The Business and Finance Committee met at 3:33 p.m. in room 213 of the Pyle Center, UW-Madison. Present were Regent Bradley, Connolly-Keesler, Gottschalk and Rosenzweig. Regent Vice President Walsh was also present.

b. Approval of Minutes of December 4, 2003 meeting of the Business and Finance Committee

Upon the motion of Regent Connolly-Keesler, and the second of Regent Gottschalk, the minutes of the December 4, 2003, meeting of the Business and Finance Committee were approved as presented.

c. Trust Funds

(1) Investment Policies Related to Social Responsibility

Assistant Trust Officer Doug Hoerr stated that the UW System is fairly active in its consideration of social issues relative to peer institutions. Although the UW System does not have an advisory committee like some private institutions, the Business and Finance Committee and Trust Funds Office hold an annual public investment forum and subscribe to a proxy reporting service to effectively ensure that the Board maintains an awareness of broad public concerns.

Regent Bradley noted that compared to public institutions the UW System is ahead of the curve and doing as well or better than most private institutions. The Committee concluded that the Board’s current policies and procedures are adequate to address social responsibility.

(2) Annual Trust Funds Report

Assistant Trust Officer Hoerr stated that in addition to performance data, the Annual Report gives detailed information about contributions and disbursements, as well as internal and external management expenses.

Mr. Hoerr highlighted that new gifts for fiscal year 2003 totaled $10.8 million, down only $0.8 million from the prior year total of $11.6 million. The spending rate distribution for the Long Term Fund totaled $12.5 million, down 7.4% from the 2002 distribution. 2.5% was due to the reduction in the spending rate fraction from 5% to 4.5% effective with the 4th quarter of 2003, and almost 5% was due to the declining value of the 3-year moving average market value of the Fund. Total disbursements from all funds, including operating expenses, totaled $17 million for the year, down from $18.7 million for 2002.

Assistant Trust Officer Hoerr commented on the UW System Trust Funds operating expenses. Investment management fees were 0.50% of assets overall. Investment management fees were 0.60% for the Long Term Fund and 0.16% for the Intermediate Term Fund. Custody fees were 0.05%, and administrative expenses were 0.10%. This resulted in an "all-in" expense ratio of 0.65% of total average assets.

Regent Connolly-Keesler asked who decides how unrestricted dollars are spent. Mr. Hoerr responded that for unrestricted gifts directed to a specific campus but then unrestricted beyond that, the chancellor or chancellor’s office typically makes the spending decisions. Vice President Debbie Durcan noted that unrestricted gifts are not meant to supplant General Purpose Revenue (GPR), rather to provide a margin of excellence above state support.

f. United Council Mandatory Refundable Fee

Saskia Harak, Vice President, United Council, stated that effective for the fall of 2004, United Council’s proposal would increase the mandatory refundable fee from $1.35 per student to $2 per
academic term and summer session. The increase in the fee is due in large part to skyrocketing costs of health care and the rising expenses of traveling to the 23 United Council member campuses.

Ms. Harak noted that stable funding is essential for United Council to maintain quality educational services and programming. United Council regularly hosts membership meetings where students network, discuss pressing statewide issues, choose legislative priorities, and direct staff research. United Council also hosts two Wisconsin annual student conferences called Building Unity and Women’s Leadership.

Jeff Pertl, President, United Council, expanded on the process necessary to complete the mandatory refundable fee adjustment. The proposal must be passed by the United Council General Assembly by a two-thirds majority vote. The Resolution passed unanimously in August, 2003. Next, two-thirds of the member campuses’ senates, which is 16 campuses, must pass the proposal by a majority vote. Twenty-one of United Council’s member campuses passed resolutions, one campus took no action, and one campus did not support the increase. The proposal must then be ratified by the General Assembly with a two-thirds majority vote, and the Resolution passed in December, 2003. Finally, the proposal is forwarded to the Board of Regents for approval.

Mr. Pertl commented that because of the amount of time required to adjust the mandatory refundable fee, it is only adjusted every four to five years. While the proposed percentage increase may seem large, the real dollar impact is only $.65 and is completely refundable.

