



Board of Regents of the University of Wisconsin System
Office of the Secretary
1860 Van Hise Hall
Madison, Wisconsin 53706
(608)262-2324

November 28, 2007

Revised 11/28/07

TO: Each Regent

FROM: Judith A. Temby

A handwritten signature in blue ink, appearing to read "J. A. Temby".

PUBLIC MEETING NOTICE

RE: Agendas and supporting documents for meetings of the Board and Committees to be held at UW-Madison on December 6 and 7, 2007.

Thursday, December 6, 2007

10:00 a.m. – All Regents Invited

Presentation on Stem Cell Research Breakthrough by Dr. Junying Yu,
UW-Madison, and Carl Gulbrandsen, Managing Director,
Wisconsin Alumni Research Foundation
1820 Van Hise Hall

10:30 a.m. – Business, Finance, & Audit Committee – All Regents Invited

- Report of the Committee to Review Allocable Segregated Fee Policies
1820 Van Hise Hall

11:00 a.m. – Business, Finance, & Audit Committee – All Regents Invited

- UWSA Office of Policy Analysis and Research: Report on Fall 2007 Enrollment
1820 Van Hise Hall

11:45 a.m. – Box Lunch

12:15 p.m. – Committee meetings as follows:

Education Committee
1820 Van Hise Hall

Business, Finance, and Audit Committee
1920 Van Hise Hall

Physical Planning and Funding Committee meeting
1511 Van Hise Hall

Friday, December 7, 2007

9:00 a.m. – Board of Regents meeting
1820 Van Hise Hall

Persons wishing to comment on specific agenda items may request permission to speak at Regent Committee meetings. Requests to speak at the full Board meeting are granted only on a selective basis. Requests to speak should be made in advance of the meeting and should be communicated to the Secretary of the Board at the above address.

Persons with disabilities requesting an accommodation to attend are asked to contact Judith Temby in advance of the meeting at (608) 262-2324.

Information regarding agenda items can be found on the web at <http://www.uwsa.edu/bor/meetings.htm> or may be obtained from the Office of the Secretary, 1860 Van Hise Hall, Madison, Wisconsin 53706 (608)262-2324.

The meeting will be webcast at <http://www.uwex.edu/ics/stream/regents/meetings/> Thursday, December 6, 2007, at 10:00 a.m. until approximately 12:00 p.m., and Friday, December 7, 2006, at 9:00 a.m. until approximately 12:00 p.m.

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.1. Education Committee - Thursday, December 6, 2007
1820 Van Hise Hall
University of Wisconsin-Madison

10:00 a.m. All Regents Invited

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- UWSA Office of Policy Analysis and Research: Report on Fall 2007 Enrollment

11:45 a.m. Box Lunch

12:15 p.m. Education Committee

- a. UW System Strategic Framework: Discussion with Representatives from the “Collaborations” Think Tank.
- b. Presentation: UW System Alcohol and Other Drug Abuse Committee.
- c. Presentation by UW-Madison: “A Great Public University in a Changing World: Campus Self-Study in Preparation for Reaccreditation by the Higher Learning Commission”
- d. Discussion: Potential New Degree Offering – the Doctor of Nursing Practice.
- e. Discussion: Process for Developing Five-Year UW System Campus Academic Plans.
- f. Report of the Senior Vice President:
 1. Board of Regents Diversity Awards;
[Resolution I.1.f.(1)]
 2. Summary of 2008-09 Sabbatical Assignments.
- g. Consent Agenda:
 1. Approval of the minutes of the November 8, 2007, meetings of the Education Committee;
 2. Approval of School of Medicine and Public Health Appointment to the Oversight and Advisory Committee of the Wisconsin Partnership Fund for a Healthy Future;
[Resolution I.1.g.(2)]
 3. UW-Extension: Authorization to Recruit a Provost/Vice Chancellor.
[Resolution I.1.g.(3)]

- h. Additional items may be presented to the Education Committee with its approval.

UW SYSTEM STRATEGIC FRAMEWORK: DISCUSSION ON “COLLABORATION” THINK TANK

EXECUTIVE SUMMARY

BACKGROUND

The University of Wisconsin System has begun a far-reaching strategic planning process entitled the *UW System’s Strategic Framework to **Advantage Wisconsin***. This exercise is expected to culminate in significant themes which may give direction to the preparation of the 2009-11 University of Wisconsin System biennial budget. The framework will be developed through the work of seven *Think Tank Teams* comprised of individuals from UW System institutions, UW System Administration, and various private business enterprises.

REQUESTED ACTION

For information purposes only; no action is required.

DISCUSSION

At its December 2007 meeting, the Education Committee will discuss and share its thoughts on the work of the ***Advantage Wisconsin*** “Collaboration” Think Tank. The charge of the “Collaboration” Think Tank is to consider how the UW System can further leverage its strengths and impact through increased collaborations among its institutions and with other Wisconsin partners. The discussion will provide the Committee with the opportunity to be briefed on the work of the Think Tank as it prepares a final report and set of recommendations.

Discussions around Think Tank topics are also taking place in the Board of Regents’ other standing committees, Business, Finance & Audit and Physical Planning & Funding.

RELATED REGENT POLICIES

None.

Advantage Wisconsin: Strategic Framework – Collaborations Think Tank

Strategic Challenge Question:

How can the UW System further leverage its strengths and impact through increased collaborations among its campuses and with other Wisconsin partners?

The Call for Change: Over the past decade, the independent campuses of the UW System have learned to collaborate more with one another and with external partners to the benefit of students, communities, businesses, and Wisconsin taxpayers. At the same time, they have used their independence to define exciting futures and move forward. The Think Tank will focus on how to create a more collaborative culture and remove internal and external barriers to collaboration. Great collaboration will help the UW System more rapidly and effectively execute the six other core strategies of its strategic framework to Advantage Wisconsin.

Additional Questions:

- What can be learned from the UW Colleges' Role Task Force, which will soon be underway examining how best to use the UW Colleges to advance the university's strategic framework?
- What can the UW System do that other states' higher educational systems cannot do as readily?
- What are the UW System's major assets and how does the university use them better?
- What is the right structure for the UW System to achieve its vision?
- How can the UW System enhance its collaboration with other educational institutions so as to graduate more students, especially students of color, and make college education more affordable for students in need?
- How can the UW System extend its partnerships with the private sector so as to accelerate job creation and better prepare students with practical knowledge?
- How is the UW System viewed by the outside world?

Think Tank Members:

Chair: Doug Johnson - Associate Vice Chancellor for Academic Affairs, UW-River Falls

Rich Shultz, Dean, College of Engineering, UW-Platteville

David Schejbal, Dean, Continuing Education, UW-Extension

Joe Heim, Professor of Political Science and Faculty Representative, UW-La Crosse

Joan Prince, Vice Chancellor, Center for Collaborations, UW-Milwaukee

Jan Thornton, Associate Provost for Outreach & Adult Access, UW-Green Bay

Lisa Seale, Interim Associate Vice Chancellor for Academic Affairs, UW Colleges

Vincent Lyles, President, M&I Community Development Corporation

Carol J. Lombardi, Former Mayor, City of Waukesha

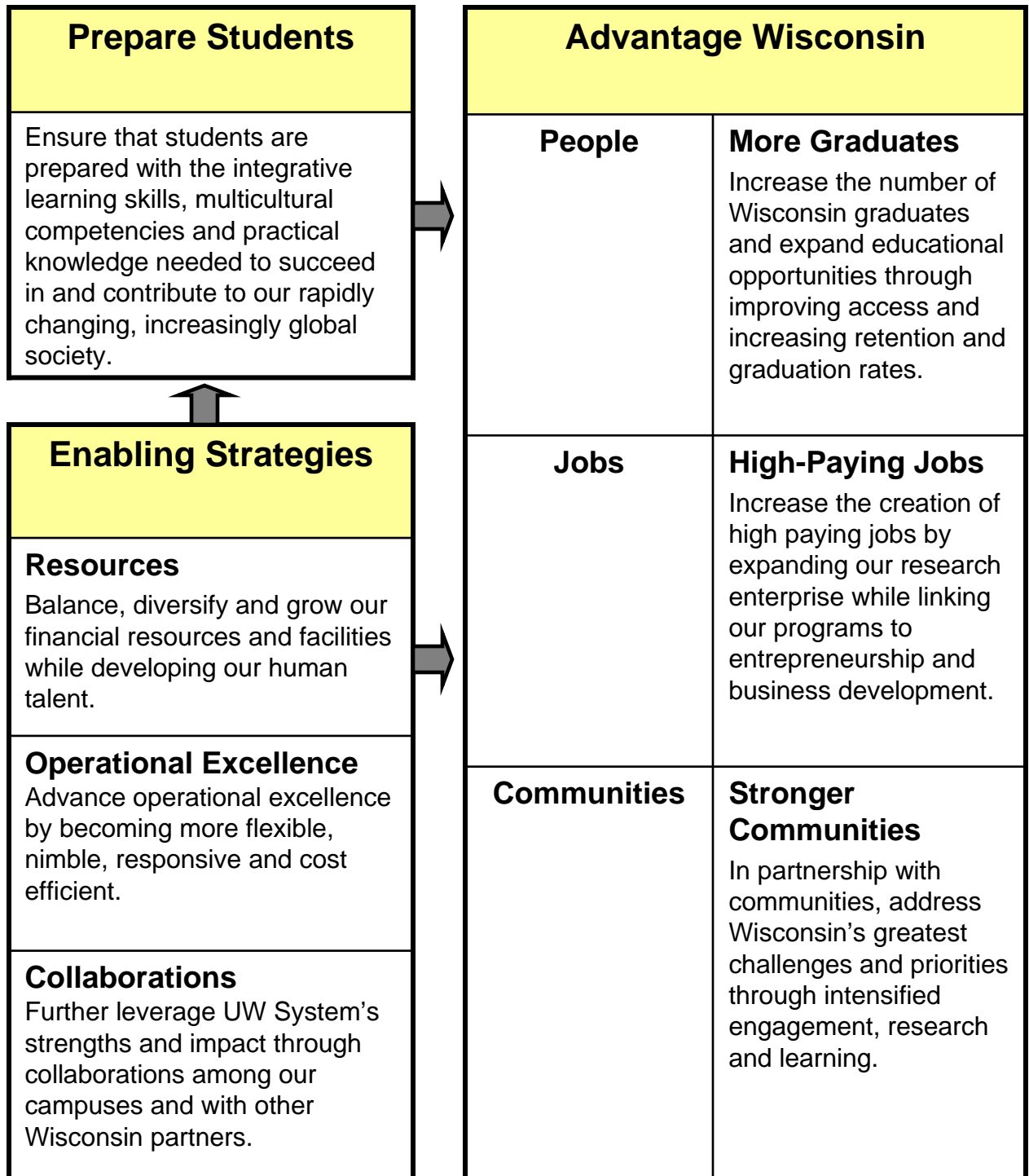
Doug Jensen, Vice President for Learning, Northcentral Technical College

Terri Potter, Former President, Meriter Hospital

Jan Sheppard, Senior Academic Planner, Academic & Student Services, UW System

Larry Rubin, Assistant Vice President, Academic & Student Services, UW System

UW System's Strategic Framework to **Advantage Wisconsin**



**UNIVERSITY OF WISCONSIN SYSTEM
ALCOHOL AND OTHER DRUG ABUSE ASSESSMENT
2007 Report**

EXECUTIVE SUMMARY

BACKGROUND

The use and abuse of alcohol and other drugs is a significant concern for the people of the state of Wisconsin. The University of Wisconsin System recognizes alcohol and other drug abuse (AODA) as a major issue affecting the student experience and student success. In May 2001, the UW System Board of Regents adopted principles for developing alcohol policies and programs at UW System institutions. The Board asked that a uniform process be developed that would allow the UW System institutions to assess the impact of UW System programs designed to prevent and reduce the abuse of alcohol and other drugs.

In response to the Board of Regents' directive to formulate a systemwide approach to the assessment of student alcohol and drug abuse, the UW System Alcohol and Other Drug Abuse Committee was formed as a means to coordinate the System's overall AODA efforts. The Committee developed a strategic plan in 2002 that has since then guided systemwide and campus efforts.

As further response to the Board's directive, the Committee developed a common assessment study or survey that was first administered to undergraduate students in the spring of 2005. The purpose of the survey was to gather baseline information on (1) alcohol and other drug usage; (2) behaviors and direct consequences as a result of alcohol and other drug use; and (3) secondhand, or indirect, consequences of drinking and other drug use. As part of its ongoing assessment of alcohol and other drug abuse, and in order to gauge changes in usage and behaviors since 2005, the UW System AODA Committee administered a second survey to undergraduate students in the spring of 2007. The major findings from the 2007 survey will be reported to the Board of Regents Education Committee at its December 2007 meeting.

REQUESTED ACTION

For discussion only; no action is requested at this time.

DISCUSSION

A comparison between the 2005 and the 2007 data shows that the rate of binge drinking has decreased slightly, as have the corresponding negative consequences. The results from the second survey allow for additional insight into student behaviors related to alcohol and other drug usage and the corresponding negative impacts. As the survey is administered in subsequent years, and more than two years worth of trend data become available, subsequent survey data will be used to assess overall progress towards moderating alcohol and drug use and its

consequences, as well as the effectiveness of the intervention strategies taken by UW System campuses.

Institutional prevention and educational efforts use a range of approaches in an effort to educate students and moderate behaviors. In addition to conducting the two surveys, the UW System AODA Committee has organized various activities that bring campus staff together to discuss AODA related issues and share successful strategies. The UW System has also been successful in obtaining external grant funds from the Wisconsin Department of Transportation's Young Adult Impaired Driving Program to support several systemwide initiatives. Each initiative contributes toward making UW System campus communities safer and healthier.

Alcohol and other drug abuse presents a complex set of challenges to colleges and universities across the nation, as it does to society in general. There are no silver bullet solutions. However, the UW System AODA Committee and the UW campuses will continue to confront these challenges head on. The continued interest and support of the Board of Regents play a critical role in contributing to the success of campus and systemwide efforts.

RELATED REGENT POLICIES

Regent Resolution 8356, adopted 5/11/01.

**UNIVERSITY OF WISCONSIN SYSTEM
ALCOHOL AND OTHER DRUG ABUSE ASSESSMENT
2007 Report**

BACKGROUND AND PROJECT OVERVIEW

As part of an ongoing assessment of alcohol and other drug abuse, the UW System Alcohol and Other Drug Abuse Committee administered a survey to undergraduate students in the spring of 2007. The purpose of this survey was to gather information on: (1) alcohol and other drug usage; (2) behaviors and direct consequences as a result of alcohol use; and (3) secondhand, or indirect, consequences of drinking and other drug use. This report summarizes some of the major findings from this survey and presents changes in the data from 2005, when the survey was first administered.

RESEARCH DESIGN

The Sampling Frame

Each UW System institution supplied UW System Administration with email addresses of its undergraduate population enrolled as of January 2007. A random sample of 2000 students was drawn from each 4-year institution. The exception was UW-Superior and the UW Colleges, where all students were contacted.

Collection of Data

UW System students were first contacted via an email message on February 25, 2007. One follow-up email invitation was sent to students on March 1, 2007. The students were assured that participation in the study was voluntary and that all answers were anonymous.

E-mail invitations to students contained an HTML link to the survey website. Each HTML link was unique to the recipient of the e-mail. This measure decreased the likelihood of multiple completions from single respondents, or survey completion by individuals not selected to receive an e-mail invitation.

Response Rate

A total sample of 35,996 undergraduate students was randomly selected and asked to complete a web-based questionnaire. Slightly more than 15,000 completed the questionnaire, for an overall response rate of 42%. The Margin of Error (ME) for this survey at 95% confidence is ± 0.01 .

	<u>Students Contacted</u> (N)	<u>Students Responding</u> (N)	<u>Response Rate</u> (%)	<u>95% CI (margin of error)</u> \pm
4-year Institutions	25,974	12,061	46.4	0.01
UW Colleges	10,022	3,016	30.1	0.02
Total System	35,996	15,077	41.9	0.01

	<u>Students Contacted</u> (N)	<u>Students Responding</u> (N)	<u>Response Rate</u> (%)	<u>95% CI (margin of error)</u> ±
UW-Madison	2,000	1,008	50.4	0.02
UW-Milwaukee	2,000	628	31.4	0.04
UW-Stevens Point	2,000	1,133	56.7	0.02
UW-Eau Claire	2,000	910	45.5	0.03
UW-River Falls	2,000	831	41.6	0.03
UW-Whitewater	2,000	754	37.7	0.03
UW-Platteville	2,000	1,020	51.0	0.02
UW-Stout	2,000	1,047	52.4	0.02
UW-Oshkosh	2,000	992	49.6	0.03
UW-Green Bay	2,000	1,099	55.0	0.02
UW-Parkside	2,000	495	24.8	0.04
UW-La Crosse	2,000	1,110	55.5	0.02
UW-Superior	1,974	1,034	52.4	0.02
4-year Subtotal	25,974	12,061	46.4	0.01
UWC Total	10,022	3,016	30.1	0.02
Total System	35,996	15,077	41.9	0.01

LIMITATIONS OF THE DATA

Quality Control

Several quality review processes were used to improve data quality, beginning at the sample selection stage with daily monitoring of the return rate to make sure there were no technological problems in students completing the on-line questionnaire. The data quality control process continued in the cleaning and analysis of the raw data, looking for incomplete surveys and data outliers.

