

Minutes  
Business and Finance Committee  
Board of Regents of the University of Wisconsin System  
December 4, 2003

The Business and Finance Committee met in joint session with the Physical Planning and Funding Committee at 2:03 p.m. in room B1A/B1B of the Lowell Center, UW-Madison. Present were Regents Bradley, Connolly-Keesler, Amato, Gottschalk, Gracz, Rosenzweig and Salas.

**a. UW-Platteville Regional Enrollment Plan**

Vice President Debbie Durcan commented that this proposal came before the revenue group chaired by Senior Vice President David Olien, and the group was very enthusiastic about the plan. Due to the physical facilities implications, the proposal was discussed in joint session with the Physical Planning and Funding Committee.

Senior Vice President Olien discussed the background of the UW-Platteville regional enrollment plan, stating that it would respond to the workforce development needs of the state. This is a highly focused pilot plan that attempts to help the brain gain situation in Wisconsin. The proposal is being forwarded to the Business and Finance Committee so that UW-Platteville could begin implementation of the proposal, should it be approved by the Board.

David Markee, Chancellor, UW-Platteville, noted that this is a first reading of the proposal. UW-Platteville proposes to begin the long-term plan with an increase in enrollment of out-of-state students in 2005-2006 by an additional 200 students. The proposal would increase the percentage of students from Illinois and Iowa. Out-of-state students enrolled under the plan would pay the in-state tuition and fee figure plus a premium of \$4,000. These additional students would cover the full cost of instruction and would not displace Wisconsin residents.

Chancellor Markee stated that the proposal would focus on areas of academic strength at UW-Platteville, and recruit students in engineering, computer science and agriculture. The proposal would accelerate UW-Platteville's need to increase the size of two facilities, the student center and the engineering building, that are presently proposed for renovation and expansion.

Regent Connolly-Keesler asked whether the Board can lower tuition given that the Governor just raised out-of-state tuition. Associate Vice President Freda Harris stated that, at the last Board meeting, the Committee approved the "Return to Wisconsin" pilot program that would offer a discount for nonresident students who are children or grandchildren of UW alumni at participating campuses. As a result of these programs, many UW campuses will have different non-resident tuition rates.

Regent Gottschalk noted that this is a positive plan, and it is similar to many other differential tuition programs that the Board has already approved. Regent Gottschalk asked that the proposal be presented so that the Committee can act on it at the February meeting.

Regent Rosenzweig asked whether this plan would violate current restrictions on marketing and whether the plan would cover costs. Chancellor Markee noted that the marketing prohibition does not prohibit visiting high school counselors and parents, and that the overriding consideration of the program is to cover costs.

The Committee members agreed that this proposal would be a win-win for UW-Platteville and the State of Wisconsin.

Following the joint meeting with the Physical Planning and Funding Committee, the Business and Finance Committee reconvened at 2:35 p.m. in room B1A/B1B of the Lowell Center, UW-Madison. Present were Regents Bradley, Connolly-Keesler, Gottschalk and Rosenzweig. Regent Emeritus Boyle was also present.

**b. Approval of minutes of November 6, 2003 meeting of the Business and Finance Committee**

Upon the motion of Regent Gottschalk, and the second of Regent Rosenzweig, the minutes of the November 6, 2003, meeting of the Business and Finance Committee were approved as presented.

**c. Discussion and Approval of Addendum to the Five Year Plan, the Wisconsin Partnership Fund for a Healthy Future (Blue Cross/Blue Shield program)**

Regent Emeritus Boyle stated that it has been a privilege to serve as the Board's liaison to the Oversight and Advisory Committee (OAC) because it is an outstanding group. The Wisconsin Partnership Fund for a Healthy Future (Blue Cross/Blue Shield program) has been previously approved by the Board of Regents. The addendum addresses a few questions that have been raised which needed clarification. Also, there may be a need for the Executive Committee to meet, perhaps in January, to approve any amendments to the "Agreement to Accept the Gifts."

Mark LeFebvre, Vice President for Health Sciences, UW Foundation, noted that the trust has been executed. The trust allows for the assets of the UW Medical School to be moved to the UW Foundation, where the assets will be liquidated, thereby reducing the fiduciary risk of holding the assets in one publicly traded stock. The Trust enables the UW Foundation to commence implementation of its intended investment plan for the assets while the Wisconsin United for Health Foundation, Inc. (WUHF) continues the process of reviewing and approving the UW Medical School OAC five-year plan.

Phillip Farrell, Dean, Medical School, UW-Madison, stated that the addendum provides additional information and clarification to the funding priorities as well as to the program implementation and administration processes described in the plan.

