Wisconsin Retired Educators Association, stressed that the UW and the WRS are looked up to nationally. It took 50 years to put the public retirement systems in Wisconsin together and adoption of an ORS would lead to further fragmentation. Reinstatement of the money purchase guarantee within the WRS would offer portability and would require no additional administrative costs to the WRS. Mr. Testin stated that an ORS will not really help in recruitment efforts–other factors, such as salary and health and life insurance improvements, would be of more benefit. He expressed concern with mandating employes to make an irrevocable election unless they are offered ample education in an effort to prevent people from making the wrong decisions, and noted that there is currently not a need to do this since SWIB makes these investment decisions.

Ed Muzik, representing the Association of University of Wisconsin Professionals, expressed concern that new employes would not be prepared to make an irrevocable decision regarding their retirement option. He also stated that, after researching the issue, he was unaware of any potential employe refusing a position because of the lack of an ORP option. He further suggested the Board consider that the portability might actually have a greater possibility of allowing more mobility, causing more of a retention problem. He, too, stressed that a better benefit would be the six-month health insurance pickup.

Robert Ring, of TIAA-CREF, encouraged Board support of an ORS, noting that defined contribution plans are the standard. He indicated the importance of having principles that ensure proper design and administration and have no adverse effect on the WRS.

Jack Coe, representing the Wisconsin Education Association Council, voiced opposition to any ORS legislation which would create shifts to the active or inactive participants in the WRS. He stated that WEAC is unconvinced that recruitment and retention of faculty is solely related to the retirement system. They would, instead, recommended that the money purchase guarantee be reinstated, providing a death benefit option permitting rollover at retirement and restoration of the variable option. He also noted the need for legislation which would allow SWIB greater latitude in hiring fund managers in order to compete with the private sector.

Regent Smith stated that the Board should consider fairness to past and present employes which have brought the UW System to its current level of excellence and to also continue to strive toward being in a position to take it to the next level.

Upon the motion of Regent De Simone and the second of Regent Randall, the Board approved Resolution I.2.a.

Resolution I.2.a.

That upon the recommendation of the President of the University of Wisconsin System, the Board of Regents directs the President to prepare, according to the following principles, proposed optional retirement system legislation for new UW System faculty and academic staff that can be adopted by the Board at its next meeting and submitted to the Legislature prior to June 1, 1999:

1. The Employe Trust Funds Board, as Plan Sponsor, is directed to establish an ORS as a qualified plan pursuant to s. 401(a) of the Internal Revenue Code, incorporating such plan provisions as it deems advisable for the good of the University and its employees, including the provisions that the ORS must be established and maintained solely for the benefit of participants and their beneficiaries and that the contributions to the ORS are held in trust for this purpose and cannot be refunded to the employer or otherwise diverted;
2. The Plan Sponsor retains oversight and control of the ORS, including all employee education and counseling;
3. The Plan Sponsor is authorized to contract with vendors as it determines necessary to provide choice of suitable retirement products and to secure services related to the ORS, and to modify or terminate such contracts;
4. The contractual rights of ORS participants are guaranteed as regards benefits accrued under the Wisconsin Retirement System (WRS) and the right to participate in all other benefit plans (e.g., life, health, and income continuation insurance) established under Chapter 40 on the same basis as if WRS coverage had been elected;
5. The Plan Sponsor is required to provide long-term disability insurance for ORS participants by deducting from the ORS retirement contribution the cost of the participants' long-term disability insurance;
6. The University incurs no new administrative costs as a result of the ORS;
7. The Plan Sponsor determines retirement contribution rates to ensure equity among all employee groups;
8. The employee is solely responsible for the consequences of his or her election of retirement coverage and will not be compensated for any losses, notwithstanding any future improvement in WRS benefits or diminution of ORS benefits;
9. ORS eligibility is restricted to new unclassified hires and the Plan Sponsor is authorized to define eligibility and the election process by rule;
10. The employee's election of the ORS or WRS is irrevocable;
11. The University's interest in preserving the excellence of the WRS is maintained by guaranteeing the funding necessary to offset cost-shifting that is actuarially predicted to result from the establishment of an ORS.

12. Full state funding of retirement plans must be guaranteed.

The Board of Regents further declares that its purpose in providing an ORS will be to enhance the University's efforts to recruit and to retain faculty and academic staff of the highest quality.