Sampling Error

Since the data presented here are *estimates* based on a sample, the data may differ from the true population data. From the total completed questionnaires, which numbered just over 15,000, it can be said with 95 percent certainty that the results have a statistical precision of plus or minus .01 percentage points of what they would be if the entire undergraduate population had been polled with complete accuracy.

Non-sampling Error

In all random surveys there are several other possible sources of error called non-sampling error. Such errors include non-response error, computer processing error, reporting error or other error not due to sampling. As mentioned earlier, quality control steps have been taken to limit any errors that could be introduced in the data collection and analysis portion of the study. Non-response error depends on how non-respondents differ from those that completed the survey. Non-response can bias survey estimates if those who do not participate in a survey hold substantially different attitudes or behavior than those who do participate.

Regardless of the overall response rate, the question is how representative to the overall population are the respondents. In this study, it was determined that *post hoc* sample balancing was required to adjust the sample appropriately to better represent the sampling frame in terms of gender distribution and institution size.

MAJOR FINDINGS

Alcohol Usage

Alcohol usage and levels of high-risk drinking are typically analyzed using two measures: frequency of usage and volume consumed. Overall, about 77% of students responding to the survey indicated that they had consumed alcohol in the past 30 days. Their frequency of usage during a typical month ranged from 1-5 days (41%), 6-10 days (21%), 11-15 days (9%), to 16 or more days (6%). Twenty-three percent of respondents indicated that they did not use alcohol at all during the last 30 days.

Also of concern is the amount or volume of alcohol consumed during those drinking occasions. For the purpose of this study, high-risk drinking is associated with "binge drinking." Binge drinking is defined as consuming at least five drinks in one sitting. This definition was used for both men and women. Risk for serious harm increases significantly the more a student engages in binge drinking (Wechsler, H. 2000. *Binge Drinking On America's College Campuses: Findings from the Harvard School of Public Health College Alcohol Study*).

Volume: Binge drinking rates

Student binge drinking rates are reported in Table 1. Among all student respondents, including abstainers, a total of 54% of students surveyed said they had engaged in binge drinking behavior at least once in the past two weeks. This number is down slightly from the 2005 survey data point of 59%.

The comparable national binge drinking rate for college students is estimated to be 44% (*CORE Institute Study*.)

Examining the binge drinking patterns of UW students even more closely, it appears there is a subset of students that can be described as "frequent binge drinkers," i.e., those who engaged in binge drinking behavior more than three times in the past two weeks. Nearly one-quarter of students can be described as "frequent binge drinkers." In comparison to the 2005 data, the rate of frequent binge drinking has decreased from 32% in 2005 to 24% in 2007.

Using the "5 or more drinks" definition for binge drinking, 63% percent of male respondents binge drank at least once in the past two weeks, compared with 46% of female students. However, since women typically weigh less than men, female students tend to be at even more risk for harmful levels of intoxication for the same amount of alcohol consumed.

Upperclassmen are also more likely than freshmen or sophomores to engage in binge drinking. Fifty-eight percent of juniors and 57% of seniors report binge drinking at least once in the last two weeks, compared to 48% of freshmen and 52% of sophomores.

About 6% of the survey respondents indicated that they belong to a fraternity or sorority. While this is a small proportion of the sample, the data does reveal that students involved in social fraternities and sororities have a higher binge drinking rate compared to other students. Overall, 74% of members of fraternities or sororities engaged in binge drinking behavior and these students are almost twice as likely to engage in frequent binge drinking behavior.

Table 1.

Student Population	Percent of respondents who engaged in binge drinking	
	2005	2007
	%	%
Total binge drinking	59	54
Occasional binge drinking (1-2 times in past 2 weeks)	27	30
Frequent binge drinking (3 or more times in past 2 weeks)	32	24
Gender		
Male	69	63
Female	52	46
Year in school		
Freshman	54	48
Sophomore	56	52
Junior	62	58
Senior	65	57
Participation in fraternity or sorority		
Participant	79	74
Non-Participant	57	52
Residence		
Live in fraternity/sorority	84	82
Off-campus apartment	67	61
University residence hall	53	49
Parents/guardian's house	47	39

Volume: Drinks per occasion and drinks per week

In examining drinks per occasion and drinks per week, students report they consume, on average, 5.0 drinks per social drinking occasion and consume an average of 6.8 drinks in a week.

Differences are seen in drinking patterns by gender, with males drinking more frequently and more volume. Male students report that they have an average of 6.3 drinks in a typical social drinking occasion and report 9.8 drinks per week. Female students, on the other hand, report they have an average of 3.9 drinks per occasion and consume 4.4 drinks total per week.

In comparing the 2005 data for drinks per week and drinks per occasion, a slight decrease is seen among all respondents. Table 2 highlights the change.

Table 2.

Survey question: What is the average number of drinks you consume in a week? (range: 0-70 drinks)

Estimated average drinks you consume in a week	Total Respondents	Male	Female
2005	7.8	11.7	4.6
2007	6.8	9.8	4.4

Survey question: On a typical drinking occasion, how many drinks do you usually have? (Remember that we mean standard drinks of a bottle of beer (12 oz.), a glass of wine (4 oz.), a wine cooler (12 oz.), or a shot of liquor (1 oz.) served straight or in a mixed drink) (Range: 0-24 drinks)

Estimated average drinks consumed in typical drinking occasion	Total Respondents	Male	Female
2005	5.5	7.0	4.2
2007	5.0	6.3	3.9

Normative Data: student perception of others' drinking

The student self-reported levels of drinking tended to be lower than their estimates for how much the “average student” consumed. Male students reported consuming an average of 9.8 drinks per week. However, when they were asked to estimate the number of drinks consumed by the typical male student on their campus, the perceived average was 16.1. In other words, they considerably over-estimate how much other students drink. Likewise, female students reported consuming an average of 4.4 drinks per week, which is considerably lower than the average of 10.9 drinks per week that respondents estimated a typical female student consumed in a week. Interestingly, as discussed previously, the average number of drinks per week went down slightly from 2005 to 2007, yet student perception of drinking by the typical male and female student remained unchanged from 2005 to 2007.

Survey question: What is the average number of drinks you consume in a week? (range: 0-70 drinks)

Estimated average drinks you consume in a week	Total Respondents	Male	Female
2005	7.8	11.7	4.6
2007	6.8	9.8	4.4

Survey question: What is the average number of drinks consumed by the typical male student from your campus in a week?

Estimated average drinks consumed per week by a male student	Total Respondents
2005	16.4
2007	16.1

Survey question: What is the average number of drinks consumed by the typical female student from your campus in a week?

Estimated average drinks consumed per week by a female student	Total Respondents
2005	10.8
2007	10.9

Other Drug Usage

This survey also looked at other drug usage beyond alcohol. The results showed that marijuana is still the most frequently used other drug, although the usage has dropped from 20% in 2005, to 15% in 2007. Aside from marijuana, less than five percent of respondents indicate that they use any of the other drugs asked about in the survey. The non-medical use of prescription pain medication has decreased slightly from 6% in 2005 to 3% in 2007. Amphetamines such as diet pills, speed, ADHS stimulants are the next most frequently cited drugs used, with about 3% of respondents indicating that they used this class of drugs within the last 30 days.

Table 3.

Survey question: Which of the following did you use within the last 30 days?

	2005	2007
	%	%
Marijuana (pot, hash, hash oil)	20	15
Prescription pain medication – except as prescribed	6	3
Amphetamines (diet pills, speed, ADHS stimulants) – except as prescribed	4	3
Cocaine (crack, rock, freebase)	3	2
Hallucinogens (such as LSD, mushrooms)	3	2
Sedatives (downers, ludes) – except as prescribed	1	1
Designer drugs (ecstasy, MDMA)	1	1
Narcotics (heroin, smack, horse, opium, other opiates)	1	1
Steroids	*	*
PCP	*	*
Inhalants (glue, solvents, gas)	*	*
Methamphetamine (meth, crystal)	NA	*
Other illegal drugs	7	4

* less than .05%

Please note that in this question, the calculation for the percent of people who used the substance was based on the total number of respondents. In this case, it is assumed that if the respondent did not positively check a response ("Yes, I used the substance in question"), then the respondent is not a user.

Direct Consequences of Alcohol and Other Drug Use

In terms of direct negative consequences for academic life or student learning, 32% of students who drink reported missing a class at least once during the school year due to their use of alcohol; 21% performed poorly on a test or an important project; and 15% had been in trouble with police or campus authorities. In terms of personal harms, about 40% reported doing something they later regretted, 35% had gotten into an argument or fight, 16% had been hurt or injured, and 6% had engaged in vandalism—all as a result of their alcohol use.

In terms of other high-risk behavior, 19% of respondents had unprotected sex and 11% experienced unwanted sexual contact. Among the five percent of respondents who report that they had been pressured to go farther than they wanted to go sexually, alcohol or other drugs was a contributing factor in 87% of those instances.

In comparing the 2005 to the 2007 survey results, a slight decrease is seen in some of the harms experienced by students (Table 4). This might be related to the slightly lower levels of alcohol usage described earlier in this report.

Table 4: Harms: Direct Negative Consequences

Survey Question: How often have you experienced the following due to your drinking?

Problems experienced by current drinkers at least once in the last year due to their own alcohol use	2005	2007
	%	%
Had a hangover	69	70
Got nauseated or vomited	60	60
Did something I later regretted	48	41
Had a memory loss	45	40
Gotten into an argument or fight	39	35
Missed a class	38	32
Driven a car while under the influence of alcohol	35	27
Been hurt or injured	23	16
Had unprotected sex	21	19
Performed poorly on a test or an important project	20	21
Thought I may have a drinking or other drug problem	15	12
Been in trouble with police, residence hall, or other college authorities	13	15
Experienced unwanted sexual contact	NA	11
Damaged property, pulled fire alarm, etc.	8	6
Seriously thought about suicide	5	4
Tried unsuccessfully to stop using	4	4
Been arrested for DWI/DUI	1	1
Been criticized by someone I knew	NA	29
Seriously tried to commit suicide	0	*

* less than .05%

Indirect Consequences of Alcohol and Other Drug Use

The data also show that students experience negative effects from their peers' drinking. Table 5 presents these second-hand effects, which range from high-risk behavior such as riding in a car with an intoxicated driver, to losing sleep and study time.

Compared to 2005, the 2007 data indicated that the indirect consequences are going down slightly in all categories. In 2007, the indirect harms experienced most frequently were "interrupts studying" (36%), "leads to damage of personal property or environment" (24%), "feels unsafe" (18%), "interferes with class attendance or class activities" (16%), and "prevents enjoyment of events" (14%). Eight percent of respondents say that they have ridden in a car with an intoxicated driver, a particularly high-risk behavior.

Table 5. Harms: Indirect Negative Consequences

Survey Question: In which of the following ways does drinking by other students interfere with your life on and around campus?

Percent Responding "Yes"	2005	2007
	%	%
Interrupts studying	42	36
Damage to your personal property or environment	29	24
Makes you feel unsafe	20	18
Interferes with class attendance or class activities	22	16
Prevents you from enjoying events (concerts, sports, social activities, etc)	16	14
Results in you riding with an intoxicated driver	14	8
Discourages you from joining athletic teams or other organized groups on campus	5	4
Adversely affects your involvement on an athletic team or in other organized groups	3	2

Prevention Programs

Students have a moderate level of awareness regarding the campus regulations related to alcohol and other drug use. About half of the students report that they know about their campus regulations related to drug use other than alcohol, and about 60% report knowledge of the campus alcohol use regulations. These numbers represent a decrease from the 2005 data of 59% and 65% respectively.

When asked specifically about campus prevention programs, nearly three-quarters did not know if their campus had such a program. Furthermore, about half were not sure if their campus provided help for students who have problems with alcohol or other drugs.

Survey question: Do you know the regulations your college has against alcohol use by students?

	2005	2007
	%	%
Yes	65	59

Survey question: *If yes, are they enforced?*

	2005	2007
	%	%
Yes	50	56
No	13	9
Don't know	37	35

Survey question: *Do you know the regulations your college has against the use of other drugs?*

	2005	2007
	%	%
Yes	59	49

Survey question: *If yes, are they enforced?*

	2005	2007
	%	%
Yes	52	55
No	8	5
Don't know	40	40

	Yes		No		Don't Know	
	2005	2007	2005	2007	2005	2007
Q5. Does your campus have an alcohol prevention education program?	33	33	2	1	65	66
Q6. Does your campus have a prevention education program for use of drugs other than alcohol	20	21	3	2	77	77
Q7. Does your campus provide help for students with alcohol problems?	51	47	2	1	47	52
Q8. Does your campus provide help for students having problems with other drugs?	40	35	2	1	58	64

CONCLUSION

A comparison between the 2005 to the 2007 data shows that the rate of binge drinking has decreased slightly, as have the corresponding negative consequences. However, the data also shows a slight decrease in student awareness of campus policies and prevention activities.

The results from this survey will help the UW System understand student behaviors related to alcohol and other drug usage and the corresponding negative impacts. Once more than two years worth of trend data becomes available, subsequent survey data can then be used to assess overall progress toward moderating alcohol and drug use and its consequences, as well as the effectiveness of the intervention strategies taken by UW system campuses.

Student alcohol and other drug abuse is a serious social problem with many potentially harmful consequences. Institutional prevention and educational efforts use a range of approaches in an effort to educate students and moderate behaviors.

To help address these issues and to develop potentially successful intervention strategies, the UW System has been successful in obtaining external grant funds from the Wisconsin Department of Transportation's Young Adult Impaired Driving Program to support several systemwide initiatives. Each initiative contributes toward making UW campus communities safer and healthier.

One grant, for example, provided the funding to support a systemwide training program on the development of health communications campaigns that can be used to improve alcohol and other drug prevention awareness and education on campus. This program focused on three activities: information campaigns, social norms marketing, and media advocacy. As a result, each campus will be developing an individual communications program tailored to the specific needs of its environment.

A second grant permitted the UW System, with the assistance of an outside expert, to undertake a review of all campus policies and procedures involving AODA related matters. The focus of this review was to increase clarity, internal consistency, and effectiveness of these campus AODA policies and procedures. Studies have shown that clear and consistent written policies, in concert with appropriate enforcement and sanctioning procedures, are critical components of successful AODA prevention programs.

Alcohol and other drug abuse presents a complex set of challenges to colleges and universities across the nation, as it does to society in general. There are no silver bullet solutions. However, the UW System AODA Committee and the UW campuses will continue to confront these challenges head on. The continued interest and support of the Board of Regents play a critical role in contributing to the success of campus and systemwide efforts.

**MOVING TOWARD THE DOCTOR OF NURSING PRACTICE
IN THE UW SYSTEM:
GRADUATE SPECIALTY PREPARATION IN NURSING**

EXECUTIVE SUMMARY

BACKGROUND

The five nursing programs in the UW System (UW-Eau Claire, -Green Bay, -Oshkosh, -Madison and -Milwaukee) have a well-established tradition of collaboration to serve the needs of the citizens of Wisconsin. This tradition is best exemplified by the *BSN@Home* collaboration, a five campus partnership to provide access to a Bachelor of Science in Nursing (BSN) completion program via distance education for Registered Nurses (RNs) across the state, that has been in place and thriving for more than a decade. In addition, the five UW nursing leaders meet regularly to discuss, formulate and communicate positions on important issues facing nursing and nursing education. The current issue facing the UW System and the state of Wisconsin is how to respond to the national initiative to shift specialty preparation in nursing to the clinical doctorate (Doctor of Nursing Practice or DNP) level.

Health care is one of the most dynamic sectors of the state and national economy, and, in the aggregate, is the largest industry in Wisconsin. To meet the needs of the largest health professional workforce group, nursing education must respond both to societal needs and the demands of an increasingly complex health care environment.

The growing complexity of the health care environment, the explosion of information technology, and the rapid introduction of scientific evidence and new technologies in health care have led a number of health care fields—including pharmacy, physical therapy, and audiology—to establish a post-baccalaureate degree as the degree for entry into professional, generalist practice.

Nursing has not followed the path of requiring a graduate degree for entry into the profession, in part because of the large numbers of nurses necessary to sustain contemporary health care delivery. Instead, nursing will continue to prepare graduates for generalist practice at the baccalaureate level, or, in the case of the technical college system, at the associate degree level.

Advanced Practice Nursing

Since the 1960's, nursing has successfully built on baccalaureate education by structuring master's programs to prepare individuals for specialty practice (i.e., for the advanced practice roles of nurse practitioner, nurse midwife, nurse anesthetist, and clinical nurse specialist).

However, as the demands on specialist knowledge and skill have increased, so have the expectations of graduate education. Today, virtually all Master of Science (MS) programs in advanced practice nursing far exceed the usual curricular requirements for master's degrees in other fields. While many master's programs in other fields require 24-36 credits hours, master's programs in nursing typically require completion of 40-50 credits and 500 to more than 1000 hours of clinical practicum. These additional requirements have been necessary to provide individuals with the depth of theoretical and clinical knowledge and skill needed for board certification as advanced practice nurses. As a result, there is a nationwide initiative to revamp graduate education in nursing, and to establish the clinical doctorate or DNP degree as the new standard for advanced specialty practice. The DNP will also provide graduates with the advanced clinical and leadership knowledge and skills necessary in today's health care environment.

