

Minutes  
Business and Finance Committee  
Board of Regents of the University of Wisconsin System  
May 8, 2003

The Business and Finance Committee met at 1:40 p.m. in room 125, University Center, UW-Stevens Point. Present were Regents Olivieri, Walsh and Bradley.

The order of the agenda items was modified, and the approval of the Reed A. Walker bequest was moved to become the first item for discussion.

**d. Trust Funds**

**(1) Approval of Reed A. Walker Bequest**

Assistant Trust Officer Doug Hoerr stated that a bequest of \$2,000,000 has been received from the estate of Reed A. Walker. The will of Reed A. Walker did not state that the principal should be restricted. In the event a donor gives no direction as to the use of principal, current Regent policy requires that all gifts greater than \$50,000 be designated as endowments. As a designated endowment, only the income from the trust is made available for expenditure. If an exception to this restriction is desired, a request giving justification must be submitted for consideration at the next meeting of the Business and Finance Committee. Only those requests that are consistent with the spirit of the Regent policy and the intent of the donor will be approved.

Mr. Hoerr noted that the UW-Madison Medical School has proposed the following uses of the Walker bequest: (1) one-half (\$1,000,000) to establish and endow the "Reed & Carolee Walker Professorship in Pediatric Oncology," and, (2) one-half (\$1,000,000) to support the construction of new pediatric oncology research facilities.

Darrell Bazzell, Vice Chancellor, UW-Madison, noted that the bequest will be used to help construct a pediatric cancer research facility in either the Interdisciplinary Research Complex or the New Children's Hospital. The Medical School has discussed this proposal with the family's personal representative, who has reported that the family is quite pleased with the UW-Madison Medical School plans.

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

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

That, upon the recommendation of the President of the University of Wisconsin System, the Chancellor of the University of Wisconsin-Madison, and the Dean of the Medical School, the bequest from the estate of Reed A. Walker be accepted and that the Trust Officer or Assistant Trust Officers be authorized to sign receipts and do all things necessary to effect the transfer for the benefit of the University of Wisconsin.

Further, that, upon recommendation of the President of the University of Wisconsin System and the Dean of the University of Wisconsin-Madison Medical School, \$1,000,000 of the principal of the Reed A. Walker bequest be made available for expenditure.

Let it be herewith also resolved, that the President and Board of Regents of the University of Wisconsin System, the Chancellor of the University of Wisconsin-Madison, and the Dean of the Medical School express their sincere thanks and appreciation to the donors for their exceptional

generosity. This gift will benefit indefinitely the University's efforts to care for, alleviate, and eliminate where possible, cancers of children.

**a. Approval of minutes of April 10, 2003 meeting of the Business and Finance Committee**

Upon the motion of Regent Walsh, and the second of Regent Bradley, the minutes of the April 10, 2003, meeting of the Business and Finance Committee were approved as presented.

**b. Discussion: All-Regents Sessions**

The Committee and Chancellors present discussed online learning and collaboration between UW System campuses. Chancellor William Messner, UW Colleges, noted that there is demand for online learning but the issue has been how to provide support for these programs given available resources.

Regent Walsh asked what the UW System should be careful of concerning online learning and whether other institutions have made mistakes that the UW System should avoid. Dr. Barbara Emil, Dean of Outreach and E-Learning, UW-Extension, responded that two key points to remember are to keep core mission always in mind in order to grow online programs in a balanced way and that collaboration is vital. Chancellor Jack Keating, UW-Parkside, noted that lessons should be learned from the Western Governors University. This online university received a large corporate foundation donation and contributions from the 10 western states involved but the mission of the university was too expansive and the university failed in a dramatic way. Dr. Emil noted that rather than developing collaborative programming, the Western Governors University simply offered programs developed independently by each participating state's university.

Regent Bradley noted the importance of online learning and collaboration. Collaboration within the UW System is a goal that takes tremendous vision. The Board should consider online learning an essential program for the future of the UW System.

**c. UW-Stevens Point Presentation: Electronic Authorization and Web Registration**

David Dumke, Interim Chief Information Officer, UW-Stevens Point, noted that UW-Stevens Point has been focused on delivering e-business services to students and faculty for the last two years. UW-Stevens Point recently delivered financial aid packages to 1,800 students via email, and has already received 1,200 acceptances thus far.