Regent Barry stated he would like to see the Board forward the principles along with a request that other benefit improvements be researched. He indicated the ORS does seem to be a generational issue.

Regent DeBraska indicated he voted for the Resolution, but disagrees with a number of the principles primarily because he is concerned with a detrimental effect on the current WRS and the principles run adverse to the Board's retention goals.

I.2.a.(2) Public Broadcasting Principles

Senior Vice President Olien stated that the Governor's biennial budget contains a recommendation that a new, nonprofit, tax-exempt organization be created to serve as the principal public broadcasting entity in Wisconsin. Responsibility for operations and broadcast licenses would be transferred from the UW System and Educational Communications Board (ECB), the current operators, to the new organization. The Governor has proposed that a three-person transition board, consisting of the Secretary of the Department of Administration (DOA), the President of the UW System and a third person appointed by the Governor, would guide the transition.

The Governor's recommendation followed the 1997 legislatively-mandated Commission on Public Broadcasting, which studied some of the issues involved. Regent Boyle served on that Commission. Because the Governor's recommendation is contained in the budget, the Joint Finance Committee will be reviewing the proposal. Recently, the Fiscal Bureau staff began research to prepare a paper for the committee which will give them the ability to consider the Governor's proposal as well as alternatives.

There are significant differences of opinion within the Legislature on how public broadcasting should be organized, and this is the third time in the past ten years that there has been a discussion about changing the current structure. This time, however, the Federal government has mandated that all television signals be converted from analogue to digital format by 2003. This requirement presents challenges in terms of financing extensive conversion. It is estimated that it will cost between $60-70 million to convert the ECB and UW television stations. While the Congress is considering providing limited funding for the conversion, it is quite clear the main burden will fall on the 50 states. The State Building Commission has recommended an initial $9.8 million to fund the conversion costs in the 1999-01 biennium. Of that, $3.1 million is State funds and the remainder would need to come from gifts, grants or program revenue.

Although some observers believe significant dollars for the conversion could be raised by a private, not-for-profit entity, it is not likely. The largest population center, the Milwaukee metropolitan area, would not participate in the fundraising, which excludes the wealthiest area of the State. Also, the track record of non-profit fundraising for equipment has not been successful.

The principles being considered address concerns as varied as efficiency, preserving editorial integrity free from political interference, assuring continued collaboration between the UW institutions and the K-12 community in any new structure as well as preservation of statewide accessibility to public broadcasting and educational programs. Any new board charged with responsibility for overseeing public broadcasting in the State should be representative of those who have an interest in public broadcast. That must, however, be balanced with the need to have a board which is reasonably-sized so it can effectively manage the enterprise and succeed at whatever level of fundraising is deemed reasonable.

It is critical that access to the digital channels for UW-Extension be preserved without additional costs to the University. It is important that the channels not be sold off or leased so they are not available for educational purposes. It may be that the best way of ensuring UW System access is for the Regents to retain their current license.

Any governance change is complicated by the fact that the digital transition must be accomplished. Any organizational change must be based on solid planning with a realistic timetable for transition which recognizes the complexity of the process involved. At several stages, approval of the Federal Communications Commission will be required. Wisconsin cannot move forward unilaterally with any reorganization plan.

The last principle recommends that the UW campus radio stations not be transferred from the Regents and the campuses to a new entity. The fact is these stations are managed by academic units and are designed for educational purposes to give students broadcast experiences. For that reason, the responsibility for operations is housed in academic units on the campuses.

Regent De Simone expressed concern that this would lessen the Board's influence on the educational part of the program, and would suggest a major change on the representation on the governing Board.

Regent Randall stated he did not like the proposal and hopes that System Administration and the Board will aggressively pursue and advocate for the University's interest.

Regent Stazak moved approval of Resolution I.2.a.(2) and Regent Randall seconded the motion.

> Regent Olivieri moved approval of changing the principle stating "Any new structure should recognize and meet the needs of the K-12 community" to "Any new structure should reinforce the importance of collaborative efforts among the UW System, the technical college system and the K-12 system to use public broadcasting to meet educational needs." Regent Orr seconded the motion which passed on a voice vote.

Regent Olivieri stated he felt it is important for the Board to convey that public broadcasting is important to the UW System and that any modification in the governance has to recognize the future importance of public broadcasting throughout the System. He also emphasized that licenses for digital broadcasting will be a valuable asset, and will become an increasingly valuable asset which the University should strive to retain. He acknowledged there will be legal, financial and political impediments, but that the licenses should be retained if possible. Regent Marcovich added that he concurred with Regent Olivieri's comments. Regent Orr indicated he would keep the comments in mind as the process continues.