The Doctor of Nursing Practice Degree (DNP)

In 2004, the American Association of Colleges of Nursing (AACN) called for the establishment of the DNP as the preferred degree preparation for advanced practice nursing by 2015. The UW Schools of Nursing will continue to prepare new nurses for practice through BS programs, and to prepare nurse researchers through the PhD programs at UW-Madison and UW-Milwaukee. The DNP will not compete with the PhD programs because the DNP provides academic preparation for leadership and advanced nursing practice, not for a career in research.

Nationally, many graduate nursing programs have already made the transition to offering the DNP as the advanced practice nursing degree. There are already 48 DNP programs accepting students, including programs at Case Western Reserve, Columbia, University of Kentucky, and the University of Pittsburgh. More than 140 additional programs are in the planning stages to convert to the DNP. Private programs in Wisconsin (Marquette, Concordia, Viterbo and Edgewood) are planning DNP programs to open as early as 2008. The University of Minnesota and Minnesota State College and University System have given entitlement to confer DNP degrees to their nursing programs on comprehensive campuses, and other states are following suit.

DISCUSSION

DNP Planning for Wisconsin

Recognizing their collective responsibility to manage resources wisely, UW academic leaders and nursing Deans have carefully considered the transition to the DNP. The following are the premises on which these discussions have been based:

- Advanced practice nurses are a critical part of the health care system in Wisconsin, especially in rural and underserved areas. Together, the four UW System nursing schools with master's programs (UW-Madison, UW-Milwaukee, UW-Oshkosh and UW-Eau Claire) graduate approximately 120 to 155 master's

prepared nurses annually, which is not sufficient to meet the state's need for advanced practice nurses.

- Enrollments in graduate nursing programs must be increased to help offset the growing faculty shortage and increasing retirements out of practice over the next 10-15 years.
- A DNP degree would offer advanced practice nurses: 1) enhanced leadership skills to strengthen practice and health care delivery; 2) advanced competencies for increasingly complex clinical, faculty and leadership roles; and 3) curricular knowledge that can no longer fit within the structure of a traditional master's program in terms of credits and time-to-degree.
- Nurses in Wisconsin are showing a high level of interest in DNP programming.
- UW nursing programs will need to offer "bridge options" to enable existing advanced practice nurses to acquire the additional knowledge and skills to earn the DNP, as well as post-baccalaureate programs to prepare new nurses at this level.
- Employers are expressing interest in supporting their employees with MS degrees to enter bridge options to the DNP, and will move gradually to require this level of preparation for advanced practice nurses hired in the future,
- Limited access to programs in the UW system will drive nurses to private institutions of higher education in Wisconsin and to other graduate nursing programs out of state.

Collaboration

More than a decade of experience in working together collaboratively to develop and deliver the *BSN@Home*'s innovative curriculum across five UW campuses has prepared the current UW Nursing Schools with graduate programs to transition to the DNP as the advanced practice degree with a strong partnership model.

UW-Madison and UW-Milwaukee have been entitled to plan a DNP at their institutions. UW-Eau Claire and UW-Oshkosh are working on an entitlement to plan a collaborative DNP. All four programs have agreed that collaboration among the DNP programs will be important to the success of the programs and best serve the needs of students and the state.

Collaboration among these programs will make the best use of the specialized knowledge and foci that currently exist at each campus. Each institution serves a wide region and diverse population. Currently, the four graduate nursing programs include diverse curricular offerings, a diversity that is supported by various regional health care needs and priorities. UW-Milwaukee prepares nurse practitioners (family) and clinical nurse specialists in adult health, community health, maternal child health,

psychiatric/mental health, and nursing systems at the master's level, while UW-Madison prepares nurse practitioners in acute care, adult, geriatrics, pediatrics, psychiatric-mental health and women's health, and clinical nurse specialists in adult, geriatrics, pediatrics, psychiatric mental health and women's health at the master's level. UW-Madison also prepares students in nursing education. Their campus and location in the state have further influenced the foci of the four nursing programs. UW-Milwaukee has an emphasis on urban health care. UW-Madison has particular strength in rural and global health. Currently UW Eau Claire prepares graduates in adult and family health specializations as nurse practitioners, adult clinical specialists, nurse administrators, and nurse educators. The UW-Oshkosh nursing graduate program was founded with a mission to prepare nurse practitioners for rural and underserved communities and for primary care. UW-Oshkosh offers emphases in family nurse practitioner education at the advanced practice level, as well as nursing education and the clinical nurse leader

Specific plans for collaboration among the programs are still being identified, but some of the ideas under consideration include: establishing a virtual community of faculty involved in advanced practice education across UW System institutions; specialty courses that could be offered to students from any DNP site; online courses available to students from all DNP sites; matching prerequisite requirements for entry; simplified transfer of courses among the sites; and alternate semester offerings so students might be able to matriculate efficiently by completing designated courses at an alternate DNP site.

Conclusion

Nearly forty years ago, UW nursing programs were among the first in the nation to develop graduate advanced practice nursing programs and, in so doing, earned a reputation for timely innovation and high-quality programming that met national standards while remaining directly linked to regional needs. All four UW nursing graduate programs continue to be highly respected, in large part, because of the quality of the graduates practicing throughout Wisconsin and across the nation. UW nursing programs are once again prepared to advance nursing education and practice in response to changing societal needs. They are well-positioned to plan and implement DNP programs and meet the needs of the state in ways that will build on their long history of collaboration and successful partnerships.

Authorization to Establish the
Board of Regents Diversity Awards

EDUCATION COMMITTEE

Resolution I.1.f.(1):

That, upon the recommendation of the President of the UW System, the Board of Regents will establish up to three \$5,000 Diversity Awards to be given annually in recognition of institutional change agents who foster access and success for historically under-represented populations.

BOARD OF REGENTS DIVERSITY AWARDS

EXECUTIVE SUMMARY

BACKGROUND

In February 2005, the Board of Regents adopted Resolution 8970, which reaffirmed the Board's compelling interest in and commitment to achieving educational diversity at all UW System institutions through an array of programs, including Plan 2008, the System's 10-year plan to promote educational quality through racial and ethnic diversity. Resolution 8970 included specific recommendations to be undertaken by the UW System Administration (UWSA) and the institutions in the implementation of Phase II of Plan 2008. Among its recommendations, the Board directed UW System Administration to develop a systemwide Diversity Award, with Board of Regents sponsorship, which would recognize excellence in diversity programming or achievement.

The UW System Board of Regents already sponsors several awards programs which honor the excellence of UW System staff and programs. The Regents Teaching Excellence Awards have recognized excellent teachers among UW System instructional staff since 1992 (two per year), and academic programs or departments since 1993 (one per year). Since 1998, the Board of Regents has made two awards to non-teaching administrative and professional academic staff members at UW System institutions, known as the Regents Academic Staff Excellence Awards for Individuals. In September 2007, the Board approved an additional Academic Staff Regents Award for Program Excellence.

In response to Regent Resolution 8970, a systemwide committee of students, faculty, and staff was convened to develop guidelines and criteria for creating a diversity awards program to recognize institutional change agents who foster access and success for historically under-represented populations. Beginning in academic year 2007-08, the Board of Regents will begin sponsoring annually the UW System Board of Regents Diversity Awards, to be administered by the UW System Administration. The Office of the Senior Vice President for Academic Affairs will invite each UW System institution to submit up to three nominations each year for the Diversity Awards. Nominees can be an individual, team, or unit/organization.

Up to three awards not to exceed \$5,000 each will be made to individuals, programs, and/or initiatives in recognition of their exceptional impact on the university. The funds for these awards will be designated to support the recipients' professional development or to continue the program being honored. Award recipients will be publicly recognized at a Board of Regents meeting.

REQUESTED ACTION

Approval of Resolution I.1.f.(1), approving the establishment of the Board of Regents Diversity Awards.

RELATED POLICY

Regent Resolution 8970, adopted 2/11/05.



UNIVERSITY OF WISCONSIN SYSTEM BOARD OF REGENTS DIVERSITY AWARDS

2007-08 NOMINATION GUIDELINES AND SELECTION CRITERIA

NOMINATION DEADLINE: (TO BE DETERMINED)

THE AWARD

On behalf of the Board of Regents and UW System Administration, the Office of the Senior Vice President for Academic Affairs invites each institution to submit up to three nominations for the 2008 UW System Board of Regents Diversity Awards. The purpose of the award is to recognize institutional change agents who foster access and success for historically under-represented populations. Each nominee(s) can be an individual, team, or unit/organization.

Up to three awards not to exceed \$5,000 each will be made to individuals, programs, and/or initiatives in recognition of their exceptional impact on the university. The funds for these awards will be designated to support the recipients' professional development or to continue the program being honored. Award recipients will be publicly recognized at a UW System Board of Regents meeting. News releases will be sent to state and local media.

NOMINEE CATEGORIES

Each UW institution may submit one nomination in each of the following categories for a maximum of three nominations per institution:

- **Individual** – Any individual affiliated with the UW System and its institutions, including but not limited to faculty, staff, and students.
- **Team** – Any joint endeavor or group (e.g., ad hoc committee) operating collaboratively on a program or initiative within the systemwide community, and is not limited to formal organizational units.
- **Institution/Unit** – College; academic/support department; or student, faculty, or staff organization recognized as a bona-fide group within the systemwide community.

NOMINATION PROCESS

Nomination packets shall be submitted to a central office as designated by the respective institution. Each UW System institution will then submit a complete set of packets either electronically or by mail to the UW System Office of Academic Affairs, 1624 Van Hise Hall, 1220 Linden Drive, Madison, WI 53706 or at vpacad@uwsa.edu by (Insert Date). Check with your campus administration office for institutional deadlines that precede the posted UW System due date.

NOMINATION MATERIALS

Nomination packets should include:

- 1) A three- to five-page **resume** or **curriculum vitae** of the nominee (for individual/team nominations).
- 2) A **letter of nomination** in at least one category addressing the four criteria listed in 3 below.
- 3) A one- to three-page **statement by the nominee** describing the exemplary program, initiative, and/or research that exhibits one or more of the following **selection criteria**:
 - **Sustainable impact** on institutional change in the area of diversity
 - **Accountability** through assessment that points to measurable outcomes
 - **Intersections** across multiple dimensions of diversity
 - **Collaboration** with other units, departments, or communities beyond the university.
- 4) Two or three **letters of support** addressing impact of the person or program from:
 - Chancellor, Provost, or Dean
 - Department Chair, Unit Head, immediate supervisor, or advisor
 - An individual who has first-hand knowledge of the program or initiative.

SELECTION PROCESS & GUIDELINES

The Board of Regents will select the award recipients.

The following focus areas serve to define diversity broadly and as a guide in identifying exemplary research, programs, and initiatives for this award:

- **Institutional Transformation** through the efforts of change agents who provide leadership for programs that stimulate and sustain inclusive and pluralistic organizations.
- **Research, teaching, and learning** grounded in theories, concepts, and/or methodologies that enhance diversity, equity, social justice, multiculturalism, educational reform, or inclusion.
- **Pedagogies, concepts, and practices** that contribute to closing the achievement gap by advancing understanding and acceptance of cultural differences, contributing to social change, and addressing student learning styles and needs, such as curriculum infusion and service learning.
- **Personal and professional development and support** such as advising, mentoring, recruitment and retention, and promotion/graduation of underrepresented faculty, staff, or students with measurable outcomes.
- Demonstrated efforts that foster an inclusive **organizational culture** and supportive **campus and classroom climate** that encourages coalition building and interactions across diverse groups.
- **Community service** programs or initiatives with goals and assessment plans that advance diversity across or beyond the university community such as outreach, partnerships, and service learning.

UW SYSTEM FACULTY SABBATICAL ASSIGNMENTS 2008-2009

EXECUTIVE SUMMARY

BACKGROUND

Under provisions of s. 36.11(17), Wis. Stats., sabbatical assignments of up to one year may be granted to instructional faculty in order to recognize and enhance teaching efforts and excellence. Prior to 1984, although the UW System was authorized to grant faculty sabbatical leaves, the number could not exceed three percent of the eligible faculty. Under those conditions, a total of 141 sabbaticals were possible. In the 1983-84 Legislative session, the Governor and State Legislature recognized the need to expand the sabbatical program and lifted the three percent limitation.

Formal announcement of those faculty members receiving sabbatical assignments is sent annually to the Board of Regents in December.

REQUESTED ACTION

This item is presented for information only and no action is required.

DISCUSSION

Purpose

The purpose of the UW System Faculty Sabbatical Program is to provide in-depth study opportunities for selected faculty members. Sabbaticals offer the opportunity for faculty in all disciplines to develop new directions and knowledge in their fields and incorporate them into their classroom activities. Every two years, the Board of Regents Education Committee reviews the UW System Sabbaticals Guidelines and recommends priority areas in support of research and teaching to benefit UW System institutions.

All of the sabbatical projects demonstrate the essential academic work of the creation of new knowledge through research, and all of the sabbatical projects support some aspect of the institution's mission, whether through teaching, research, and/or service. There are many ways in which new knowledge is advanced to students, and different disciplines do this in different ways. This new knowledge will result in books, new or updated undergraduate and graduate courses, symposia, and web-based curricular models, just to name the most frequently identified direct outcomes of these intensive periods of research.

Sabbaticals enable UW institutions to maintain quality by renewing the vibrancy of the teaching and scholarship of faculty members. Sabbaticals are also a highly effective tool in keeping UW System institutions competitive when recruiting and

retaining quality faculty members. Without sabbaticals, UW campuses would be at an enormous competitive disadvantage. Virtually all institutions of higher education in the United States, both public and private, offer sabbaticals.

Process, Eligibility and Selection

Sabbaticals are faculty reassignments for one or two semesters, during which time faculty members engage in work on a well-specified project and must meet the expectations and requirements of the sabbatical program. To be eligible for a sabbatical, the faculty member must have completed six or more years, or the equivalent, of full-time instructional service in the system, have not taken a sabbatical during the previous six years, and agree to return to the institution for at least one year following the leave. Preference is given to those who have not had a leave, regardless of source of funding, in the previous four years.

The UW System Faculty Sabbatical Program is competitive. Each UW System institution undertakes an annual competition in which faculty must apply and be accepted into the program. Sabbatical proposals undergo a rigorous review process. UW Chancellors select professors for sabbaticals following approval by appropriate faculty and administrative committees, which scrutinize the proposed sabbatical projects and how they will benefit students when the faculty member returns to the classroom. The Board of Regents reviews the list of faculty chosen for sabbaticals.

Following the sabbatical, faculty must demonstrate to the university that they have completed the work they set out to do, and fulfilled the expectations and requirements of the program. Beginning this year, each faculty member granted a sabbatical will sign an agreement that sets forth their responsibilities under the sabbatical program. This agreement includes: the requirement that they submit a report at the conclusion of their sabbatical; limitations on earnings during the sabbatical; administrative rights and responsibilities regarding earnings; accrual of retirement benefits and sick leave; leave reporting; and the obligation to return to the institution following the sabbatical.

Following institutional selection procedures established in conformance with ACPS #3.3, *The Faculty Sabbatical Program*, 308 faculty members throughout the UW System have been selected to receive sabbatical leaves during 2008-09. Of that total, 157 of them will be gone for one semester and the remaining 151 will be on leave for the academic year. Of these totals, 103 or 33 percent are women, and 63 or 20 percent are minorities.

Cost

There is no additional cost to the institutions for the faculty sabbatical program. Instructional responsibilities of those on leave are assumed by colleagues, by instructional staff or visiting faculty funded from salary savings, or by rescheduling courses. Current UW System policy provides that a faculty member may take a sabbatical leave for one semester and receive financial support at any level up to full compensation for that period; those on leave for the academic year may receive up to 65 percent of full compensation for

that period, in accordance with institutional policies. As a rule, the salary savings generated by full-year leaves are used to cover replacement costs.

RELATED REGENT POLICIES

ACPS #3.3, The Faculty Sabbatical Program.

The Wisconsin Partnership Fund for a Healthy Future
(Blue Cross & Blue Shield Program)
UW School of Medicine and Public Health
Oversight and Advisory Committee Appointment

EDUCATION COMMITTEE

Resolution I.1.g.(2):

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 the appointment of Dr. David A. Kindig to the UW School of Medicine and Public Health Oversight and Advisory Committee to fill an unexpired term ending October, 2008, as one of the UW School of Medicine and Public Health's four representatives on the committee.

**APPOINTMENT TO THE
UW SCHOOL OF MEDICINE AND PUBLIC HEALTH
OVERSIGHT AND ADVISORY COMMITTEE
FOR
*THE WISCONSIN PARTNERSHIP FUND FOR A HEALTHY FUTURE***

EXECUTIVE SUMMARY

BACKGROUND:

The Wisconsin Insurance Commissioner's Order of March, 2000, approved the conversion of Blue Cross & Blue Shield United of Wisconsin to a for-profit stock corporation, and the distribution of the proceeds from the sale of stock to the UW School of Medicine and Public Health and the Medical College of Wisconsin. The Order required the respective governing body of each school to create an Oversight and Advisory Committee (OAC) consisting of nine members. The School of Medicine and Public Health (SMPH) OAC consists of four public members (health advocates), four SMPH representatives appointed by the UW System Board of Regents, and one member appointed by the Insurance Commissioner. In accordance with the Order, the OAC is responsible for planning and overseeing the use of funds allocated for public health. The committee also reviews, monitors, and reports to the Board of Regents on funds committed for medical education and research.