David Eckholm, Executive Director of Enrollment Services and Registrar, UW-Stevens Point, noted that electronic authorization and web registration programs has led UW-Stevens Point to stop printing and mailing out grades. This service has resulted in \$10,000 in savings to UW-Stevens Point. Within a year or two, UW-Stevens Point will stop printing class schedules, and instead offer this service online. This year, UW-Stevens Point offered online registration for summer courses. 60% of students registered online for summer courses, and an online survey was offered for student feedback. 50% of students responded to the survey, and an overwhelming amount of feedback was positive.

Amy Riggs, Information Processing Consultant, Office of Administrative Information Systems, UW-Stevens Point, gave an online demonstration of how the web can be used by faculty, staff and students for class registration. The online registration allows students to easily register by pointing and clicking. The online registration service shows whether classes are at capacity, and the database is updated on a real-time basis.

Regent Bradley asked where the final decision is made regarding the number of students allowed into specific classes. Chancellor Messner, Chancellor David Markee, UW-Platteville, and Chancellor Ann Lydecker, UW-River Falls, noted that the vice chancellor, dean, department chair and professor negotiate to determine the number of students accepted into certain classes.

Mr. Eckholm reported on the challenges of managing enrollments, especially when students apply to multiple institutions. He noted that students are applying to institutions earlier than usual this year, probably due to the impending budget cuts and student apprehension of a possible enrollment freeze.

#### **d. Trust Funds**

##### **(2) Proxy Voting Report**

Assistant Trust Officer Hoerr presented the 2003 proxy voting report. He noted that the report is intended to highlight significant non-routine proposals from shareholders or management, which will be voted on by shareholders during the 2003 proxy season. Regent Policy 92-4 contains the current proxy voting policy for UW System Trust Funds. Non-routine shareholder proposals, particularly those dealing with discrimination, the environment, or substantial social injury, are to be reviewed with the Committee to develop a voting position.

Mr. Hoerr noted that the majority of significant non-routine proposals are those dealing with social responsibility issues and corporate governance-related proposals. To the extent possible, similar shareholder proposals will be grouped into identifiable themes. Generally, it is these themes that are reviewed and potentially approved for support by the Committee.

Assistant Trust Officer Hoerr requested that the Committee approve the vote in favor of a new issue for the 2003 proxy season: "Report on health pandemic in Africa." Numerous companies are being asked to: (1) report on the effect of deadly diseases (e.g., HIV/AIDS, tuberculosis, and malaria) on the company's operations; and, (2) to report on company efforts to provide prevention and adequate medical treatment and healthcare coverage.

#### **e. Committee Business**

##### **(1) Update on Finance Related Program Reviews**

Ron Yates, Director, Office of Program Review and Audit, UW System, noted that the major program reviews being conducted by the Office have a mix of objectives covering financial, compliance, best practices and program issues. Among the projects in progress are reviews of employee health and safety training, residence halls occupancy and safety policies and capital financing. The Office also conducts financial and compliance audits for outside users, such as NCAA audits at UW-Green Bay and UW-Milwaukee and the Corporation for Public Broadcasting audit at UW-Milwaukee.

Mr. Yates described several specific projects. These projects include a review of the mission and operation of the UW children's centers, a review of UW institutions' efforts to provide staff training that meet the requirements of the Occupational Safety and Health Administration and a review of studies related to student credit card debt. The residence hall project includes a review of: (1) the Board of Regents policy that requires certain freshmen and sophomores at former Wisconsin State University institutions to live in university-operated residence halls; (2) residence hall services; and, (3) safety practices in residence halls.

Regent Bradley asked about the UW System policy regarding students being required to live in the dormitories. Mr. Yates noted that 9 UW System institutions require freshman and sophomore students to live in the dorms. The Office's draft report concerning this issue is complete: however, it has not yet gone through the campus review process. Mr. Yates noted that the Office has reviewed national data on this issue. The requirement for students to live in dormitories varies from state to state.

Regent Olivieri asked how any of these reviews, in particular the review of capital financing, can be related to the Board of Regents goal of resource building. Mr. Yates noted that the office is undertaking an exploration of alternative capital financing strategies as possible supplements to traditional approaches, including using non-profit organizations, lease-purchase arrangements, or a separate authority. The analysis includes success stories about alternative sources of funding for capital projects.

Vice President Debbie Durcan noted that the Office is currently working on two reviews that will provide assistance to the Board for the upcoming long range study. The goal of the reviews is to identify how state monies (GPR) and tuition dollars are allocated to institutions in other states, and how administrative functions are managed in other comparable systems.