Dean Farrell noted that the addendum focuses on the eleven health and five infrastructure priorities of the State Health Plan, Healthiest Wisconsin 2010. The OAC will collaborate with the Department of Health and Family Services, Division of Public Health, on evaluating the progress of the Wisconsin Partnership in advancing the goals of improving public health.

Dean Farrell commented that the plan's foundation is to develop strong community-academic partnerships and to reach the entire State of Wisconsin. Each project funded by the Wisconsin Partnership must have an actively engaged UW Medical School faculty and/or academic staff partner. The UW Medical School and the OAC are committed to ensuring that meritorious projects will not go unfunded for lack of an academic partner. To help fulfill this goal, the Office of the Dean of the Medical School will make volunteer faculty appointments available to eligible health professionals and faculty outside of the Medical School who wish to partner with a community organization.

Dean Farrell stated that the Wisconsin Partnership plan outlines a governing body for allocating and distributing the 65 percent designated for medical education and research. This governing body is known as the Medical Education and Research Committee (MERC). In addition, the OAC will appoint two of its members, a public member and a faculty member, to serve on the MERC.

Dean Farrell stated that the Medical School will prepare annual reports for the OAC, the Board of Regents, and WUHF describing all fund expenditures. The OAC and the UW Medical School will review annually all funding expenditures to determine if there should be a shift in initiatives to other areas in the plan. This process will include an assessment of the 65 percent/35 percent allocation.

Dean Farrell stated that the addendum addressed questions about the need for start-up funding for the population health initiatives of the plan, and that the Insurance Commissioner's

Order prohibits any Blue Cross funds from being awarded that will supplant funds otherwise available to applicants from other sources for the proposed project.

Regent Bradley asked what the UW Medical School's share of the assets will be worth. Mr. LeFebvre estimated that the assets could be worth in excess of \$300 million depending on the market value at the time of the sale.

Upon the motion of Regent Gottschalk, and the second of Regent Rosenzweig, the Committee approved Resolution I.2.c.

**Resolution I.2.c.**

That upon the recommendation of the Regent-appointed Oversight and Advisory Committee, the Chancellor of the UW-Madison, the Dean of the UW Medical School, and the President of the UW System, the Board of Regents:

Approves the Addendum to "The Wisconsin Partnership Fund for a Healthy Future" which incorporates further information requested by the Wisconsin United for Health Foundation; and further

Authorizes its Executive Committee to hold a January, 2004 meeting for the purpose of approving any amendments to the "Agreement to Accept Gifts" between the Board, the University of Wisconsin Foundation, and the Wisconsin United for Health Foundation, which have been agreed to by both foundations, the Medical School, the Chancellor, and the President; and further

Authorizes Darrell Bazzell, Vice Chancellor for Administration, University of Wisconsin-Madison to sign any amended "Agreement to Accept Gifts" so approved by the Executive Committee, on behalf of the Board.

**d. Presentation on the Impact of the Reallocation of \$26M Auxiliary Reserve Balances to Support Financial Aid**

Vice President Durcan indicated that the institutions were facing very difficult management decisions as they went through the painful reduction of individual balances to accounts within auxiliary operations. In the most recent budget, state lawmakers required the UW System to use \$26 million in auxiliary funds to supplement state financial aid. Campuses are trying to determine where to cut to generate the \$26 million. While the UW acknowledges the need for increased financial aid, the use of one time resources for an ongoing commitment is not sustainable.

Darrell Bazzell, Vice Chancellor for Administration, UW-Madison, noted specific examples from UW-Madison of the impact of the reductions. The cuts have left the School of Nursing and the Veterinary Medicine teaching hospital without the ability to replace necessary equipment, have left \$172,000 less for scholarships provided through licensing contracts, and have reduced reserves that serve students studying abroad. The largest cut of \$3.3 million has come from an account designated for construction of a new parking ramp to serve the west side of campus. Mr. Bazzell noted that these cuts are not really about financial aid but instead the overall question of how the university is funded, and UW-Madison hopes the auxiliary funds model is not used in the future.

Greg Diemer, Vice Chancellor for Business Affairs, UW-Stevens Point, stressed the need to generate resources to support educational goals. The loss of \$1.7 million in auxiliary funds at UW-Stevens Point is affecting many campus operations, including the campus transportation service which is now running a deficit because the account balances were previously committed

for construction contracts. In addition, services have been reduced at the campus gas laboratory, as well as at the environmental field station near campus. Mr. Diemer noted that faculty and staff have been demoralized by the significant impact of the cuts.