The Board of Regents appointed the OAC in August, 2002. The SMPH, in collaboration with the OAC, wrote a Five-Year Plan entitled, *The Wisconsin Partnership Fund for a Healthy Future* (also known as the Wisconsin Partnership Program), describing the uses of the funds. Upon approval of the Five-Year Plan by the Board of Regents in April, 2003, it was reviewed and subsequently approved by the Wisconsin United for Health Foundation, Inc. (WUHF) in March, 2004. Immediately thereafter, WUHF transferred the funds to the UW Foundation for management and investment based on the Agreement between the UW Foundation, the Board of Regents, and WUHF (Agreement). Since March, 2004, the OAC has been actively engaged in seeking proposals and making awards in accordance with the Five-Year Plan and the Agreement. Information on the awards and related programmatic processes are presented to the Board of Regents annually.

REQUESTED ACTION:

Approval of Resolution I.1.g.(2), appointing Dr. David A. Kindig to the UW School of Medicine and Public Health Oversight and Advisory Committee to fill an unexpired term ending October, 2008.

DISCUSSION:

In accordance with the Insurance Commissioner's Order and the Bylaws of the Oversight and Advisory Committee (OAC) approved by the Board of Regents in February, 2001, the Regents are being asked to appoint Dr. David A. Kindig to the OAC as one of the UW School of

Medicine and Public Health's four representatives to fill an unexpired term ending October, 2008.

Dr. Kindig is Emeritus Professor of Population Health Sciences at the University of Wisconsin-Madison, School of Medicine and Public Health (SMPH). He is a recognized expert, both locally and nationally, on health policy, the health status of the public, rural health, state health programs, and equity in health services, all of which are highly relevant areas to the work of OAC. He continues to be an active member of the SMPH faculty through teaching in the Master in Public Health program, directing a major project on assessing and evaluating the health status of the residents of Wisconsin, co-directing the Robert Wood Johnson Health and Society Scholars Program, and serving as Senior Advisor to the UW Population Health Institute. Furthermore, he was asked by Governor Doyle in 2006 to chair the Healthy Wisconsin Council.

Dr. Kindig's reputation in the field of population health extends beyond Wisconsin to the national level. He served as the Deputy Director of the Bureau of Health Manpower in the US Department of Health, Education, and Welfare, and as Senior Advisor to Donna Shalala during her appointment as Secretary of Health and Human Services. His impact on the field of public and community health and on health policy was recognized by the National Academy of Sciences with an appointment to the prestigious Institute of Medicine.

Dr. Kindig is eminently qualified to serve on the OAC based on his extensive experience over many years of researching, analyzing, and interpreting the significant public health challenges facing Wisconsin as well as the entire country.

In response to a call for nominations, Dr. Javier Nieto, chair of the Department of Population Health, enthusiastically nominated Dr. Kindig. In addition, Dr. Kindig was interviewed by Dr. Susan Goelzer, chair of the OAC, and Eileen Smith, Director of the Wisconsin Partnership Program, followed by an interview with SMPH Dean Robert Golden. Dean Golden strongly endorses the nomination of Dr. Kindig and is recommending him to the Board of Regents for membership on the OAC.

Dr. Kindig's resume follows.

RECOMMENDED ACTION

UW System recommends approval of Resolution I.1.g.(2), authorizing the appointment of Dr. David A. Kindig to the UW School of Medicine and Public Health Oversight and Advisory Committee.

RELATED POLICIES

None.

David A. Kindig, M.D., Ph.D.
Biographical Sketch

David A. Kindig is Emeritus Professor of Population Health Sciences and Emeritus Vice-Chancellor for Health Sciences at the University of Wisconsin-Madison, School of Medicine and Public Health. He also serves as Senior Advisor to the UW Population Health Institute. He Co-Directs the Wisconsin site of the Robert Wood Johnson Health and Society Scholars Program and also serves as Co-Director of the Institute's "Making Wisconsin the Healthiest State" project.

Dr. Kindig received a B.A. from Carleton College in 1962, and M.D. and Ph.D. degrees from the University of Chicago School of Medicine in 1968. He completed residency training in Social Pediatrics at Montefiore Hospital in 1971.

Dr. Kindig served Professor of Preventive Medicine/Population Health Sciences at the University of Wisconsin from 1980-2003, where he developed a nationally unique distance education graduate degree in medical management. He was Vice Chancellor for Health Sciences at the University of Wisconsin–Madison from 1980-1985, Director of Montefiore Hospital and Medical Center (1976-80), Deputy Director of the Bureau of Health Manpower, U.S. Department of Health, Education and Welfare (1974-76), and the First Medical Director of the National Health Services Corps (1971-73).

He was elected to the Institute of Medicine of the National Academy of Sciences in 1996, served as President of the Association for Health Services Research from 1996-97, served as Senior Advisor to Donna Shalala, Secretary of Health and Human Services from 1993-95, and was Chair, Institute of Medicine Committee on Health Literacy in 2002-2004. He chaired Wisconsin Governor Doyle's Healthy Wisconsin Taskforce in 2006, and received the 2007 Wisconsin Public Health Association's Distinguished Service to Public Health Award.

Dr. Kindig has written extensively on the health profession's workforce, medical management and other health policy issues. During 1995-96, he completed a one-year sabbatical in York, England and Vancouver, British Columbia, focusing on population health economics, which culminated in a book titled, "Purchasing Population Health, Paying for Results," published by the University of Michigan Press. Current research interests include population health outcomes, equity in health, health literacy, and population health economics.

Representative Publications:

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3. Kindig, D.A. & Libby, D. Setting State Health Spending Targets. Health Affairs, Spring (II) 1994, pp 288-289.
4. Rivo, M. and Kindig, D.A. A Report Card on the Physician Work Force in the United States. NEJM, 334(14), 1996, pp. 892-896.
5. Kindig DA, Libby DL. Domestic Production Vs International Immigration: Options for the U.S. Physician Workforce. JAMA, 276(12), 1996, pp 704-709.
6. Kindig, D.A. Do Physician Executives Make a Difference? Frontiers of Health Services Management, Spring 1997, 13(3), pp 38-42.
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8. Kindig, D. AHSR Presidential Speech: Beyond Health Services Research. HSR: Health Services Research 34:1 (April 1999, Part II). pp 205-214.
9. Kindig, D. Wang, H. and Remington, P. How Fast Can the Racial Gap in Life Expectancy Between White and Blacks be Eliminated?
www.medscape.com/Medscape/GeneralMedicine/journal/1999/v01/mgm0923.wang/mgm-923 (MedGenMed, September 23, 1999, Medscape, Inc.)
10. Kindig, D. Value Purchasers in Health Care: Seven Case Studies. Milbank Memorial Fund. 2001 New York.
11. Kindig, D.A. Purchasing Population Health: Paying for Results. University of Michigan Press: Ann Arbor, MI, 1997.
12. Kindig, D., Stoddart, G., What is Population Health, American Journal of Public Health, March 2003 (vol 93 no3) p380-3.
13. Kindig, D., Day, P., Fox, D.M., Gibson, M., Knickman, J., Lomas, J., Stoddart, G., What New Knowledge Would Help Policymakers Better Balance Investments for Optimal Health Outcomes? Health Services Research 2003 (vol 38, No 6p2).

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15. Kempf, A, Kindig, D., How Fast Can Wisconsin Become Healthier? A Framework for Setting State Health Objectives. Wisconsin Public Health and Health Policy Issue Brief No. 5 (9) Dec. 2004.
16. Kempf, A., Kindig, D., et al, How Do Wisconsin's Health Outcomes Compare to Those of Other Midwest States? Wisconsin Public Health and Health Policy Issue Brief No6 (2) June 2005.
17. Booske, BC, Kindig, DA, Remington PL, Kempf AM, Peppard PE. How should We Measure Health-Related Quality of Life in Wisconsin? Brief Report Vol.1, No.1 March 2006.
18. Kempf, AM, Remington, PL, Booske, BC, Kindig, DA, Peppard PE .The Burdon of Excess Deaths in Wisconsin. Brief Report Vol.1, No. 2 April. 2006.
19. Booske, BC, Remington, PL, Kempf, AM, Kindig, DA, Peppard, PE. The Casues of Excess Deaths in Wisconsin by Life Stage. Brief Report Vol.1, No. 3 July 2006.
20. Kempf, AM, Peppard, PE, Booske, BC, Kindig, DA, Remington, PL. Using Measures of Disparities as Indicators of the Health of Wisconsin. Brief Report Vol.1, No. 3 August 2006.
21. Kindig, DA. Understanding Population Health Terminology. Milbank Quarterly 2007 85 (1) 139-161.
22. Kindig, DA. A Pay-for-Population Health Performance System. JAMA Vol 296, No. 21 December 6, 2006.

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Authorization to Recruit:
Provost and Vice Chancellor
University of Wisconsin-Extension

EDUCATION COMMITTEE:

Resolution I.1.g.(3):

That, the President of the University of Wisconsin System be authorized to recruit for a Provost and Vice Chancellor of the University of Wisconsin-Extension, at a salary within the Board of Regents salary range for university senior executive salary group one.

Request for Authorization to Recruit

Institution: University of Wisconsin-Extension

Type of Request: Provost and Vice Chancellor Search

Official University Title: Vice Chancellor

Description of Duties:

The Extension Provost and Vice Chancellor provides broad leadership for academic and program planning, administrative support areas, and business and finance for the University of Wisconsin-Extension. The position is responsible for building and supporting collaborative programs among divisions of UW-Extension, with other UW System institutions, and with other key partners of UW-Extension. UW-Extension coordinates and funds a statewide extension/outreach program with the other UW institutions, the 72 county Extension offices, public broadcasting, and a host of public and private partners. The Provost and Vice Chancellor reports to the Chancellor and serves as deputy to the Chancellor.

Recommended Salary Range: University Senior Executive Group 1

Source of Funds: 104

Replacement Position for: Marvin Van Kekerix

Salary of Previous Incumbent: \$153,370

Justification for the Salary Range:

The 2006-07 Regent executive salary range 1 noted below is built on the 2004-05 actual peer median salary of \$150,000 for non-doctoral institution Vice Chancellors and Provosts, factored by 3.3% for 2005-06. The midpoint of the range is 95% of the 2005-06 predicted peer median of \$154,950, with the minimum 90% and the maximum 110% of those midpoints. The official salary range(s) were determined by the OSER Director with JCOER approval, on November 27, 2007, for 2007-08. For administrative purposes, the "effective salary range" is the highest Minimum and lowest Maximum to ensure that a salary is within the parameters of either salary range.

Vice Chancellors and Provosts Senior Executive Group 1

	<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>
JCOER Approved Range	\$124,262	\$141,038	\$157,814 (7/1/07-6/30/08)
Board of Regents Executive Salary Policy Range	\$132,482	\$147,203	\$161,923 (2006-07)

Approved by:

Kevin P. Reilly, President
November 27, 2007

Authorization to Recruit (Approved)(Denied)

By the Board of Regents Executive Committee on _____.

UW-Extension Vice Chancellor Competitive Salary Information

2006-07 Board of Regents Senior Executive Salary Range:

2004-05 peer group median salary:	\$150,000
CUPA-HR projects 3.3% increase in 2005-06	<u>x 1.033</u>
2005-06 projected peer group median:	\$154,950
Executive salary policy cost-of living adjustment	<u>.95</u>
Regents Salary Range Midpoint:	\$147,203
Regents Salary Range Minimum (90%):	\$132,482
Regents Salary Range Maximum (110%):	\$161,923

2006-07 Peer Group Salaries:

University of Akron	\$220,000
Oakland University	\$190,528
University of Michigan-Dearborn	\$190,000
Southern Illinois University-Edwardsville	\$185,100
University of Northern Iowa	\$181,178
Grand Valley State University	\$175,329
University of Michigan-Flint	\$173,880
Minnesota State University-Mankato	\$166,293
Eastern Michigan University	\$165,120
St. Cloud State University	\$164,037
University of Illinois-Springfield	\$163,892
Northern Michigan	\$162,318
Eastern Illinois University	\$161,568
University of Minnesota-Duluth	\$160,256
Ferris State University	\$159,331
Saginaw Valley State University	\$155,000
Youngstown State University	\$154,500
Minnesota State University-Moorhead	\$152,709
Northeastern Illinois University	\$151,524
Indiana-Purdue University-Ft. Wayne	\$151,410
Bemidji State University	\$150,196
Indiana University-Southbend	\$143,400
Indiana University-Northwest	\$141,000
Winona State University	\$140,000
University of Southern Indiana	\$135,068
Indiana University-South East	\$129,757

UW System Non-Doctoral Institution Vice Chancellor Salaries 10/1/07

UW-Extension	\$153,370
UW-La Crosse (Interim)	\$150,489
UW-Green Bay	\$147,914
UW-Platteville	\$147,888
UW-Eau Claire	\$147,500
UW-Oshkosh	\$145,000
UW-Stevens Point	\$144,000
UW-Stout	\$144,000
UW-Whitewater (Interim)	\$142,500
UW Colleges (Interim)	\$139,500
UW-Parkside (Interim)	\$139,500
UW-River Falls (Interim)	\$139,500
UW-Superior	\$139,500

Mean	\$162,438
Median	\$160,912

Mean	\$144,666
Median	\$144,000

REVISED 11/30/07

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business, Finance, and Audit Committee

December 6, 2007
1920 Van Hise Hall
1220 Linden Drive
Madison, WI 53706

10:00 a.m. All Regents – 1820 Van Hise Hall

- Presentation on Stem Cell Research Breakthrough by Dr. Junying Yu, UW-Madison, and Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation

10:30 a.m. All Regents Invited – 1820 Van Hise Hall

- a. Report of the Committee to Review Allocable Segregated Fee Policies

11:00 a.m. All Regents Invited

- b. UWSA Office of Policy Analysis and Research: Report on Fall 2007 Enrollment

11:45 a.m. Box Lunch

12:15 p.m. Business, Finance, and Audit Committee – 1920 Van Hise Hall

- c. Approval of the minutes of the November 8, 2007 Meeting of the Business, Finance, and Audit Committee
- d. Approval: UW-La Crosse Growth, Quality, and Access Differential Tuition Initiative [Resolution I.2.d.]
- e. UW-Madison: Update on Research Expenditures
- f. Committee Report and Resolutions to the University of Wisconsin Board of Regents on the Response to Legislative Audit Bureau Report 06-12, An Evaluation: Personnel Policies and Practices in the University of Wisconsin System
[Resolution I.2.f.1.]
[Resolution I.2.f.2.]
[Resolution I.2.f.3.]

- g. Audit Issues
 - 1. Campus Responses to the UW System Review on the Cost of Textbooks
 - 2. UW System Institutions' Completed Audit Projects
 - 3. Operations Review and Audit Review Plan Calendar Year 2008
 - 4. Quarterly Status Update on UW System Office of Operations Review and Audit
- h. UW System Strategic Framework: Discussion on Operational Excellence and Other Core Strategies
- i. Trust Funds
 - 1. Approval of the Investment Policy Statement
[Resolution I.2.i.1.]
- j. Committee Business
 - 1. Approval of UW-Parkside Food Services Contract Extension
[Resolution I.2.j.1]
 - 2. Approval of Educational Broadband Service (EBS) Excess Capacity Use and Royalty Agreement with Clearwire Spectrum Holdings II LLC
[Resolution I.2.j.2.]
 - 3. Approval of Revised Pay Plan Guidelines
[Resolution I.2.j.3.]
- k. Report of the Vice President
 - 1. Update on Tuition and Financial Aid Working Group
 - 2. Update on Fall Big 10 Business Officers Meeting
- l. Additional items, which may be presented to the Committee with its approval

Financial Administration

Segregated University Fees (F__)

Scope

This policy sets forth legal and policy principles applicable to the administration of student fees (referred to in this policy as "segregated university fees" or "SUF").

Policy

I. Segregated University Fees.

A. Definitions.

Segregated university fees (SUF) are charges, in addition to instructional fees, assessed to all students for student services, activities, programs and facilities that support the mission of University of Wisconsin System institutions. There are two categories of SUF, as follows:

- (1) *Allocable.* Allocable SUF are those SUF that provide substantial support for campus student activities and services as outlined in Section I.B.(6)(a) and that are allocated by students, in consultation with the chancellor and subject to the final confirmation of the Board of Regents, in accordance with s. 36.09(5), Wis. Stats. The student group organized at each UW institution for the purpose of engaging in the allocation process under s. 36.09(5), Wis. Stats., is referred to in this policy as the Student University Fee Allocation Committee or "SUFAC."
- (2) *Non-allocable.* Non-allocable SUF are those SUF that are used to support long-term commitments for fixed financial obligations, ongoing operating costs of university owned or controlled buildings, and similar commitments for student unions, health centers, child care centers and recreational sports centers. In accordance with s. 36.09(3), Wis. Stats., chancellors, following consultation with students in accordance with Regent Policy [30-5](#), as amended, are responsible for the development of budgets and expenditures of non-allocable SUF.

