

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
November 8, 2001

The Business and Finance Committee met at 1:25 p.m. in room 1820 Van Hise in a joint meeting with the Physical Planning and Funding Committee to discuss two “Building Our Resource Base” topics, Trends in Gifts, Grants and Contracts and Fund-Raising Strategy. Present were Regents Schneiders, Axtell, Barry, De Simone, Gottschalk, Jones, Klauser, and Krutsch. Regent Vice President Randall was also present.

a. Building Our Resource Base

(1) Trends in Gifts, Grants and Contracts

Vice President Debbie Durcan reviewed a report showing the total amount of gifts, grants and contracts awarded to UW System institutions other than UW-Madison in each of the last five fiscal years. The report also excludes amounts awarded to UW-Extension’s public broadcasting operations (WHA Radio and Television). The total amount awarded has increased from \$114.0 million in 1996-97 to \$164.9 million in 2000-2001, an increase of \$50.9 million or 44.6%. The amounts reported are based upon the period in which an award is made, not when funds are received. An award that will be received over a period of several years is reported when the donor/sponsor makes the funding commitment.

- Vice President Durcan noted, by institution, the total amount of gifts, grants and contracts awarded from 1996-97 to 2000-2001. UW-Madison and UW-Extension’s public broadcasting operations were again excluded. She noted the federal and nonfederal breakdown of the totals.
- For each institution, the total amounts of gifts, grants and contracts awarded from 1996-97 to 2000-01 were shown by the award categories – Instruction, Research, Libraries, Student Aid, Physical Plant, Extension and Miscellaneous. Private support in the area of physical plant represents the increased requirement for private match dollars for capital construction.
- Revenues from federal and private gifts, grants and contracts from 1974-75 through 1999-2000 were noted.
- Vice President Durcan compared UW-Milwaukee and its peer institutions based upon revenues from federal grants and contracts and private gifts, grants and contracts as reported to IPEDS for 1998-99 (the latest year available). UW-Milwaukee ranked 8th out of 14 in federal revenues, and 10th out of 14 in private revenues that year.
- Finally, Ms. Durcan discussed a comparison of the comprehensive institutional average and their peer institutions based upon revenues from federal grants and contracts and private gifts, grants and contracts for 1998-99 (the latest year available), noting that the average of the UW comprehensive institutions ranked 22nd out of 35 in federal revenues, and 27th out of 35 in private revenues that year.

(2) Fund-Raising Strategy

Linda Weimer, Vice President, University Relations, noted that in the 30 years since the UW System merger, private gifts and grants have grown rapidly and dramatically. This is especially true in the past decade. In the early 1970s, UW campuses received some \$16 million in private support annually; today that number stands at \$327 million, representing a 20-fold increase in 30 years.

The University of Wisconsin System and the Board of Regents have played a role in fund raising as well in four areas: managing the UW System endowment which now stands at more than \$287 million; tracking private gifts and grants for reporting purposes; providing advice and counsel to the campuses on the appropriate relationships between UW campuses and their related foundations; and raising money for

targeted purposes – most notably, a \$1.5 million Ameritech grant in late 1999 for diversity initiatives at UW-Madison and UW-Milwaukee. More recently, targeted corporate gifts have been raised for the two statewide economic summits, where more than \$150,000 was raised in 2000-01 by members of the Board of Regents.

There are more than 30 systems of higher education in the United States. The University of Wisconsin is the fifth largest. These systems take a variety of approaches to fundraising. In some cases, the university's primary foundation resides with the system, as is the case with the University of Texas, University of Maryland and University of Illinois. In these systems, staff is devoted to development. In the University of Texas System, for example, there is a vice president for development and external relations to whom report divisions of development and estates and trusts. The University of Maryland System has units devoted to corporate and foundation relations and to gift planning.