## **(2) Quarterly Gifts, Grants, and Contracts**

Vice President Durcan reported the gifts, grants and contracts awarded to the institutions of the UW System for the three-month period ended March 31, 2003. Total gifts, grants and contracts for this period were \$764 million, an increase of \$56.6 million from the comparable period of the previous fiscal year. Federal awards decreased \$414,192 and non-Federal awards increased \$57.0 million. Compared to the previous fiscal year, Federal awards increased significantly in Student Aid (\$11.5 million). Significant decreases were in Research (\$7.6 million), Miscellaneous (\$3.0 million) and Extension (\$1.1 million). Compared to the previous fiscal year, non-Federal awards increased significantly in Research (\$20.6 million), Instruction (\$20.2 million), Physical Plant (\$13.7 million), Libraries (\$2.8 million) and Student Aid (\$2.3 million). Decreases were in Miscellaneous (\$3.1 million).

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

Vice President Durcan noted that the Board of Regents was copied on a letter from the co-chairs of the Joint Audit Committee to UW System President Katharine Lyall and Board of Regent President Guy Gottschalk. An earlier letter on the same topic was sent by State Audit Director Jan Mueller to President Lyall and Regent President Gottschalk. Although the Legislative Audit Bureau provided an unqualified opinion on the UW System's 2002 financial statements, the recent letters cited two major concerns: (1) the need to improve the process used to compile GAAP-basis financial statements; and, (2) access that certain computer programmers have to accounting systems and data. UW System management is addressing LAB's concerns in both these areas.

Ms. Durcan stated that the UW System withdrew the request filed with the Joint Finance Committee for the UW System's estimated utility shortfall of \$10.7 million. The UW System will pick up the academic fee share of the shortfall and ask the Department of Administration (DOA) to allow the UW System to roll the GPR share of expenditures to fiscal years 2003-04. This rolling of the GPR share of expenditures was previously done in fiscal year 2001. This is the fourth year consecutive year that there has been a shortfall in utility funding with a cumulative shortfall over that period of \$26.1 million. Over the twelve years prior to that the UW System had sufficient budget to cover the GPR/fee share of utility costs in every year but one and lapsed a total of \$17.9 million back to the state. Several chancellors reported to the committee on steps that have been taken to reduce energy consumption. As part of the long range study, the UW System needs to explore alternative funding models for utilities.

Vice President Durcan noted some proposed tuition increases for 2003-04 at institutions across the country, including a 39% increase at Arizona institutions, a 15% increase at Massachusetts, and a 14-15% increase at the University of Minnesota. She commented that UW System staff will continue to monitor tuition at other campuses. Ms. Durcan also noted alternative funding and tuition models at Miami University of Ohio and Colorado. At Miami University of Ohio, beginning in the fall of 2004, tuition for new resident students would be set at the same rate as nonresidents, and current state support would be divided into a support per student scholarship. In Colorado, a voucher plan was tabled for this year. The system would have provided a set amount of money each year to Colorado residents who attended public colleges in the state.

The Committee discussed a letter from UW-Milwaukee concerning the distribution of budget cuts across the institutions. At the Committee's request, UW System staff will review Milwaukee's analysis and apply their methodology to UW-Madison.

The Committee discussed the cost of tracking international students in response to federal legislation. Regent Walsh noted that this is a very serious issue, and the UW System needs to have a consistent policy being sensitive to all students.

The Committee discussed the differential tuition programs being adopted by campuses in relation to the budget cuts. UW System staff reported that they are working with the Governor's office and legislative leaders to permit the implementation of Regent approved differentials that exceed the tuition cap proposed in the Governor's budget.

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

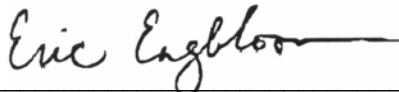
No additional items were presented to the Committee.

**h. Closed session to consider trust fund matters as permitted by s.19.85(1)(e), *Wis. Stats.***

Upon the motion of Regent Walsh, and the second of Regent Bradley, the Business and Finance Committee adjourned to Closed Session at 3:31 p.m. Present were Regents Olivieri, Walsh and Bradley.

Regent Olivieri noted that for the past several months the Committee has been reviewing a petition by the Burma Refugee Relief Coalition to divest in companies doing business in Burma. The Committee reviewed the activities of the companies cited in the petition along with some additional companies. The Committee's analysis indicated that none of the companies cited is acting contrary to the Executive Order issued by President Clinton in 1997. The Committee concluded that divestment of the UW System's investment in any of these companies is not warranted at this time. On a related issue, the Committee was glad to hear that a UW System graduate, Dr. Tun Than, was recently released from a Burmese prison.

The Business and Finance Committee adjourned at 3:51 p.m.



Eric Engbloom, Recording Secretary