Upon the motion of Regent Olivieri and the second of Regent Orr, the Board of Regents approved Resolution I.2.a.(2) as revised.

> **Resolution I.2.a.(2) Revised**
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> That upon the recommendation of the President of the University of Wisconsin System, the Board of Regents directs the President to use the following public broadcasting principles to guide future discussions with the legislature and the executive branch of state government on this issue. The Board of Regents further declares that its purpose in endorsing these principles is to strengthen and enhance Wisconsin's strong statewide public broadcasting system.

Public Broadcasting Principles
Key Principles

- Any organizational change should clearly strengthen the public broadcasting enterprise, and not weaken it.

- The long tradition of quality cultural, educational, and informational broadcast programs that has made Wisconsin public broadcasting a national leader must be maintained.

- The goal of any reorganizing plan must result in greater management efficiencies and more cost-effective operations.

- The State of Wisconsin needs a sound financial plan that assures the continuation of public broadcasting operations and the funding to oversee the timely transition to digital technology for broadcast and production. The financial plan should be based on the following components:

  - State GPR support to assure that all regions of Wisconsin have access to public broadcasting
  - Federal support
  - Supplemental private (individual citizens, corporate, and foundation) support

- Any reorganization must preserve editorial integrity free from political influence. The University's tradition of academic freedom provides an institutional environment which insures editorial independence.

- Any reorganization must proceed in a logical, thoroughly-planned manner. The legal, technological, and administrative matters involved are complex. The timetable for reorganization needs to reflect that complexity, and allow time for full and deliberate consideration of all the issues, but must not delay the progress of Wisconsin's public broadcast services toward meeting the federally-mandated deadline for conversion to digital operations.

- Statewide accessibility to public broadcasting and educational programs through our statewide networks must be maintained and advanced.

- A new streamlined governance model for a consolidated UW-ECB operation must have a board that is reasonably-sized to permit timely focus and decision-making on key issues, while accounting for the following concerns:

  - Generation of the support and confidence of the public
  - Statewide representation by citizen viewers, listeners, learners, clients, and their support groups (Friends of WHA, Wisconsin Public Radio Association)
  - Representation of key partners in the educational broadcasting enterprise, including the UW System, the technical college system, and the K-12 system
  - Inclusion of effective business and public policy advisors as well as fundraising advocates for public broadcasting

- Any new structure should reinforce the importance of collaborative efforts among the UW System, the technical college system and the K-12 system to use public broadcasting to meet educational needs.
- Access to digital channels by the UW-Extension for educational purposes must be preserved without additional cost to the university. The Regents do not support any arrangement that might lead to the selling of the additional digital channels or other actions which would make these channels unavailable to the university. The best way to ensure that the UW has continuing educational access may be for the Regents to retain their current licenses.

- Any reorganization must preserve the current management structure which reflects the teaching mission of the campus radio stations. The stations of UW-Eau Claire, UW-La Crosse, UW-Milwaukee, UW-Oshkosh, UW-Platteville, UW-River Falls, UW-Stevens Point, UW-Superior, and UW-Whitewater are part of the academic curriculum under academic control. As such, they must not be affected by a reorganization of other segments of public broadcasting. Licenses must continue to be held by the Board of Regents, and operations and control must remain where they currently reside.

The Committee recessed at 3:03 p.m. and reconvened at 3:15 p.m. in a joint session with the Education Committee for discussion of the Milwaukee Technical High School Agreement. Details of that discussion can be found in the Education Committee Minutes.

The joint session with the Education Committee concluded at 3:22 p.m., and the Committee reconvened at 3:40 p.m. in Room 1920 Van Hise Hall in a joint session with the Physical Planning and Funding Committee for discussion of the UW-Superior Master Plan. Details of that discussion can be found in the Physical Planning and Funding Committee Minutes.

The joint session with the Physical Planning and Funding Committee concluded at 4:15 p.m. and the Committee reconvened in Rm. 1511 Van Hise Hall at 4:20 p.m. Present were Regents Marcovich, De Simone and Olivieri.