Other systems, like Wisconsin, have not traditionally raised private dollars at the system level except to pass them through to individual campuses. However, with increased reliance on private gifts, more university systems are becoming active in this arena. In several instances, system campuses have collaborated on fund raising campaigns. The University of Nebraska launched a system wide capital campaign in 1993: "Campaign Nebraska: One Nebraska, One University." The goal was to raise \$375 million to help fund the teaching, research and outreach mission for the people of Nebraska. The "Campaign for the University System of Maryland" seeks to raise \$700 million by June of 2002. The University of Tennessee, with a structure similar to Wisconsin's, just completed a system wide campaign.

The \$284 million endowment of the University of Wisconsin System is larger than the endowments of most university systems and, if considered together with the University of Wisconsin Foundation would place Wisconsin fifth nationally in terms of total endowment. Among both public and private universities, alumni account for the bulk of voluntary support, followed by other individuals, corporations, foundations, religious organizations and others.

If the UW System had better data and a more concerted focus on fund raising, we would be better able to answer the following questions:

- Do our sources of support track the national averages – 29% alumni, 23% other individuals; 18% corporations and 22% foundations – and if not, are there opportunities for more support from some sectors?
- Is our private fund raising growing as fast as it should?
- Overall voluntary support for higher education has grown by 82% in five years. Are we growing at this pace?
- What are our strengths and weaknesses – how do we best tap the expertise we have in the system to shore up areas of weakness?
- How can we share information more systematically?
- Are we poised to pick up our fund raising when the economy turns up?
- Are there foundations and corporations in Wisconsin and beyond that we could better tap as a system rather than as individual campuses?
- Would we get more money if we tapped them as a system?
- Are there donors that would be more inclined to give to multicampus efforts?
- Are we cultivating gifts from individuals who have no particular campus affiliation?
- Are the peer groups we use to compare faculty compensation appropriate for fund raising comparisons for the comprehensive institutions?
- Should we better benchmark fund raising by the UW System?

As with the current effort in federal relations, the first principle of any approach to systemwide fund raising must be to do no harm to individual campus efforts in this arena and in fact, to add value to the work the campuses are doing. With that in mind, Ms. Weimer suggested four goals for the UW System for 2002-03:

- To help enhance fund raising efforts for UW System campuses and to facilitate more collaboration and more comprehensive reporting and analysis to gauge how we are doing as a system.
- To assess, through feasibility/marketing studies, the climate for support for the UW System throughout Wisconsin, in anticipation of both fund raising and biennial budget themes for 2003-05.
- To raise discretionary and targeted funds for UW System, UW Colleges and UW Extension in ways that are compatible with campus fund raising and to explore opportunities for raising funds for multi-campus efforts.
- To identify staff, volunteers and organizations who can assist the UW System in this effort.

Aural Umhoefer, Dean of UW-Baraboo, is serving as coordinator of the UW System 30th anniversary and also will coordinate fund raising for the UW President's Fund, working with University Relations and the President's Cabinet. This team is in the process of creating a case statement for the President's fund and a strategy for that campaign.

A Fund Raising Advisory Group has been formed, consisting of the foundation/development directors from six of the comprehensive campuses and leaders of UW Extension, UW Colleges and UW System. At the first meeting in late October, the group made several important observations and recommendations. They emphasized the importance of integrated marketing and the value of marketing/feasibility studies to the campuses as well as to the UW System as a whole. Other suggestions were to consider a UW System relationship with a national fund raising firm that would, in turn, offer discounted services to the UW campuses to do feasibility studies. As a follow-up, the UW System has agreed to host and help organize a June meeting of UW advancement officers in Madison. There is a strong interest in involving interested Regents in that program.

The thirtieth anniversary dinner simultaneously kicked off fund raising for the President's Fund and raised about \$15,000 for the fund and the event. The thirtieth anniversary of the UW System has provided us with an opportunity to create a more visible presence for the UW System, and to take the first steps to launch a systemwide fund raising program. To do so, however, requires that the university be strategic and cost effective. An important early step is to conduct a comprehensive feasibility study to guide this program.