Regent Vice President Walsh asked for Mr. Pertl to comment on the percentage increase of the fee. Mr. Pertl responded that the percentage increase is 48 percent; however, the fee was last increased in 1999. Therefore, the percentage increase is distributed across 5 years.

Mr. Pertl remarked that approval at this meeting will allow the United Council to reorganize its finances, and this decision was reached after conversations with United Council’s accountant, pro-bono financial advisor, and the UW System Vice President for Finance. The organization is consolidating its resources and the additional funding would allow United Council to engage in longer-term planning.

Regent Connolly-Keesler asked about the size of United Council’s operating budget. Mr. Pertl responded that United Council is a 501(c)(3) organization with an annual operating budget from the mandatory refundable fee revenue of $393,000.

Regent Bradley stated that the United Council’s selections of the statewide symposiums are very carefully done, and as a student organization, the United Council takes a high level of care and responsibility with their funds.

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

Resolution I.2.f.

That, upon the recommendation of the President of the United Council of UW Student Governments, mandatory refundable fees be adjusted from $1.35 to $2.00 per student per academic term beginning in the fall semester of 2004.

g. Committee Business

(1) 2002-03 Annual Financial Report

Doug Hendrix, Associate Vice President for Financial Administration, UW System, stated that the 2002-03 Annual Financial Report received an unqualified opinion. The “Management’s Discussion and Analysis” section is intended to be a straight forward guide to understanding the financial statement highlights. The notes to the financial statements provide both required disclosures and additional information that aid in understanding the statements. The UW System avoids using boiler plate language to make the notes as readable as possible.

Mr. Hendrix called the Committee’s attention to inflation adjusted funding trends which show the amount of operating revenue the UW System has received in each of the last ten years from the State,
from tuition and from all other sources combined. There has been significant growth, particularly since 1998, in revenue from tuition and other non-state sources, while the amount of State support has remained relatively flat.

(2) Quarterly Gifts, Grants, and Contracts

Vice President Durcan presented the report for the six-month period ending December 31, 2003. Total gifts, grants and contracts were $637 million, an increase of $58.7 million from the comparable period of the previous fiscal year. Federal awards increased $69.3 million and Non-federal awards decreased $10.6 million.

Regent Walsh asked that the UW System provide information about the Board of Regents policy regarding defense and classified research.

h. Report of the Vice President

Vice President Durcan stated that there is no additional information regarding the Legislative Audit Bureau (LAB) Administrative Audit at this time.

Ms. Durcan commented that LAB concluded their financial audit of both WHA Radio and Television. The financial statements of both organizations received unqualified opinions.

Vice President Durcan noted that she and Associate Vice President Harris meet regularly with the State Budget Director and Department of Administration (DOA) budget staff. At the most recent meeting, they discussed the current projected shortfall in utilities funding of about $5 million and the UW System’s difficulty in meeting position reductions.

Vice President Durcan commented on a meeting she and Assistant Vice President Ives, along with two Vice Chancellors for Administration, Tom Sonnleitner of UW-Oshkosh and Steve Zielke of UW-Platteville, and Chief Student Affairs Officer Elliot Garb of UW-Oshkosh, had with representatives from three institutions in the California State System. Ms. Durcan stated that the group discussed administrative areas that could be restructured to reduce costs and improve service, in particular the capital building process. The group also discussed how California State manages their auxiliary operations and other program revenue operations.

Vice President Durcan commented that a major difference is that the UW System generally has one outside foundation that handles the fund-raising for each institution, while California State has 3-4 separate 501(c)(3)’s for each institution. These foundations can issue their own debt that is project specific. Activities such as the bookstore or the student union are set up in a separate foundation, as are student fees, similar to the UW System’s segregated fees.

Vice President Durcan indicated that she and the campus business officers will continue to explore alternative approaches to managing the auxiliary operations in order to be more responsive to students, parents and taxpayers.

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

No additional items were presented to the Committee.

Upon the motion of Regent Rosenzweig, and the second of Regent Connolly-Keesler, the Business and Finance Committee adjourned at 4:28 p.m.

______________________________
Eric Engbloom, Recording Secretary