Regent Vice President Walsh joined the Business and Finance Committee meeting at this time.

Rachel Marlett, a student at UW-Stevens Point, stressed the need for increased financial aid. Ms. Marlett spoke on behalf of students, who asked the committee to help ease the effects of the cuts, especially the cuts to residence hall budgets because these cuts affect student safety and security.

Tom Sonnleitner, Vice Chancellor for Administrative Services, UW-Oshkosh, noted that campus business managers are trying to adhere to best business practices under tremendous fiscal constraints, however, these cuts are beyond the worst-case scenario. Mr. Sonnleitner stated that UW-Oshkosh had been saving \$300,000 to add sprinklers to high-rise buildings on campus as mandated by law. The savings have now been reallocated to cover these cuts, and the campus has been forced to bond for the project, increasing the overall cost.

Regent Bradley asked if the business officers had talked with their legislators about the impact of these cuts. Vice Chancellor Diemer stated that many campuses have discussed this with legislators; however, it is difficult to convey the seriousness of the problem.

Jack Miller, Chancellor, UW-Whitewater, commented that it is difficult to reallocate funding because students fees are paid for a specific purpose. Regent Rosenzweig noted that students are paying fees for a specific purpose, and this needs to be clearly communicated to legislators so that they understand the difficulties of reallocating funds.

#### **e. Trust Funds**

##### **(1) Request to Expend Principal – Albert U. Anderson Bequest**

Assistant Trust Officer Doug Hoerr stated that The Board of Regents of the UW System accepted a bequest of \$100,000 from the Albert U. Anderson Revocable Trust for the benefit of UW-Madison.

Mr. Hoerr commented that UW-Madison Chancellor John Wiley is requesting an exception to Regent policy so that both principal and income from this unrestricted bequest be expendable. The gift would be used to establish a "Chancellor's Fund for Special Projects."

Vice Chancellor Bazzell noted that funds from this account would be used to respond to an increasing number of requests for one-time funding of worthy projects related to either the mission of the University and/or student activities that promote diversity and other important initiatives that cannot be funded through other sources due to the tight economic and budgetary times.

The resolution to allow the principal and income balance of the Albert U. Anderson bequest to become available for spending failed for lack of a second. The Committee indicated that there needs to be a persuasive need expressed by the institution to warrant an exception to the Board of Regents policy.

#### **f. Committee Business**

##### **(1) Report on State Imposed Costs**

Associate Vice President Harris stated that in 1999 the State of Wisconsin Biennial Budget Act 9 included a provision to change the appropriation for tuition and fee revenues from

an annual, sum certain to a continuing appropriation, which would allow the UW System to expend all monies received as tuition as it is received.

Ms. Harris commented that Wisconsin Act 9 included a provision so that the Board of Regents could only increase resident undergraduate tuition in an amount sufficient to fund the following:

- An established budget level (as determined by the statutes);
- Increases for compensation (as determined by the statutes);
- A projected loss of revenue due to enrollment or mix changes;
- Distance education, nontraditional courses, and intersession courses;
- Differential tuition; and,
- State imposed costs.

Associate Vice President Harris noted that there were no unfunded state imposed costs added to resident undergraduate tuition rates for the 2002-03 academic year.

Upon the motion of Regent Gottschalk, and the second of Regent Connolly-Keesler, the Committee approved Resolution I.2.f.(1).

**Resolution I.2.f.(1)**

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 2002-03 Report on State Imposed Costs Added to Resident Undergraduate Tuition for submission to the Secretary of the Department of Administration.

**(2) Report on Continuing Appropriations**

Associate Vice President Harris stated that Wisconsin Act 9 required the Board of Regents to report annually the amount by which actual expenditures in the previous fiscal year, in this case 2002-03, exceeded the amount for that appropriation in the previous fiscal year.

Ms. Harris noted that in 2001-02, the University of Wisconsin System expended \$65,413,114 more than the statutorily authorized level. \$10,839,777 of this was due to encumbrances and carryover funding. The continuing expenditures above the statutory level from 2001-02 are the amounts related to compensation (\$41,154,411), enrollment (\$10,249,152) and utilities (\$3,169,774) totaling \$54,573,337.

Ms. Harris stated that 2002-03 expenditures in the Academic Student Fee appropriation for the UW System were \$597,004,172. The 2001 Wisconsin Act 16 budget level, s. 20.285 (1)(im) for 2002-03 for Academic Student Fees, was \$520,746,200. Therefore, the total expenditures above the statutory authority were \$76,257,972.