With this in mind, Ms. Weimer proposed the following recommendations to the UW System Board of Regents:

1. Endorse a comprehensive and strategic fund raising program for the UW System providing it does not hamper campus fund raising programs.
2. Conduct feasibility/marketing study (studies) that would cover fund raising and friend raising for the UW System, with special attention given to the President's Office, UW Colleges and UW Extension. These funds would be used to conduct market research to gauge the climate of support for the UW and to better focus outreach and communications programs. This activity should indirectly aid campus fund raising programs and stimulate advocacy in the biennial budget process.
3. Delegate 3-4 volunteers from the UW System Board of Regents to assist with and help guide the UW fund raising program.
4. Set aside a small amount of discretionary funds to be used annually for fund raising/friend raising programs for the UW System and for facilitating campus efforts. A portion of these funds could be made available to the campuses as one-time only funding to improve their infrastructure or aid with special advancement projects or programs.

As the University of Wisconsin System Board of Regents seeks to expand the UW System's economic resource base, nonfederal gifts and grants must be one important focus of attention. To date, the

UW System has been very successful in garnering such gifts and grants at the campus level and in a few instances, on the systemwide level. There is great potential for the UW System to garner even more private support through a strategic, comprehensive effort, and ask the question, “what can we do as a system of institutions that no individual institution can do on its own?”

Committee members raised their concern that a systemwide fund raising effort may hamper the fund raising efforts of specific institutions. David Olien, Senior Vice President for Administration, noted that some donors, especially corporate donors, prefer to give grants to university systems, rather than specific universities within the system. Ms. Weimer noted that a feasibility study in cooperation with the institutions would be a good first step in deciding what path to take regarding systemwide fund raising.

After discussing the ‘Building Our Resource Base’ agenda topics, an agenda item was added to the meeting. Bruce Braun, UW-Madison Assistant Vice Chancellor, gave a brief update on the proposed cogeneration facility.

The joint meeting concluded at 2:30 p.m.

Following the joint meeting with the Physical Planning and Funding Committee, the Business and Finance Committee reconvened at 2:35 p.m. in room 1820 Van Hise. Present were Regents Gottschalk, Axtell, Jones, Klauser, and Krutsch. Regent Vice President Randall was also present.

b. Technology Transfer Initiative: WiSys Update

Carl Culbrandsen, Managing Director, Wisconsin Alumni Research Foundation (WARF), and Beth Donley, General Manager, WiSys Technology Foundation, Inc. gave an update on WiSys Technology Foundation, Inc. WiSys was founded on March 8, 2000 to assist in technology transfer for non-UW-Madison UW System institutions, and it is a wholly owned subsidiary of WARF. WARF has a total staff of 32 full time employees working on transferring university inventions to the marketplace. WARF provides licensing assistance, covers up front patent expense, and enforcement or defense of the patent. WiSys has received 38 disclosures to date, with 15 disclosures accepted for patenting or other intellectual property protection (40% acceptance rate). WiSys will add new dimensions to technology transfer and economic development efforts throughout the State of Wisconsin through collaboration with the Small Business Development Centers and an alliance agreement with TechStar. WiSys had total expenses for fiscal year 2001 of \$137,000, comprised primarily of patent costs. The revenue stream experiences a lag (5-year average return on investment) while patent applications are obtained and intellectual property is marketed. Regent Krutsch asked how the revenue from these technologies is allocated. Ms. Donley noted that 20% goes to the individual, 40% goes to the campus, 25% goes to WiSys to cover costs, and 15% goes to UW System to cover costs. The Committee was very pleased with the significant achievements of WiSys in such a short time.

c. Committee Business

1. Approval of minutes of the October 4, 2001 meeting of the Business and Finance Committee

Upon the motion of Regent Axtell and the second of Regent Jones, the minutes of the October 4, 2001, meeting of the Business and Finance Committee were approved as presented.

2. Annual Gift-in-Kind Report

The annual gift-in-kind report was presented and accepted.