B. Limitations on Expenditures of SUF.

- (1) *General.* SUF may only be expended for items and activities that are related to the mission of the institution and to the purposes of the organization. Expenditures of SUF must also conform with all applicable state and federal laws and policy requirements including, but not limited to, the decision of the United States Supreme Court in *Board of Regents v. Southworth*, 529 U.S. 217, 120 S. Ct. 1346 (2000), current [Wisconsin Statutes](#), Wisconsin Attorney General's opinions, Board of Regents' administrative rules and policy documents, and UW System policy papers.

(2) *Permitted SUF Expenditures.* Except as limited elsewhere by law or policy, SUF may be assessed and collected for the following:

(a) Travel expenses in accordance with applicable state and UW System travel regulations, and admissions and registration expenses incurred by UW staff or students for:

1. Attending educational, cultural, social, recreational, or university athletic events.
2. Recruiting students for musical groups, theatrical groups, or publication writing, and the like.
3. Representing the institution or a recognized student organization in the operation and fulfillment of the mission of the student organizations, student service operations, and student government, subject to approval by the chancellor or his/her designee.
4. Recruiting athletes, as allowed by conference or membership affiliation.
5. Busing students within the campus. Payments for bus services that extend beyond the campus boundaries must be approved by the Chancellor or his/her designee.

(b) Expenses related to educational, cultural, social, and recreational activities for:

1. Personal or professional services (e.g., concert performers, bands, officials, lecturers, and other performers); reimbursement for such services provided by UW System faculty or staff may be made in accordance with the provisions of UW System Financial and Administrative Policy (FAP) [F31](#) on “Personal Services Payments” and [Academic Planning Statement #4](#).
2. Meals, receptions, and transportation incurred by UW faculty or staff or students while performing a host function for a guest speaker, performer, etc., brought to the campus for a SUF funded activity, if such expense was part of the budget approved for the activity.
3. Production of an event (e.g., films, advertising, promotion, printing, facilities rental, ushers, and security guards). On-campus facilities (buildings and grounds) must be used whenever possible. Exceptions require the prior approval of the Chancellor or his/her designee.
4. Trophies, medallions and other types of awards for student competitive functions, scholastic excellence, or outstanding school/community service,

and funding of athletic or honor banquets or receptions subject to the following guidelines:

- i. If the organization holding the banquet or reception or presenting the awards receives any SUF support, the institutional SUFAC must specifically approve the expenditure as part of the allocable SUF budget prior to the event.
- ii. Cash or product awards in excess of \$100 but less than \$500 may be given only upon prior approval of the Chancellor or his/her designee. Those in excess of \$500 must be approved by the UW System Vice President for Finance.

(c) Student media expenditures for:

1. Publishing student newspapers, yearbooks, magazines, paid admission event programs, and other print media. (Student publications are exempt from the state printing regulations per Section 35.012 [Wisconsin Statutes](#). However, they are not exempt from the regular purchasing regulations in Section 16.70.)
2. Operating student radio and television facilities.
3. Student film and videotape productions.

(d) Officially recognized athletic program expenditures for:

1. Uniforms, athletic equipment, travel, supplies and personal services.
2. Athletes' housing and meals prior to opening of a semester or during vacation periods.
3. Grants-in-aid as allowed by conference or membership affiliation.
4. Medical expenses for an athletic injury incurred while participating in an officially recognized athletic event. Injuries related to intramurals, open gym periods, club sports, and student-sponsored athletic events are not covered. (Information on student health insurance is available from the Institution's Risk Management Office.)

(e) Expenditures relating to the operations and activities of student organizations, student health services, day care centers, union student center, parking utility, stadium-arena, intramurals, and other student services for:

1. Salaries for student and other UW staff where related to the activity and in accordance with existing institutional and state wage rates and employment procedures. Payments shall be made in accordance with the provisions of the UW System Financial and Administrative Policy [F31](#) on “Personal Services Payments.”
2. Professional services.
3. Facilities, equipment, personal services, and supplies. Organization membership fees in other related and nonprofit organizations.
4. Debt service.

(f) Promotional items such as matchbooks, key rings, pencils, etc., used to promote an organization's single event or services, provided they are approved through the SUF allocation process.

(g) Special and ceremonial campus activities in which students are primarily involved provided they are approved through the SUF allocation process.

(3) *Prohibited SUF Expenditures.* In addition to other limits established by law or policy, SUF shall not be assessed or charged for:

- (a) Academic credit-producing activities.
- (b) Student services determined to be essential to the basic mission of the university, as identified in the UW System Financial and Administrative Policy [G15](#) on “Student Services Funding.”
- (c) Normal campus-wide activities and functions that service the entire institution, such as campus-wide, centrally provided physical plant and institutional support.
- (d) Direct financial aid to an enrolled student such as scholarships, tuition, room and board, but excluding child care payments.
- (e) Gifts, donations and contributions.
- (f) Awards to UW faculty or staff, other than non-monetary, *de minimis* items such as certificates, plaques and the like.
- (g) Costs of legal services, except where the governor has approved hiring an attorney to provide student legal services at an institution.
- (h) Lump sum payments to student organizations (as opposed to payments for specific purposes supported by invoices).

- (i) Contracts between a UW institution and a recognized student organization, except where subparagraph (6)(a)8, below, applies.
 - (j) Overhead costs of student organizations in facilities not owned, leased or subject to control by the university, except as permitted in Section I.B.(6)(a), below. As used in this section, overhead costs means those general organization expenses which cannot be charged as belonging exclusively to any particular part of the organization's activities or work, including without limitation because of enumeration, salaries of the organization's employees who are not UW employees, rent, taxes, insurance, lighting, heating and similar expenses.
- (4) *Conditions related to special policies.* In order to provide a basic level of stability in student health services, athletics and intramurals, and child care, the Board of Regents has approved the following special policies related to the use of SUF for those activities:
- (a) *Student Health.* In accordance with Regent Policy [23-1](#), "Basic Health Module," the chancellor of each institution has responsibility for determining the minimum level of student health service, however students may increase the level of service with allocable SUF approved through the established institutional process. The chancellor or designee will consult with SUFAC and/or the appropriate student health committee as to the appropriate programmatic level of student health care at the institution.
 - (b) *Athletics and Intramurals.* To the extent that guidelines for termination or non-renewal notices to personnel must be followed, and contracts for schedules exist, the SUF allocation for athletics and intramurals is non-allocable. A three-year budget review is required at the time the annual budget for athletics and intramurals is approved by students. Since the third year is normally beyond the time requirement of contracts for personnel notices, the budget for athletics and intramurals for the third year after the current budget year is allocable SUF, except for any outstanding schedule commitments or personnel contracts.

The foregoing is not intended to prevent the students from approving an increase in the program level during the first two years of the three-year cycle. It also is not intended to prevent a chancellor from approving a decrease in the program level during the first two years of the three-year cycle. The chancellor's action must be accompanied by a re-determination by the students of the level of third-year support.

- (c) *Child Care.* It is the policy of the Regents that:

"... as an alternative to community child care when it does not meet the needs of the institution or unit, each university should set a goal of seeing that top quality, low cost child care and extended child care services, preferably campus based, are available to the children of students, faculty and staff." (Section II.F of Regent Policy [14-3](#).) The chancellors and students are encouraged to review funding

requests for student child care services with special care. Consideration should be given to utilizing non-allocable SUF or requiring a three year budget process comparable to that required for athletics and intramurals. Child care allocations derived from SUF shall be identified separately in the annual institutional budget review process.

(5) *Expenditures of SUF-Generated Receipts.*

(a) Receipts generated by SUF activities become part of the budgets of those activities and may be used as permitted under Section I.C. of this policy. On occasions, such as the beginning of an academic year, where a ceremonial activity is merited but SUF-related receipt revenue has not yet been generated, it is permissible to pay the expenses of the activity from SUF and replenish the SUF account when the anticipated receipts are actually generated.

(b) Gate receipts from intercollegiate athletics may be used for athletic scholarships to the extent permitted by state law, university policies and the official conference rules applicable to the respective institutions.

(c) Donations and scholarships if the activity generating the SUF-related receipts was conducted specifically for such purposes. Any SUF expenses for the activity must be returned to the organization's account from gross receipts. The remaining receipts may then be used for the purpose for which they were generated.

(6) *Appropriate payments from allocable and non-allocable SUF.* Both allocable and non-allocable SUF may be used to fund certain activities and services. Reflecting the distinction between the two SUF categories, however, the following SUF expenditures are appropriately assigned as follows:

(a) *Appropriate expenditures of allocable SUF.* Except as limited elsewhere by law or policy, allocable SUF may be used to provide support for campus student activities, including:

1. Operations, activities and programs of recognized student organizations.
2. Concerts and lectures.
3. Athletic and intramural support for the third year of a three-year budget, and increases above the level of the first two years approved by the SUFAC and the Chancellor.
4. Student health services above the minimum module.

5. General operating costs or overhead costs of the student government organized at each institution under s. 36.09(5), Wis.Stats., student newspapers, and student radio and television.
6. Support for university personnel hired and supervised in compliance with applicable university personnel policies and procedures, and subject to the requirement that any proposed reduction of SUF support for university personnel due to student recommended alternative uses of allocable SUF must allow for proper employee notice and treatment, in accordance with applicable law and Board policies.
7. Costs of leasing non-university facilities for use by recognized student organizations where:
 - i. The SUFAC has demonstrated that there exists a substantial need to lease non-university facilities based on lack of available university space for specific, identifiable needs of recognized student organizations, and has agreed to allocate SUF for this purpose; and
 - ii. The chancellor agrees that the demonstration of substantial need by the SUFAC warrants the university seeking authorization from the Wisconsin Department of Administration and other state authorities as required by law to lease non-university premises for the specific purposes identified; and
 - iii. The lease is provided by the Wisconsin Department of Administration in accordance with ss. 36.11(1)(b) and 16.84(5), Wis. Stats.

In no event shall this subparagraph be construed to require a UW institution to provide or to dedicate space, or any particular type of space, for registered student organizations.

8. Costs of contractual services that benefit all students where:
 - i. The SUFAC has demonstrated that there is a substantial need for such services and that they cannot be provided by the UW institution, and has agreed to allocate SUF for this purpose;
 - ii. The chancellor agrees that there is a substantial need for the services, that the institution cannot provide them and that the substantial need demonstrated by SUFAC warrants procuring the services; and

- iii. The contractual services are secured pursuant to required state procurement processes.

In no event shall this subparagraph be construed to require a UW institution to provide a particular service.

9. Other items consistent with this policy, as determined by the institution.

(b) *Appropriate Expenditures of Non-allocable SUF.* Except as limited elsewhere by law or policy, non-allocable SUF may be used to support the following:

1. Debt service and approved capital projects.
2. Expense to enable all SUF-funded facilities and activities to present an operational building ready for use.
3. Base operating funding of student centers/unions, arenas, stadia, etc., not covered by direct user charges, including municipal services, adequate funding to provide for deferred maintenance, debt service contingencies and operating contingencies (as defined in the reserve policy), and business services not centrally provided.
4. Athletic and intramural support, to the extent that athletic schedules and/or personnel commitments dictate SUF support for athletics and intramurals, at the levels previously approved by the SUFAC and the Chancellor for the two years after the current budget year (increases permitted).
5. Minimum student health program as determined by the Chancellor.
6. Other items as determined by the institution, consistent with this definition and UW System policies, such as personnel contracts, child care, and textbook rental.

C. Deposit of SUF in State Treasury.

- (1) SUF are state funds which are deposited and held in the State Treasury, and which are subject to same limitations on use as other state funds.
- (2) Where SUF is used to support an event sponsored by a student organization, the organization must use any revenues generated by the event to reimburse the SUF fee account.

- (a) Any revenues generated by the event in excess of the SUF support provided are available to the organization for its own use, and the organization is not required to deposit these excess revenues in the State Treasury; and
 - (b) A student organization using university facilities for an event for which no SUF support was received is not required to deposit those receipts in the State Treasury.
- (3) Student organizations may use institutional agency accounts, where available and subject to institutional requirements, for the deposit of receipts generated by their organization activities.

II. Allocable SUF.

A. Allocation process.

- (1) Allocable SUF are allocated by students, in consultation with the Chancellor or his/her designee, and subject to the final confirmation of the Board of Regents.
- (2) Procedures for student participation on the SUFAC and in the SUF budget and allocation process are determined by the students at each institution.
- (3) In recommending SUF allocations, the SUFAC should recognize the need of the institution to maintain viable programs supported by allocable SUF in the fine arts, child care, recreation, athletics and other programs traditionally supported by SUF.
- (4) Budget information relevant to the allocable SUF budget for each institution, including, but not limited to enrollment projections, SUF revenue projections, and reserve balances, will be provided to the students annually by the campus administration prior to the students' process for determining allocation levels.
- (5) Allocable SUF must be allocated in a viewpoint-neutral manner; student referenda may not be used, directly or indirectly, to allocate SUF to student organizations for extracurricular speech or expressive activities.
- (6) Each student government, in consultation with the chancellor, must develop institutional allocation policies and procedures that, at a minimum:
 - (a) Describe any written criteria, in addition to those elsewhere established by law, for the allocation of SUF.
 - (b) Require the creation of a detailed record, which may be a tape recording, of all student fee funding allocation deliberations.
 - (c) Require that student organizations denied funding be provided, upon request, with a written statement of reasons for the denial.

(d) Provide a mechanism for avoiding conflicts of interest by students participating in the process for allocation of student fee funding, which mechanism may include requiring that participants disclose lobbying contacts.

(e) Establish an appeal process within student government for the review of student fee funding decisions where it is alleged that the decision was based on a student organization's extracurricular speech or expressive activities, resulting in a violation of the requirement that allocable SUF be distributed in a viewpoint-neutral manner and where the appealing party has exhausted the process for review of student fee funding decisions established by the student government for such cases. The Chancellor's decision in such cases shall be final, unless the matter is brought to the Board of Regents in accordance with Regent Policies [30-3](#) and [30-5](#).¹

B. Eligibility for receipt of allocable segregated fee funds.

(1) Only officially recognized student organizations, and university departments to the extent permitted under the UW System Financial and Administrative Policy [G15](#) on "Student Services Funding," are eligible to receive allocable SUF.

(2) Student organizations must meet the following minimum requirements to obtain official recognition:

(a) Prepare and file with the Office of the Dean of Students, or other designated institutional office, a constitution and bylaws for the organization.

(b) Consist of at least four members, at least 3/4 (three-quarters) of whom are students enrolled for a minimum of one semester hour of credit at the UW institution for which the organization is seeking official recognition.

(c) Require that all leadership positions in the organization be held by students enrolled on a fee-paying basis for at least half-time; as used in this policy, "half-time" status means enrollment for a minimum of six credits as an

¹ Regent Policy Documents 30-3 and 30-5 establish an appeals process for situations in which the students and chancellor disagree about the allocation of SUF. In accordance with [Regent Policy 30-3](#), if the Chancellor disagrees with the students' recommended disposition, the basis for denying or changing the student decision must be substantial and communicated to the recommending students in a timely manner. The chancellor must discuss any recommended changes s/he recommends to the budget for student consideration and decision before forwarding the institution's budget to System Administration and the Board of Regents. If any disagreement is not reconciled after further discussion at the institutional level, both the students' and the Chancellor's budgets are to be presented to the UW System President's Office by April 1. The President or his or her designee will attempt to mediate the dispute before forwarding it to the Board of Regents with a recommendation for its resolution. (Criteria for the Board's use in considering appeals are set forth in the [Regent Policy 30-5](#).) Such budget disputes will be considered by the Board prior to action on the annual budget.

undergraduate student, and enrollment for a minimum of four credits as a graduate student, except that UW Colleges students need only be enrolled for a minimum of three credits.

- (d) Obtain an advisor, or the assistance of an advising service, employed by the UW institution where the organization is seeking recognition.
- (e) Be organized on a not-for-profit basis, as demonstrated by evidence that the organization uses any income or profit for organizational purposes, not for any individual or commercial gain.²
- (f) As required by Regent Policy [30-6](#), "Policy on Recognition of Student Organizations," extend membership and all membership privileges, including voting and eligibility to hold office, to all students without regard to age, ethnicity, gender (except as otherwise permitted by Title IX of the Education Amendments of 1972), disability, color, national origin, religion, sexual orientation or veteran status, except those student organizations that select their members on the basis of commitment to a set of beliefs (e.g., religious or political beliefs) may limit membership and leadership positions in the organization to students who affirm that they support the organization's goals and agree with its beliefs.
- (g) UW System institutions may establish additional requirements for official recognition consistent with this policy.

(3) *Reporting student organization financial information.* Student organizations are required to comply with requests for financial information in the circumstances in (a) and (b) of this section. An organization's failure to comply with a request for financial information may result in the denial of eligibility to receive SUF and/or the use of university facilities.

- (a) All student organizations receiving allocable SUF or using institutional facilities must provide financial records, if requested by SUFAC or by the institution, indicating specific revenues and expenditures for specific events for which SUF support or the use of university facilities was provided.
- (b) Where allocable SUF are received for ongoing operations or activities of an organization in accordance with this policy, the organization must provide financial records of its entire operation, when requested by the SUFAC or by the institution.