Upon the motion of Regent Gottschalk, and the second of Regent Connolly-Keesler, the Committee approved Resolution I.2.f.(2).

**Resolution I.2.f.(2)**

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 2002-03 Continuing Appropriation Report for submission to the Legislature.

**(3) Agreement with Bit Seven, Inc.**

Bob Paulos, Director of Antarctic Astronomy & Astrophysics Research Institute, UW-Madison, stated that the IceCube Project is a very large undertaking. The cost is currently estimated at \$251 million with 23 collaborating institutions within the U.S. and Europe. UW-Madison is the Principal Investigator (PI) institution for this project and manages the effort. Bit Seven, Inc., a local Madison company, has already made significant contributions to the development of the IceCube Project. The needs for consulting and analysis services that have been provided by Bit Seven, Inc. go beyond the capabilities of UW-Madison staff. UW-Madison is now well into the second year of the relationship with Bit Seven, Inc. to provide these services for the IceCube Project. Their continued participation is vital to the timely success of this program.

Regent Vice President Walsh asked whether contracts such as the agreement with Bit Seven, Inc. need to comply with state rules regarding affirmative action and conflicts of interest. Michael Hardiman, CPM, Director of Purchasing, UW-Madison, noted that this agreement is in accordance with all rules regarding these issues. Also, the funding agency, National Science Foundation (NSF), is fully aware of the use of Bit Seven, Inc.'s services, and is supportive of this continuing arrangement.

Upon the motion of Regent Rosenzweig, and the second of Regent Connolly-Keesler, the Committee approved Resolution I.2.f.(3).

**Resolution I.2.f.(3)**

That upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents approves a new Academic Support Services Agreement with Bit Seven, Incorporated.

**g. Report of the Vice President**

Vice President Durcan stated that the Legislative Audit Bureau (LAB) Administrative Audit Report is being reviewed by the State Auditor, Jan Mueller. It is now believed the draft report will be distributed to UW System after the first of the year.

Regent Vice President Walsh asked about the timing of the LAB Report in light of the fact that the Board is not meeting in January. Ms. Durcan stated that the UW System will see a draft form of the report around two weeks before the final report is released. Ron Yates, Director, Office of Operations Review and Audit, noted that the draft audit report cannot be shared with the Board because it is a confidential document. Mr. Yates estimated that the actual report may be released right around the February meeting. The Committee reiterated their desire to see the report at the earliest available time.

Ms. Durcan commented on the state's EdVest plan, noting that the College Savings Board met on Wednesday, December 3. The Department of Administration (DOA), on behalf of the Board, hired Strategic Investment Solutions, Inc. to evaluate additional mutual fund options for the plan. The goal was to have a minimum of three to four additional options available to investors in time to make contributions before the end of the calendar year to qualify for the income tax deduction. Strategic Investment Solutions, Inc. evaluated over 15,000 mutual funds looking for the best option. The Board approved adding four investment options:

- Vanguard Index Portfolio (this will replace the Strong Index 500 Fund);
- Baird Bond Portfolio;
- Vanguard Balanced Portfolio; and,
- Legg Mason Aggressive Portfolio.

**h. Additional items which may be presented to the Committee with its approval**

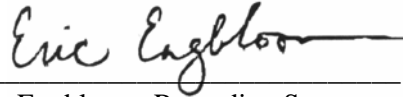
Regent Connolly-Keesler asked that a discussion of the UW System Trust Funds investment policy be added to the Committee's agenda in the future.

**i. Closed session to consider trust fund investments as permitted by s.19.85(1)(e). Wis. Stats.**

Upon the motion of Regent Connolly-Keesler, and the second of Regent Rosenzweig, the Business and Finance Committee adjourned to Closed Session at 4:05 p.m. Present were Regents Bradley, Connolly-Keesler, Gottschalk and Rosenzweig. Regent Vice President Walsh was also present.

In the Closed Session, a discussion took place regarding UW System Trust Funds' investments in Tyson Foods. The discussion was prompted by presentations made by students at the November Public Investment Forum, and by the recent decisions by UW-Madison and UW-Milwaukee to discontinue the purchase of Tyson products until the current labor dispute at the Jefferson, Wisconsin Tyson facility is settled. Following the discussion, the Committee passed a motion to divest of the Trust Funds holdings in Tyson, currently bonds with a market value of approximately \$200,000. The decision will be directly communicated to the concerned student groups.

The Business and Finance Committee adjourned at 4:35 p.m.



Eric Engbloom, Recording Secretary