3. Quarterly Gifts, Grants and Contracts

The quarterly gifts, grants and contracts report was presented and accepted.

d. Trust Funds

(1) Investment Guidelines Related to Annual Meetings with Managers

Doug Hoerr, Treasury Manager, noted that at the meeting of October 5, 2001, the Business and Finance Committee received a report indicating that the only established rule or policy which required the Committee to meet annually with each individual Trust Funds investment manager was embodied in the Trust Funds Investment Objectives and Guidelines (Regent Policy 91-11). Following a brief discussion, the Committee asked that Trust Funds staff draft a resolution delegating this responsibility to the Trust Officer and Assistant Trust Officers with the understanding that these Officers would regularly report on the findings and content of such meetings to the Committee. Regent Klauser asked how often the Committee would receive a report regarding investment managers. Mr. Hoerr noted that the Committee would receive a report at least annually. If there are immediate matters concerning an investment manager, such as performance lagging the benchmark, the Committee would receive a report more often than annually.

Upon the motion of Regent Krutsch and the second of Regent Klauser, the Committee approved Resolution I.2.d.(1).

[Resolution I.2.d.(1)]

That, upon recommendation of the Regent Business and Finance Committee, the practice of having each of the UW System Trust Funds' investment managers meet annually with the Committee, as provided for under Regent Policy 91-11, Investment Objectives and Guidelines, be delegated by the Business and Finance Committee to the Trust Officer and Assistant Trust Officers, with the proviso that the Trust Officer and Assistant Trust Officers regularly report to the Committee on the content of such meetings as a regular part of their investment oversight responsibilities; and, accordingly, that the following revision to the Investment Objectives and Guidelines be approved.

Reports (page 10-11)

Annual investment meetings (more frequently, as warranted) will be held with the ~~Committee~~ **Trust Officer and Assistant Trust Officers, the findings and contents of which will be regularly reported to the Committee.**

e. Report of the Vice President

Vice President Debbie Durcan gave an update on the recent Joint Finance Committee meeting. The Joint Finance Committee approved a transfer of 50% of the proceeds on a land sale at UW-Parkside (\$5,000). Ms. Durcan noted that the Board of Regents and UW System need to continue to push for the flexibility to receive the proceeds of such land sales without making a special legislative request. Second, the Joint Finance Committee approved the auxiliary reserve accumulations for FY02. This report came to the Board of Regents in September. Due to increasing scrutiny being given to auxiliary balances, the Board and System Administration need to continue working closely with the institutions to ensure that reserve policies are being followed. Finally, Ms. Durcan gave an update on the meeting with the

Department of Administration on the memorandum of understanding for creating General Purpose Revenue (GPR) positions. The memorandum is required by statute before the institutions can begin to use this new flexibility, and it is expected to be signed in the near future.

f. Closed Session to consider trust fund matters, as permitted by s.19.85(1)(e), Wis. Stats.

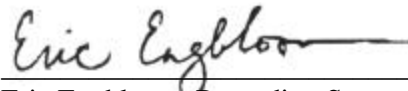
Upon the motion of Regent Klauser and the second of Regent Jones, the Business and Finance Committee adjourned to Closed Session at 3:00 p.m. Present were Regents Gottschalk, Axtell, Jones, Klauser, and Krutsch.

The Business and Finance Committee recessed at 3:20 p.m.

g. Public Forum on Trust Fund Investments

The Business and Finance Committee reconvened at 3:45 p.m. in the Directors Room, 4151 Grainger Hall, for a public forum on Trust Fund Investments. Peter DeSimone, Senior Analyst and Project Manager, Investor Responsibility Resource Center, provided an overview of socially responsible investing and an outline of proxy issues. The Committee heard from 8 speakers who asked the Board to be more active in following Board guidelines on social responsibility beyond voting proxies.

The Business and Finance Committee adjourned at 5:00 p.m.



Eric Engbloom, Recording Secretary