² The term "not-for-profit" as used here is not the same definition as used for state or federal tax purposes. Thus, registration as a student organization will not automatically result in exemption from state or federal income tax or state sales tax. If an organization has obtained tax exempt status from taxing authorities, however, documentation of that status would demonstrate that the organization is organized on a "not-for-profit" basis.

- (c) Failure on the part of a student organization to provide financial information in accordance with this policy may result in suspension or loss of recognition, and privileges associated with recognition.

III. Non-allocable SUF

A. Responsibility of Chancellor.

The chancellor of each institution is primarily responsible for the development of the non-allocable SUF budget, and shall ensure that the institution's annual budget proposal for non-allocable SUF will generate sufficient monies to cover these commitments.

B. Student review.

In accordance with Regent Policy [30-5](#), “Policy and Procedures for Segregated University Fees,” students are to be given an opportunity to review and offer advice upon the budget of each program and activity that is funded primarily with non-allocable SUF. To that end, each campus administration, in consultation with its student governance groups, shall develop specific procedures to ensure that there is an opportunity for SUFAC to conduct a timely and meaningful review of the non-allocable SUF budget. A copy of these procedures, signed by appropriate campus administrators and student representatives, shall be filed with the UW System President’s designee. The agreed upon procedures shall be consistently followed from one year to the next and any changes to those procedures will be documented and filed with the UW System President’s designee. Consistent with section B.1 of Regent Policy [30-3](#), “Guidelines for Student Governance,” the President’s designee shall mediate if a campus administration and its student representatives cannot reach agreement upon the procedures to be followed.

Any proposed major remodeling or major new construction project as defined by section 20.924(1)(a) Wisconsin Statutes that will increase the non-allocable portion of the SUF on any campus shall be reviewed by the Chancellor with appropriate student representation. There shall be specific action by the SUFAC on the project in question, which will be presented as part of the required information for the Regents at the time the project is advanced for approval.

Related Policies

[Regent Policy Document 30-5](#), “Policy and Procedures for Segregated University Fees”

[Regent Policy Document 30-3](#), “Guidelines for Student Governance”

[Regent Policy 30-6](#), “Policy on Recognition of Student Organizations”

[FAP - Student Services Funding \(G15\)](#)

FAP - Auxiliary Enterprises Support Services Chargebacks (F42)

FAP - Physical Plant Services Chargebacks (F25)

FAP - Child Care Centers (G38)

FAP - Financial Management of Auxiliary Operations (F43)

FAP - Personal Services Payments (F31)

UW-La Crosse Growth, Quality, and Access
Differential Tuition Initiative

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System and the students and Chancellor of the University of Wisconsin-La Crosse, the Board of Regents approves differential tuition for all new UW-La Crosse undergraduate students beginning in the Fall Semester of 2008-09. Tuition will increase \$250 per semester (\$500 per year) for the 2008-09 academic year and an additional \$250 per semester (\$500 per year) for 2009-10 academic year, for a total differential tuition of \$1,000. Beginning with the 2010-11 academic year, the differential tuition rate will increase annually by an amount sufficient to cover the general salary and fringe benefit percent increases utilized by the Board of Regents in setting general resident undergraduate tuition. The differential will be applied to full-time students and prorated for part-time students.

Based upon community and student support, impacts on regional and statewide economic growth, and bipartisan Legislative support for the UW-La Crosse Growth, Quality and Access Agenda, the Board encourages the Legislature to work with the University to allow the application of the GPR funding of \$664,800 from the 2007-09 UW-La Crosse Growth Agenda to need based financial aid for students affected by this initiative.

GROWTH, QUALITY, AND ACCESS UNDERGRADUATE DIFFERENTIAL TUITION UW-LA CROSSE

EXECUTIVE SUMMARY

BACKGROUND

In its *Study of the UW System in the 21st Century*, the Board of Regents approved flexibilities for tuition setting. UW-La Crosse proposes establishing an undergraduate differential tuition to provide more Wisconsin residents access to UW-La Crosse in order to earn a college degree, hire additional faculty and staff to enhance quality and academic excellence, and ensure that cost is not a barrier for students to attend UW-La Crosse.

REQUESTED ACTION

The Board is asked to approve a differential tuition for all new undergraduate students at UW-La Crosse beginning in the 2008-09 academic year. Tuition will increase \$250 per semester (\$500 per year) for the 2008-09 academic year and an additional \$250 per semester (\$500 per year) for 2009-10 academic year, for a total differential tuition of \$1,000. The differential will be applied to full-time students and prorated for part-time students. Beginning with the 2010-11 academic year, the differential tuition rate will increase annually by an amount sufficient to cover the general salary and fringe benefit percent increases utilized by the Board of Regents in setting general resident undergraduate tuition. The percent that the differential tuition rate increases each year would not be expected to be larger than the percent that resident undergraduate tuition increases. The proposed differential tuition will be assessed and evaluated on an annual basis by a campus oversight committee comprised of students, faculty, and staff. In addition, the outcomes of the proposed differential tuition initiative will be presented to the Board of Regents for review after five full years of implementation.

DISCUSSION AND RECOMMENDATIONS

UW-La Crosse has a record of enrolling, retaining and graduating talented individuals. The campus is uniquely positioned to be able to attract a larger and more able student body, thereby graduating even more students. For example, the number of applicants to UW-La Crosse has steadily increased to the point that more than two applications are received for every place available in the freshmen class. More impressively, the academic profile for incoming freshmen consistently ranks first amongst the UW System comprehensive institutions.

In order to capitalize on its reputation for high quality programs and market position, UW-La Crosse proposes a differential tuition plan that promotes Growth, Quality, and Access with the goals of:

1. Allowing more Wisconsin residents access to UW-La Crosse in order to attain a college degree by growing the undergraduate enrollment of the university by at least 500 additional students over the next three to five years;
2. Hiring at least 75 additional faculty and 20 additional staff over the next five years in order to improve academic quality and enhance the undergraduate experience; and
3. Ensuring that cost is not a barrier for students, particularly those from Wisconsin's lower and middle income families, by increasing need-based financial aid to those students.

The proposed differential tuition plan will increase undergraduate tuition by \$250 per semester (\$500 per year) for all new UW-La Crosse students beginning in the fall semester of 2008 followed by an additional increase of \$250 per semester (\$500 per year) for the 2009-2010 academic year. This will result in a total tuition differential of \$1,000. Students enrolled at UW-La Crosse prior to Fall 2008 who remain continuously enrolled will not be subject to the differential tuition. Beginning in the Fall of 2010, the differential tuition rate will increase annually by an amount sufficient to cover the general salary and fringe benefit percent increases utilized by the Board of Regents in setting general resident undergraduate tuition. The percent that the differential tuition rate increases each year would not be expected to be larger than the percent that resident undergraduate tuition increases. By the fifth year of implementation, the tuition plan will generate approximately \$10 million in new financial resources which will be used to hire additional faculty and staff, as well as purchase instructional supplies and equipment.

The Growth, Quality, and Access differential tuition will be in addition to the Academic Excellence Initiatives differential tuition currently assessed to UW-La Crosse undergraduate and graduate students. The Academic Excellence Initiatives differential tuition was approved by the Board of Regents beginning in the Fall of 2003 in order to provide direct financial support for undergraduate research, advising, diversity and international education. For 2007-08, this differential is currently \$28.41 per semester (\$56.82 per year) and increases by 3 percent annually.

As a result of the investment of new differential tuition dollars into the academic quality of UW-La Crosse, it is expected that new student demand for access to the university will maintain at its current rate or even increase. It is also anticipated that UW-La Crosse will sustain its freshman retention rate of 86 percent and six-year graduation rate of 63 percent. Although the differential plan increases UW-La Crosse's tuition by \$1,000 over a two-year period, the campus will remain below the average tuition and academic fees for its Midwestern Comprehensive Universities peer group.

In an effort to reduce the impact of the differential tuition and maintain access to UW-La Crosse for students from lower and middle income families, the university is working with Legislative leaders on a plan to use the \$664,800 in new GPR funding that was allocated to UW-La Crosse in the recently completed state budget process as need-based financial aid. This aid will be targeted to provide support for lower and middle income students.

Local communities and organizations have voiced strong support for the UW-La Crosse Growth, Quality, and Access initiative, and recognize the benefits that the proposed plan brings in terms of increasing access to UW-La Crosse for students from the region as well as the economic benefits of having a larger student enrollment and increased number of faculty and staff. UW-La Crosse will also continue its efforts to enhance the diversity of the UW-La Crosse student population by intensifying recruiting efforts in Wisconsin's inner-city high schools.

The proposed differential tuition is also a reflection of the priorities of UW-La Crosse students and their commitment to enhancing access and academic quality. On November 7, 2007, the UW-La Crosse Student Senate passed a motion to approve the proposed differential tuition initiative by a vote of 34-0-1. In addition, the Student Senate initiated an on-line survey to solicit the input of students regarding the differential tuition proposal. There were approximately 1,560 respondents to the survey (approximately 16 percent of UW-La Crosse's headcount enrollment), of which 65.7 percent favored the Growth, Quality, and Access differential tuition proposal.

An oversight committee will be established with representation from students, faculty, and staff to evaluate the differential tuition annually and make on-going recommendations about the UW-La Crosse differential tuition initiative. In addition, the outcomes of the proposed differential tuition initiative will be presented to the Board of Regents after five full years of implementation.

RELATED REGENT POLICIES

Study of the UW System in the 21st Century (June 1996)

Sick Leave, Vacation, and Personal Holiday
Leave Reporting for Unclassified Staff

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.f.1:

That, upon the recommendation of the President of the UW System, the Board of Regents approves the following policy:

Effective January 1, 2008 it shall be the policy at each institution in the UW System that sick leave, vacation, and personal holiday leave for full-time unclassified employees shall be charged in units of one-half days. Absence of one-quarter day up to three fourths day shall be charged as one half day. Absence of three fourths day up to one and one quarter day shall be charged as one day. Employees with less than full-time appointments shall report actual hours absent when using sick leave, vacation, and personal holiday leave.

Reduction of Sick Leave Accrual for
Unclassified Staff Failing to Report Leave Usage

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.f.2.:

That, upon the recommendation of the President of the UW System, the Board of Regents approves the following policy:

Effective with sick leave accrued in fiscal year 2007-08, any employee who fails to file a report on leave usage as required by UW System policy in one or more months of any year shall not be permitted to accrue sick leave for that year in an amount exceeding the cap established by s. 40.05(4)(bp)1., Wis. Stats. (i.e., 8.5 days for an annual appointee or 6.4 days for an academic year appointee).

Sick Leave Reporting and Teaching Responsibilities

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.f.3:

That, upon the recommendation of the President of the UW System, the Board of Regents approves the following policy:

Effective with the beginning of the Spring 2008 semester, teaching responsibilities not met because of an absence specified in UWS 19.01, Wis. Adm. Code, must be reported as leave, regardless of whether a qualified instructor covers the aforementioned responsibilities. Teaching responsibilities include class time preparation, actual classroom instruction, and scheduled office hours available to students for educational guidance.

**UNIVERSITY OF WISCONSIN SYSTEM
REPORT TO THE BOARD OF REGENTS ON THE RESPONSE TO
LEGISLATIVE AUDIT BUREAU REPORT 06-12, AN EVALUATION:
PERSONNEL POLICIES AND PRACTICES IN THE UNIVERSITY OF
WISCONSIN SYSTEM**

EXECUTIVE SUMMARY

BACKGROUND

The Legislative Audit Bureau Report 06-12, *An Evaluation: Personnel Policies and Practices in the University of Wisconsin System*, issued in October 2006, made recommendations in the areas of reporting of sick leave and vacation usage, utilization of limited appointments and concurrent or back up positions, employment of unclassified staff as consultants, and compliance with statutory requirements and consistent institutional practices regarding faculty sabbaticals. As required by this audit, the UW System provided a report to the Joint Legislative Audit Committee on June 1, 2007 responding to all of the recommendations. In addition, the report also provided comment on actions taken regarding other findings in the October 2006 LAB report for which the LAB made no specific recommendations.

The Joint Legislative Audit Committee acknowledged receipt of this report and requested a second written progress report be submitted by January 15, 2008. Specifically, the Joint Legislative Audit Committee requested the report detail the status of changes to the personnel policies and practices implemented in response to the audit, and include copies of specific reports made to the Board of Regents in December of 2007 on limited appointments and on unclassified consultants.

REQUESTED ACTION

Approval of Resolutions I.2.f.1, I.2.f.2., and I.2.f.3.

DISCUSSION

After review by System Administration Staff, consultation with faculty and academic staff governance groups, and the Special Regent Committee on Response to the LAB Audit on Personnel Policies and Practices, several administrative improvements in leave reporting have been or are in the process of being implemented as indicated in the attached report. In addition to any action taken by the Board of Regents in the December 2007 meeting, the entire report will be forwarded to the Joint Legislative Audit Committee by January 15, 2008.

The attached report includes the required annual reports to the Board of Regents on the use of limited appointments and associated concurrent appointments and the use of the unclassified consultant title. This report also includes LAB recommended forms to be used in documenting sabbatical agreements and compensation received during sabbaticals.

RELATED REGENT POLICIES

Wisconsin Administrative Code, ch. UWS 19

Wisconsin Administrative Code, ch. UWS 15

Regent Policy 20-1. (Formerly 73-10) System Sick Leave Policy for Faculty and Academic Staff

Regent Policy 20-18 (Formerly 05-01) Review of University Personnel Policies and Practices

University of Wisconsin System
Report to the Board of Regents on Response to the Legislative Audit Bureau Report 06-12,
An Evaluation: Personnel Policies and Practices in the
University of Wisconsin System
December 7, 2007

I. Policy changes to address the LAB findings and recommendations

LAB Recommendations (page 34 and 39):

- *consider modifications to policies for reporting sick leave use by unclassified staff within the University of Wisconsin System;*
- *consider ways to modify how vacation time use is reported by unclassified staff within the University of Wisconsin System, such as by more strictly enforcing existing policies; and*

1. Require uniform leave reporting policy across the UW System institutions.

Status: Decision pending.

Regent

Action: Recommend adopting the following policy to be required at all UW System institutions for unclassified staff (Resolution I.2.f.1. – Attachment A).

Policy:

Effective January 1, 2008 it shall be the policy at each institution in the UW System, that sick leave, vacation and personal holiday leave, for full-time unclassified employees shall be charged in units of one-half days for full-time appointments. Absence of one-quarter day up to three fourths day shall be charged as one half day. Absence of three fourths day up to one and one quarter day shall be charged as one day. Employees with less than full-time appointments report actual hours absent.

Rationale:

Unclassified staff members are compensated as salaried professionals making them ineligible for overtime or for comp time. They typically work well beyond a standard 40-hour workweek and receive no additional compensation for doing so. Their leave reporting requirements should reflect this. Hourly reporting of leave is a system that makes more sense for the worker who is paid on an hourly basis and is eligible for overtime and comp time. Therefore, unclassified staff members should continue to be afforded the flexibility provided by the current system of reporting in half-day increments.

2. Require uniform capping of sick leave accrual policy across the UW System institutions. Provide a fact sheet for leave reporting policies and direction for supervisors on when it is appropriate and necessary to make corrections to leave statements.

- a. On an annual basis, reduce sick leave accrual if the employee has failed to report leave usage in one or more months during the year.

Status: Work is well underway to address the system programming changes that would be required to implement this policy, if approved.

Regent

Action: Regent approval of the policy is needed to implement at the end of fiscal year 2008. The following policy is recommended for adoption (Resolution I.2.f.2. – Attachment B).

Policy:

Effective with leave accrued in fiscal year 2007-08, sick leave accrual will be reduced if the employee has failed to file a report on leave usage in one or more months during the year. Sick leave accrual for that year will be limited to the capped amount specified in s. 40.05(4)(bp)1., Wis. Stats. (i.e., 8.5 days for an annual appointee or 6.4 days for an academic year appointee). The reduction will apply both to the sick leave available to employees during their careers and to the sick leave balance certified at retirement.

Rationale:

In August 1987, in response to a Legislative Audit Bureau (LAB) audit, the state legislature imposed a cap on the amount of sick leave faculty, academic staff, and limited appointees could use to pay for health insurance upon retirement, layoff, or death. With the cap, the amount of sick leave that could be carried over each year for the purpose of converting to credits to pay for health insurance was limited to 8.5 days for annual employees and 6.4 days for academic year employees. In order to receive a waiver for the sick leave cap, each UW System institution had to demonstrate strict compliance with the leave reporting requirements.

Faculty, academic staff, and limited appointees earn 12 days of sick each year which can be used to cover absences due to personal illness, injury, or medical appointments, as well as for care for family members and for bereavement leave. Unused sick leave accumulates from year to year. At retirement, the sick leave balance is converted to dollar credits to pay for health insurance premiums.

The value of the sick leave credit conversion for individuals at retirement and to the UW System in recruiting and retaining faculty and staff cannot be overstated. In order to retain this benefit, we must be able to show continued compliance with the reporting policies. Most UW System faculty, academic staff, and limited appointees already report their leave accurately, completely, and in a timely manner and will not be impacted by this policy. The decision to apply the sick leave cap to those who do not comply with the reporting requirements is essential for the continuation of the waiver of the sick leave cap for UWS faculty, academic staff, and limited appointees.