I.2.b. Approval of Minutes of the March 4, 1999, Meeting of the Business and Finance Committee

Upon the motion of Regent De Simone and the second of Regent Olivieri, the Minutes of the March 4, 1999, meeting of the Business and Finance Committee were approved as presented.

I.2.c. UW-Extension Y2K Outreach

Vice President Bromberg introduced Dean Carl O'Connor, Associate Professor Dan Hill, Erica Kauten and Jan Gallagher, of UW-Extension, who were present to update the Committee on UW-Extension's response to the Y2K issues which will involve small business, local government and the general public.

Dean Carl O'Connor, of Cooperative Extension, gave an overview of Cooperative Extension's response to Y2K and programming partnership with the Department of Administration (DOA), focusing on local government preparedness. Together, they are involved in all Wisconsin counties and municipalities–sometimes as a resource and sometimes leading in the process. They are working with individual businesses and the general public, providing assistance and resource materials.

Associate Professor Dan Hill, Lafayette County Community Resource Development Educator, spoke on community preparedness activities and the role of education in specific community settings. A technical advisory committee was assembled to guide the educational program in the county, with collaboration of State, County, and local organizations, to design and implement the educational programs. They have formed local Y2K preparedness teams, conducted inventories of their municipality's internal Y2K vulnerabilities, are working on identifying and fixing problems, working on contingency plans, as well as educational initiatives.

Erica Kauten, State Director, Small Business Development Center, briefly overviewed the Small Business Development Center's collaborative response to small business needs. The Governor's Blue Ribbon Commission on Preparedness has a General Business Subcommittee. The Small Business Administration Y2K Web page <http://www.sba.gov/y2k/> provides useful and practical guidelines and suggestions for making small business, suppliers and customers Y2K complaint. The Wisconsin Manufacturing Extension Partnership Web page <http://www.wmep.org/feature.html> offers all businesses advice on becoming Y2K compliant. UW-Extension and the State of Wisconsin also have Web pages which provide helpful links.

Jan Gallagher, Director, Business Development Center, UW-La Crosse, spoke about the continuing education workshop to meet local needs and gave examples of specific counseling results. UW-La Crosse pulled the community together around the Y2K issue by holding a kickoff event last September and recruiting a steering committee consisting of a cross-section of the community. The steering committee holds monthly meetings with a project management approach of providing awareness, risk assessment, testing and working on contingency planning. There have been an average of 80 attendees at the monthly meetings. They attribute their success to the significant kickoff effort, facilitating organization, sponsorship, involvement of a cross-section of the community, and shared responsibility.

I.2.d. Increase in Mandatory Refundable Fee for United Council

John Grabel, President of the United Council, told the Committee that United Council is requesting approval to increase the current MRF by $.40 from $.95 to $1.35 per semester and summer session, effective fall semester of the 1999-2000 academic year. Revenue resulting from the increase will allow continued operation of United Council at current levels with the addition of a new staff person. UW institutions have already waived collection of the 5% administrative fee previously used to cover the cost of collecting and transferring the MRF to United Council. He indicated they are already dipping into the reserves and need to stabilize the account, with a goal of building the reserves and establishing a solid base.

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

Resolution I.2.d.

That, upon recommendation of the President of the University of Wisconsin System, the request of United Council of University of Wisconsin Students to increase the current mandatory refundable fee from $.95 to $1.35 per semester and summer session, effective fall semester of the 1999-2000 academic year, be approved.

Regent Marcovich noted that he had had requests from other Regents who asked that this item be removed from the consent agenda for the Friday Board meeting.

I.2.e. Trust Funds Annual Report

Treasury Manager Mills was present and prepared to discuss the Trust Funds Annual Report. However, due to the lateness of the meeting and because members present indicated they had read the report and were aware the Funds are performing extremely well, the Committee agreed not to hold discussion on this item.

I.2.f. Vice President's Report

Vice President Bromberg had no items to report at this time.

I.2.g. Additional Items Which May Be Presented to the Business and Finance Committee with It's Consent

No items were presented at this time.

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

Upon the motion of Regent Olivieri and the second of Regent De Simone, the Business and Finance Committee adjourned to Closed Session at 4:50 p.m., to consider Trust Fund matters as permitted by s. 19.85(1)(e), *Wis. Stats*. Present were Regents Marcovich, De Simone and Olivieri.

The Business and Finance Committee adjourned at 5:15 p.m.

Donita R. Zintz, Recording Secretary