- b. Develop a fact sheet on leave reporting requirements to be included with the employment contract/letter and or other mechanism for disseminating this information to new and continuing employees and supervisors.

Status: Draft fact sheet is attached (Attachment C).

Regent

Action: Information only.

- c. Direct that supervisors correct a leave report that appears to be inaccurate, with appropriate documentation and notification to the employee.

Status: Instructions on the leave reporting form will include a reminder to supervisors of the need to review the accuracy of the leave reports as part of the sign off requirement and steps they need to take to correct or complete reports on behalf of the employee when they are aware of the need to do so.

Regent

Action: Information only.

- 3. Require sick leave reporting for teaching responsibility absences

Status: The Special Regent Committee on Response to the LAB Audit on Personnel Policies and Practices is on record as supporting the following policy change that would need to be approved by the Board of Regents.

Regent

Action: Regent approval of the policy is needed to implement at the beginning of the Spring term, in January 2008. The following policy is recommended for adoption (Resolution I.2.f.3. – Attachment D).

Policy:

Effective with the beginning of the Spring 2008 semester that starts in January 2008, teaching responsibilities not met because of an absence specified in UWS 19.01, Wis. Adm. Code, must be reported as sick leave, regardless of whether a qualified instructor covers the aforementioned responsibilities. Teaching responsibilities include class time preparation, actual classroom instruction, and scheduled office hours available to students for educational guidance.

Rationale:

In many professional settings throughout the country, when an employee is absent due to illness or for any other reason and has time-sensitive responsibilities, a coworker covers for them to ensure that the responsibilities are carried out. Such coverage in many cases is considered a part of their regular job expectations. Indeed, current situations exist in the university setting in which colleagues cover for each other when there is a conflict with teaching such as when a faculty member presents a paper at a conference. Colleagues and coworkers receive no benefit other than reciprocation for these occasions.

We recognize the benefit to students in the provision of having colleagues cover teaching responsibilities. However, when an instructor is unable to carry those responsibilities out due to an illness, it is important to avoid the perception of misuse of the sick leave benefit. Therefore, individuals absent due to illness, as defined in UWS 19.01, should be recording their use of sick leave regardless of whether or not a colleague is able to cover their teaching responsibilities.

4. Affirm the policy that allows sick leave accrual during sabbatical leave.

Status: Recommend no change to the current policy.

Regent

Action: Information only.

Rationale:

During a sabbatical, a faculty member remains employed by the University and is expected to fulfill many of the same responsibilities as when not on sabbatical. These responsibilities include working full time on the sabbatical project. In return, faculty expect to enjoy many of the same rights as when not on sabbatical, including the accrual of sick leave.

Therefore, we recommend it is essential to maintain the current policy in which the employee accrues sick leave. The employee would be required to formally establish a 40-hour workweek for the purposes of sick leave reporting and report sick leave used during those hours. It will be necessary to educate the employee of this requirement before the sabbatical begins. This approach has merit in that it reflects the fact that the person is still employed by the University and is expected to be working full time during the sabbatical. It also does not require a temporary administrative change to the leave accrual and reporting during the sabbatical period.

5. Affirm the current policy for defined work schedules as it relates to sick leave and the statutory requirements for reporting sick leave.

Status: Recommend no change to the current policy, but will provide staff with additional information on the rationale and requirement for defining a work schedule for purposes of leave reporting (Attachment E).

Regent

Action: Information only.

6. Required sabbatical leave forms, agreements, and signatures.

LAB Recommendation (page 75):

- *To ensure compliance with statutory requirements and consistency in institutional practices, we recommend University of Wisconsin System Administration develop both:*
 1. *a standard agreement for signature that lists all statutory and policy requirements related to faculty sabbaticals, including the need to return to the institution for at least one year after a sabbatical, to complete a final report on sabbatical activities within three months after a sabbatical, and to submit monthly leave reports while on sabbatical; and*
 2. *a standard form for all institutions to use in determining total compensation received by faculty on sabbatical, including compensation from outside sources and from short-term duties at individual institutions.*

Status: Form for signatures (Attachment F) and form for determining total compensation (Attachment G) have been developed and are in effect beginning Fall of 2007.

Regent

Action: Information only.

II. Administrative changes to address the LAB findings and recommendations

LAB Recommendations (pages 34 and 39):

- *the Board of Regents consider modifications to policies for reporting sick leave use by unclassified staff within the University of Wisconsin System;*
 - *consider ways to modify how the use of vacation time use is reported by unclassified staff within the University of Wisconsin System, such as by more strictly enforcing existing policies; and*
1. Revise the System-wide uniform leave reporting form (UW-1538) for reporting use of sick leave, vacation, and personal holidays.

Status: The leave reporting form will be ready for implementation in early 2008.

Regent

Action: Information only.

UW-1538 (**Attachment H**) consists of a report of the employee's previous leave balances and a space for the employee to report the current month's leave usage.

It is distributed to the institutions monthly by the UW Service Center. The institutions distribute the form electronically or manually to their employees.

Form UW-1538 improvements:

- a. Continues use of the current perforated form, however, an online form will be created to provide easier compliance, especially for those not on campus at the monthly leave reporting due date.
 - b. Instructions on how to complete the monthly leave report will be provided.
 - c. A place on the leave reporting form will be provided to indicate use of vacation or other leave in lieu of sick leave since many unclassified staff choose this option.
 - d. Days of the week as well as dates on the current month's leave report will be shown which will make it easier to complete and reduce errors.
 - e. Each UW System institution will be asked to post a copy of form UW- 1538 on its website for use by employees. Eventually as time and technology permit, this form will be able to be completed on-line and emailed to the supervisor and then to the payroll office. This may not be possible until the new Human Resource System is fully implemented.
 - f. Reason codes will be provided for adjustments to prior leave balances allowing for more accurate auditing of reasons for balance changes that are not the result of the current month's leave activity, such as error correction.
2. Create a system-wide deadline for submission of the current month's leave report to the payroll office.

Status: A standard deadline will be incorporated along with the implementation of the revised leave reporting form in early 2008.

Regent

Action: Information only.

Form UW-1538 indicates a deadline, approximately the 10th of the next month. Flexibility will be provided in order to take into account circumstances beyond an individual's control that would cause the individual to fail to turn in the report in a timely manner, such as illness or emergencies.

3. Improve employee education regarding the importance of proper sick leave and annual leave reporting.

Status: Items a, b, and c have been implemented as of Oct. 2007. Items d and e will be addressed once policy decisions under Section I above are finalized at the December 2007 meeting of the Board of Regents.

Regent

Action: Information only.

Examples of improved educational measures include:

- a. Revise and disseminate the UWSA PowerPoint presentation on sick leave to include more information about how to report leave usage.

- b. Provide institutions with new employee orientation materials to help new employees understand the leave reporting requirements.
- c. Require each institution to issue an annual reminder on sick leave reporting and provide materials that the institution could use to do so.
- d. Revise and simplify policy guidelines on leave reporting (UPG#9 & 10) to make them more understandable for employees.
- e. Offer specialized training to supervisors regarding the review of leave reports.

III. Annual Reports to the Board of Regents Required by the LAB Audit

LAB Recommendation (page 48):

- *Require University of Wisconsin System Administration to report annually on the number of employees with concurrent or back-up positions or notice of termination protections at each institution for the current and prior years.*

Status: Report is complete for October 2006 and October 2007 payroll periods for the current and prior years (Attachment I).

**Regent
Action:** Information only.

LAB Recommendation (page 64):

- *University of Wisconsin System Administration annually report to the Board of Regents on:*
 1. *all consultants hired, including those paid on a lump sum basis; and*
 2. *the number of unclassified consultants who have been employed in the same positions for more than one year and why, as well as how long they are expected to remain in those positions.*

Status: Report is complete for the period from October 2006 through October 2007 (Attachment J).

**Regent
Action:** Information only.

Attachment A

**Sick Leave, Vacation, and Personal Holiday
Leave Reporting for Unclassified Staff**

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.f.1:

That, upon the recommendation of the President of the UW System, the Board of Regents approves the following policy:

Effective January 1, 2008 it shall be the policy at each institution in the UW System that sick leave, vacation, and personal holiday leave for full-time unclassified employees shall be charged in units of one-half days. Absence of one-quarter day up to three fourths day shall be charged as one half day. Absence of three fourths day up to one and one quarter day shall be charged as one day. Employees with less than full-time appointments shall report actual hours absent when using sick leave, vacation, and personal holiday leave.

Attachment B

Reduction of Sick Leave Accrual for
Unclassified Staff Failing to Report Leave Usage

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.f.2.:

That, upon the recommendation of the President of the UW System, the Board of Regents approves the following policy:

Effective with sick leave accrued in fiscal year 2007-08, any employee who fails to file a report on leave usage as required by UW System policy in one or more months of any year shall not be permitted to accrue sick leave for that year in an amount exceeding the cap established by s. 40.05(4)(bp)1., Wis. Stats. (i.e., 8.5 days for an annual appointee or 6.4 days for an academic year appointee).

12/7/07

I.2.f.2.

Leave Reporting Requirements Fact Sheet

Whether you are a new or existing employee, it's important to recognize that sick leave, vacation, and personal holidays are significant elements of the UW System total compensation package. Accountability for proper leave use and reporting are essential to ensure the on-going availability of these valuable benefits.

- For unclassified employees – faculty, academic staff, and limited appointments – leave is earned on a fiscal basis, July 1 through June 30.
- Annual-based employees earn sick leave, vacation, and personal holidays.
- Nine-month academic year employees earn sick leave and legal holidays that fall during the academic year, but not vacation or personal holidays.
- If you are employed on a part-time basis, your leave time is pro-rated consistent with your percentage of employment or actual hours worked.

Sick Leave

In Wisconsin, unused sick leave has a high value after retirement. At retirement, the sick leave balance is converted to dollar credits to pay for health insurance. Employers contribute to fund the program.

- New full-time employees are granted an initial entitlement of 22 working days (176 hours) of sick leave. After 18 months of service, employees with *annual appointments* earn sick leave at the rate of one day per month and employees with *academic-year appointments* earn sick leave at the rate of six days per semester.
- Except for the initial entitlement, sick leave may be taken only after it has been earned.
- Sick leave can be used when you cannot be present during your official schedule due to medical appointments, your own illness or injury or that of a family member who requires your care, or the death of a family member. State law and UW policy allows employees to use sick leave for time off for a birth or adoption.
- If you report completely, accurately, and in a timely manner, your unused sick leave accumulates from year to year without limit.

Leave Reporting

In response to a Legislative Audit Bureau (LAB) report, in 1987 the state legislature imposed a cap on the amount of sick leave faculty, academic staff, and limited appointees could use to pay for health insurance upon retirement, layoff, or death. With the cap, accrued sick leave would be limited to 8.5 days per year for annual employees and 6.4 days per year for academic-year employees.

In order to obtain a waiver to this cap, each UW institution independently agreed to identify a standard 40-hour work week for reporting purposes, distribute a monthly statement, and collect monthly reports, even if no leave has been used. Accurate leave reporting is part of the UW System's responsibility to the public. It is important to remember that you are a part of a larger community and your actions can affect not only you but also your colleagues and your institution.

- You must establish a standard work week for reporting purposes.
- Your official schedule should total 40 hours per week (pro-rated for part-time), and should include all classes, office hours, other regularly scheduled obligations, and time for research or other self-directed work required by your appointment.
- The default schedule for all unclassified employees is Monday through Friday, 7:45 a.m. – 4:30 p.m.
- With the approval of your department chair or supervisor, you may file an alternate schedule. With the approval of your department chair or supervisor, you may change your official schedule whenever necessary.
- A leave report is due monthly, regardless of whether any leave time is used during the month.
- Submit your monthly leave report to your department chair or supervisor, whichever is applicable, no later than the **10th of the month**.
- Indicate the amount and type of leave taken on the day or days of the month for which the report is completed, and sign and date the form.
- Part-time employees report actual hours missed.
- Full-time employees report sick leave in half- and full-days (4 and 8 hours).

During each work day, if you miss:	< 2 hrs	2-6 hrs	6-10 hrs
Report leave of:	0 hrs	4 hrs	8 hrs

Additional Information

- Unclassified Personnel Guideline (UPG) on Sick Leave Policy www.uwsa.edu/hr/upgs/upg10.pdf.
- UWSA web site for sick leave: www.uwsa.edu/hr/benefits/leave/sick.htm.
- UWSA presentation on leave reporting www.uwsa.edu/hr/leave/unclassleavereporting.ppt.
- UWSA sick leave presentation www.uwsa.edu/hr/benefits/leave/unclasssickleave.ppt.
- UWSA unclassified employees benefits presentation www.uwsa.edu/hr/benefits/newemp/orientunclass.ppt
- Leave reports are required by www.legis.state.wi.us/statutes/Stat0040.pdf

Attachment D

Sick Leave Reporting and Teaching Responsibilities

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.f.3:

That, upon the recommendation of the President of the UW System, the Board of Regents approves the following policy:

Effective with the beginning of the Spring 2008 semester, teaching responsibilities not met because of an absence specified in UWS 19.01, Wis. Adm. Code, must be reported as leave, regardless of whether a qualified instructor covers the aforementioned responsibilities. Teaching responsibilities include class time preparation, actual classroom instruction, and scheduled office hours available to students for educational guidance.

Rationale for Defining a 40-hour Work Schedule for Purposes of Leave Reporting

At the UW System, unused sick leave has a high value after retirement. Not only are your unused hours of sick leave converted to dollar credits to pay for health insurance, but also, if you work for the State and/or UW System for at least 15 continuous years prior to retirement, those hours are matched (up to a limit) under the Supplemental Health Insurance Conversion Credit Program. At retirement, the cost of your health insurance premiums is deducted from your accumulated sick leave credits until the credits are used up. The ability to convert unused sick leave, and to receive supplemental sick leave credits, is a substantial, *non-taxable* addition to your retirement income.

Most UW System peer institutions do not have a monetary value associated with the accrual of unused sick leave. And for those that do, the value is substantially less than the monetary value of our accumulated sick leave conversion program. Sick leave, vacation, and personal holidays are significant elements of the UW System total compensation package and a significant recruitment and retention tool.

In response to a Legislative Audit Bureau (LAB) report, in 1987 the state legislature imposed a cap on the amount of sick leave faculty, academic staff, and limited appointees could use to pay for health insurance upon retirement, layoff, or death. With the cap, accrued sick leave would be limited to 8.5 days per year for annual employees and 6.4 days per year for academic-year employees, instead of the 12 days per year unclassified employees may accrue without the cap.

In order to obtain a waiver to this cap, each UW institution independently agreed to identify a standard 40-hour work week for reporting purposes, distribute a monthly statement, and collect monthly reports, even if no leave has been used.

Normally, salaried professionals are exempt from overtime regulations and are not accountable for a 40-hour per week schedule. Many UW System faculty, academic staff and limited employees work far more than forty hours per week. However, in order to simply and fairly report sick leave usage and to be accountable to the State, it is necessary to identify a work schedule that uses a generally acceptable standard. This does not imply that unclassified staff only work 40 hours per week; it merely is a way to establish a workable means of recording the use of sick leave that is as equitable as possible.

Therefore, a 40- hour work week must be established for each individual against which he or she will report the use of sick leave. The specific schedule may change as needed to reflect changes in ones regular work schedule. With the approval of your department chair or supervisor, you may file a 40-hour work schedule that meets your needs, and you may change your official schedule whenever necessary. If you choose not to file a specific 40-hour work week schedule your sick leave reporting will be based on the standard state work schedule Monday – Friday 7:45 a.m. to 4:30 p.m.

Good documentation of your eligibility for sick leave credits and accurate leave reporting are part of our responsibility to the state and to the public. It is important to remember that you are a part of a larger community and your actions can affect not only you but also your colleagues and your institution. Accountability for proper leave use and reporting are essential to ensure the on-going availability of these valuable benefits.

Additional Information

- Unclassified Personnel Guideline (UPG) on Sick Leave Policy www.uwsa.edu/hr/upgs/upg10.pdf.
- UWSA web site for sick leave: www.uwsa.edu/hr/benefits/leave/sick.htm.
- UWSA presentation on leave reporting www.uwsa.edu/hr/leave/unclassleavereporting.ppt.
- UWSA sick leave presentation www.uwsa.edu/hr/benefits/leave/unclasssickleave.ppt.
- UWSA unclassified employees benefits presentation www.uwsa.edu/hr/benefits/newemp/orientunclass.ppt
- Leave reports are required by www.legis.state.wi.us/statutes/Stat0040.pdf

Attachment F

SABBATICAL AGREEMENT BETWEEN THE BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM OPERATING AS UNIVERSITY OF WISCONSIN - _____AND

(Name of faculty member receiving sabbatical leave)

The Board of Regents of the University of Wisconsin System (Board), operating as the University of Wisconsin - _____ (“Institution”), grants _____ (“Faculty Member”) sabbatical leave, pursuant to Wis. Stats. 36.11(17), and implementing Board and institutional policies, for the period _____, subject to the following conditions, and any other campus specific policies and conditions included as an addendum to this agreement, which are hereby acknowledged and agreed to by Faculty Member:

1. **Sabbatical Leave.** Sabbatical leave is for the purpose of enhancing teaching, course and curriculum development, or conducting research, or any other scholarly activities related to instructional programs within Faculty Member’s field of expertise. Faculty Member may not use the sabbatical leave to accept other paid employment during the period of the leave, except as follows: _____, which is expressly stipulated as a condition of the sabbatical leave. Any compensation received in connection with such paid employment is subject to paragraph 3 below.
2. **Administration of Sabbatical Leave.** Institution reports earnings, creditable service, leave benefits and contributions to the Wisconsin Retirement System at the full-time rate, based on the rate of pay in effect immediately prior to the beginning of the sabbatical. Leave benefits will also continue to accrue at the rate in effect immediately prior to the sabbatical. Faculty Member shall submit a leave statement to Institution’s Human Resources Department for each month of the sabbatical leave according to Institution’s administrative policies.
3. **Compensation.** Faculty Member may receive and is encouraged to seek supplementary grants or other awards while on sabbatical leave, but such compensation when combined with the amount of institutional compensation, shall not exceed the full compensation normally received from their institution for that period. Faculty Member shall specify all grants or other awards applied for in the application for the sabbatical program. Such additional grants or awards may be received by Faculty Member only if the conditions for accepting the additional resources do not interfere with the stated purposes of Faculty Member’s sabbatical program. However, Faculty Member may seek additional support specifically for travel or unusual living expenses incident to the sabbatical program without restriction by the full-compensation maximum.
4. **Return to Institution.** Faculty Member shall return to Institution for at least one academic year of full-time service after the termination of the sabbatical, or repay any compensation (salary, plus the University’s share of fringe benefits) received from Institution during the sabbatical.
5. **Written Report.** Faculty Member must submit a written report in accordance with the process and format established by the institution outlining his/her accomplishments during the leave and include an accounting of all compensation received while on sabbatical in accordance with #3. above, on the attached form within three months of returning to Institution. These reports are to be filed and maintained in the Vice Chancellor’s Office and be available upon request.
6. **Sabbatical Leave.** Faculty Member acknowledges that sabbatical leave is subject to Wis. Stat. 36.11(17), and implementing Board and Institution policies, copies of which have been provided to Faculty Member.

7. Acknowledgment. In signing this Agreement, Faculty Member acknowledges and agrees:

- a. That he/she has read this Agreement, and any applicable campus specific addendum and fully understands the terms and conditions hereof, which are contractual and not a mere recital;
- b. That he/she has not relied on any statement or representation made by or on behalf of the Board or Institution other than as set forth herein, but wholly upon his/her own judgment, belief, and knowledge and the advice of any other advisers, including any attorney or tax professional he/she may have consulted; and
- c. That he/she is voluntarily signing this Agreement with full knowledge as to its meaning and consequences.

Faculty Member: _____ Date:_____

Institution by: _____

(Title)

**Compensation Received During Sabbatical Assignment
University of Wisconsin-XXX**

Name:

Date:

Department:

Sabbatical Term:

Please indicate the amount and source of all compensation you received during the term of your sabbatical. You do not need to include supplements you received to address additional cost of living expenses incurred during your sabbatical or compensation from typical consulting activities (which must be reported on Outside Activities Report).

- | | | |
|---|---|----------|
| 1 | Payments made through UW institution*
e.g., payment for sabbatical, salary from
supplemental grants | \$ _____ |
| 2 | Payments made directly to faculty member
from grants or awards (provide names of
agency or organization providing grants or
awards and the amounts for each below) | \$ _____ |
| 3 | Salary paid directly to faculty member from
from non-UW-institution employment e.g., as
a visiting professor at another institution
(provide names of other employers and the
amounts for each below) | \$ _____ |
| 4 | Other (specify below) | \$ _____ |
| | Total* | \$ _____ |

*To be filled in by institution

NAME: _____

DEPT: _____

LEAVE STATEMENT

Thru _____ pay period

MAJOR DEPT: _____

TITLE: _____

APPT ID: _____

TYPE: _____

PAYROLL %: _____

PAY BASIS: _____

```

----- HOURS -----
! PRIOR BALANCE ! EARNED ! USED ! ADJUSTMENTS ! ENDING BALANCE !
! ! ! ! ! AS OF !
-----
VACATION ! ! ! ! !
SICK LV ! ! ! ! !
FLOAT HOL ! ! ! ! !
ALRA LV ! ! ! ! !
-----

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MESSAGES

I UNDERSTAND MY OBLIGATION TO PROVIDE MEDICAL CERTIFICATION FOR SICK LEAVE USED FOR MORE THAN 5 CONSECUTIVE FULL WORK DAYS.

UW - Madison

Leave report for _____
(Month)_____
(Year)

NAME: _____

APPT ID: _____

TITLE: _____

PAYROLL %: _____

Report amount of leave used in HOURS. If no leave was used, please enter zero in the Total Hours row.

	VACN	SK LV	F HOL	ALRA	CO COV		VACN	SK LV	F HOL	ALRA	CO COV
1	_____	_____	_____	_____	_____	17	_____	_____	_____	_____	_____
2	_____	_____	_____	_____	_____	18	_____	_____	_____	_____	_____
3	_____	_____	_____	_____	_____	19	_____	_____	_____	_____	_____
4	_____	_____	_____	_____	_____	20	_____	_____	_____	_____	_____
5	_____	_____	_____	_____	_____	21	_____	_____	_____	_____	_____
6	_____	_____	_____	_____	_____	22	_____	_____	_____	_____	_____
7	_____	_____	_____	_____	_____	23	_____	_____	_____	_____	_____
8	_____	_____	_____	_____	_____	24	_____	_____	_____	_____	_____
9	_____	_____	_____	_____	_____	25	_____	_____	_____	_____	_____
10	_____	_____	_____	_____	_____	26	_____	_____	_____	_____	_____
11	_____	_____	_____	_____	_____	27	_____	_____	_____	_____	_____
12	_____	_____	_____	_____	_____	28	_____	_____	_____	_____	_____
13	_____	_____	_____	_____	_____	29	_____	_____	_____	_____	_____
14	_____	_____	_____	_____	_____	30	_____	_____	_____	_____	_____
15	_____	_____	_____	_____	_____	31	_____	_____	_____	_____	_____
16	_____	_____	_____	_____	_____		_____	_____	_____	_____	_____
						Total Hours	_____	_____	_____	_____	_____

I certify that my leave report is accurate. I understand that misrepresentation can lead to disciplinary action.

Employee Signature _____

date _____

Supervisor Signature _____

date _____

RETURN BOTTOM PORTION BY _____ TO: _____

ANNUAL REPORTS TO THE BOARD OF REGENTS REQUIRED BY THE LAB AUDIT

The Limited Appointments and Back-Up Positions recommendation included in the Legislative Audit Bureau Audit of the University of Wisconsin System Personnel Policies and Practices (page 48) stated the following:

We recommend the Board of Regents:

- *require University of Wisconsin System Administration to report annually on the number of employees with concurrent or back-up positions or notice of termination protections at each institution for the current and prior years.*

As noted in our June 1, 2007 report to the Joint Legislative Audit Committee: "The UW System has established a policy of yearly review for this purpose (Unclassified Personnel guideline 2.02). The report will be presented to the board of Regents each year in December using October payroll data."

The summary that follows compares October, 2006 Limited appointment data with October, 2007 Limited appointment data in terms of total numbers, those with concurrent/backup appointments, and those with 0-6 months notice of termination protections. As the summary notes, the October, 2007 data shows a slight overall decrease in the total number of Limited appointments, a more significant overall decrease in the number of Limited appointments with concurrent or backup appointments, and an increase in the number of Limited appointments with 0-6 months notice of termination protections.

BOARD OF REGENTS LIMITED REPORT - DECEMBER, 2007

	Number of Limited Employees by Institution OCTOBER, 2006	*Number of Limited Employees with Concurrent/Backup Appointments by Institution OCTOBER, 2006	**Number of Employees with 0-6 Months Notice of Termination Protections OCTOBER, 2006		Number of Limited Employees by Institution OCTOBER, 2007	*Number of Limited Employees with Concurrent/Backup Appointments by Institution OCTOBER, 2007	**Number of Employees with 0-6 Months Notice of Termination Protections OCTOBER, 2007
Madison	479	372	107		472	360	112
Milwaukee	148	141	7		146	136	10
Colleges	60	28	32		60	25	35
Eau Claire	45	44	1		46	43	3
Extension	53	41	12		47	34	13
Green Bay	55	28	27		55	27	28
La Crosse	49	44	5		46	42	4
Oshkosh	27	21	6		30	24	6
Parkside	32	19	13		29	15	14
Platteville	24	20	4		22	20	2
River Falls	26	11	15		27	10	17
Stevens Point	38	33	5		42	35	7
Stout	35	29	6		32	26	6
Superior	30	15	15		35	15	20
Whitewater	36	33	3		36	34	2
System Admin.	29	26	3		30	23	7
Systemwide	10	8	2		11	8	3
TOTAL	1,176	913	263		1,166	877	289

* As noted in s. 36.17(1), Wis. Stats., "A person holding a tenured or academic staff appointment under ss. 36.13 and 36.15 shall not lose that appointment by accepting a limited appointment." Similarly, s. 230.33(1m), Wis. Stats., states "A person appointed to an unclassified position by an appointing authority other than an appointing authority described under sub. (1), when both the classified and unclassified positions are within the appointing authority's department, shall be granted a leave of absence without pay for the duration of the appointment and for 3 months thereafter, during which time the person has restoration rights to the former position or equivalent position in the department in which last employed in a classified position without loss of seniority." Because of these statutory protections, we will continue to have Limited appointees with concurrent Faculty, Academic Staff, or Classified appointments.

On July 26, 2005, the President temporarily suspended the use of new administrative backup appointments and the Board of Regents through adoption of Resolution 9091, November 11, 2005, effectively eliminated the use of administrative backup appointments; however, many such appointments had been granted prior to that time, so until those employees terminate or retire, such backup appointments will continue.

** The notice of termination protections is not a requirement that must be included in letters of hire; Regent Policy Document 20-18 states the following:

*4. Limited appointees entering UW System from other institutions who do not hold tenure elsewhere and were not recruited with a tenurability requirement shall not be granted concurrent appointments; however, **at the discretion of the appointing authority**, such employees may be granted not more than six months notice of termination as permitted under s. UWS 15.01, Wisconsin Administrative Code, at the same salary, and with possible reassignment to other duties during this period.* (Emphasis added)

However, as per s. UWS 15.01, Wisconsin Administrative Code, whenever possible, 3 months notice of termination will be provided.

ANNUAL REPORTS TO THE BOARD OF REGENTS REQUIRED BY THE LAB AUDIT

The Consultant recommendation included in the Legislative Audit Bureau Audit of the University of Wisconsin System Personnel Policies and Practices (page 64) stated the following:

We recommend University of Wisconsin System Administration annually report to the Board of Regents on:

- *all consultants hired, including those paid on a lump-sum basis; and*
- *the number of unclassified consultants who have been employed in the same position for more than one year and why, as well as how long they are expected to remain in those positions*

As noted in our June 1, 2007 report to the Joint Legislative Audit Committee, a review of the use of the Consultant title at that time found that "other job titles were available that more accurately characterize the nature and extent of the work that was being performed . . ." We continue to work with the institutions on the appropriate use of the Consultant title and, as the attached summary indicates, the institutions are reviewing their use of the Consultant title and making changes as necessary.

The following page contains the Consultant summary information in response to the LAB recommendation.

UNCLASSIFIED CONSULTANT HIRES OCTOBER, 2006 THROUGH OCTOBER, 2007

Madison	6
Milwaukee	5
Colleges	1
Eau Claire	4
Extension	0
Green Bay	0
La Crosse	1
Oshkosh	2
Parkside	6
Platteville	0
River Falls	11
Stevens Point	3
Stout	2
Superior	0
Whitewater	4
System Admin.	0
Systemwide	0
Total	45

Of these 45 hires:

- 36 are short-term terminal appointments (less than 6 months)
- 2 are 12-month appointments
- 2 are 9-month appointments
- 1 is a 7-month appointment
- 2 will have titles changed 12-1-07 to titles more specific to job responsibilities
- 1 is under review to have the title changed
- 1 started as a 12-month project manager appointment; was extended, at a reduced %, to 18 months to complete the project

ACTIVE CONSULTANT APPOINTMENTS OF MORE THAN ONE YEAR'S DURATION**There are 27 employees who hold such appointments****Of these 27:**

- 15 have or will have their title changed or it is under review
- 9 have sporadic work or work for specific timeframes or events and are not paid on a regular, ongoing basis
- 2 are rehired annuitants providing expert consultation to the schools in which they work regarding specific projects, initiatives, program planning and management; both appointments are expected to end by the end of FY '08, otherwise titles will be changed
- 1 is a rehired annuitant providing orientation and guidance to Deans, serving as a resource to senior level search and screen committees, and advising the Chancellor on organizational design changes; the appointment is expected to end at the end of FY '08

CAMPUS RESPONSES TO THE UW SYSTEM REVIEW ON THE COST OF TEXTBOOKS

EXECUTIVE SUMMARY

BACKGROUND

At its May 2007 meeting, the Board of Regents Business, Finance, and Audit Committee discussed the Office of Operations Review and Audit program review report entitled, “Textbook Costs in Higher Education.” This review, which was requested by the Committee, identified factors driving textbook cost increases and identified strategies that faculty, students, and institutions could use to control textbook costs.

The Board passed a resolution requiring each UW institution to provide, by its December 2007 meeting, a description of strategies the institution has already adopted to control textbook costs and additional strategies the institution anticipates adopting in the future.

REQUESTED ACTION

For information only.

DISCUSSION

A U.S. Government Accountability Office report found that from 1986 to 2004, student textbook and supply costs have increased at more than twice the rate of inflation. Several campuses reported that textbook costs have been a concern for a number of years and that working groups have been created in the past to attempt to address these rising costs. Considering the Board’s directive, the reports from these earlier working groups were reviewed and, at some UW institutions, new groups were formed. These working groups typically included students, faculty, academic affairs, bookstore staff, and financial staff.

When evaluating current strategies to address textbook costs, each institution needed to consider the environment in which it operates. As noted in the Office of Operations Review and Audit program review, UW-Madison, Milwaukee, Green Bay, Oshkosh, Parkside, Superior, and all but two UW Colleges require students to purchase textbooks. The remaining UW institutions operate textbook rental programs. In addition, a variety of business models are used for the operation of university bookstores. For example, while several campuses operate their own bookstores, others contract with private vendors for bookstore operations. A not-for-profit cooperative manages the bookstore for one UW College, and a trust operates the *University Book Store* in Madison. While these models do not preclude change, existing contracts and relationships need to be considered when evaluating approaches to reduce textbook costs and the timeframe in which they can be accomplished.

The UW institution's primary initiatives are those related to early adoption of textbooks; additional textbook information for students and faculty; alternatives to traditional textbook purchases, which may include textbook swaps, library reserves, and rental programs; and enhanced bookstore and rental operations.

Early Adoption

As noted in the program review, several bookstore managers indicated that the single most effective strategy for reducing textbook costs may be faculty making textbook adoption decisions as early as possible. Early decisions give the bookstores time to extensively shop the used textbook market. In addition, bookstores are able to offer students the maximum amount for their used textbooks if bookstores are informed that an instructor plans to use a textbook again.

To encourage instructors to make early adoption decisions, UW institutions have undertaken different initiatives:

- UW-Milwaukee recently developed an early-adoption campaign. The focal point of this campaign was a notice hung on office doors, reminding instructors that early adoption could save UW-Milwaukee students over a million dollars in textbook costs. Other components of the campaign were mass emails and group presentations. A central adoption database is used to identify readopted titles and the percentage of faculty participating. According to UW-Milwaukee, early adoptions for the Winterim and Spring terms increased 66 percent, compared to the same period in 2006. UW-Milwaukee notes there is still room for improvement since nearly three-quarters of the adoption decisions were not submitted in the requested timeframe.
- UW-Oshkosh will be renewing its 2003 "Reducing Costs in the University's Textbook Purchase Plan." One component of this plan will be strong encouragement to instructors to submit their adoption decisions on a timely basis.
- UW-Parkside reported it met with departmental chairs regarding the timeliness of textbook adoptions and initiated an electronic textbook adoption process.
- UW-Whitewater notifies instructors electronically when adoption decisions are due and provides instructions for online ordering. Follow-up announcements are sent shortly before the due date and if necessary, subsequent to that.

Textbook Information

Textbook information, such as the International Standard Book Number (ISBN) that identifies each unique title, allows students to make better decisions and shop for the best deal. Three UW institutions noted they recently began providing textbook information to students online or will do so in the future. UW-Milwaukee indicated that it has added the title, author, ISBN, edition, and price for all textbooks to the UW-Milwaukee bookstore website. At UW-Oshkosh, the bookstore's website will reportedly include the ISBN for every textbook adopted for the upcoming term, a change from past practice. UW-Madison anticipates going "live" in the Fall 2008 with a web-based tool, Course Guide,

that will provide course information and allow students to obtain course textbook titles and ISBNs.

Several campuses are also pursuing ideas to provide additional information on textbook costs and options to students and instructors. To help educate students about textbook costs, UW-Green Bay indicated it will create a brochure regarding textbook costs and options available to students. UW-Madison Libraries, Student Affairs, and Associated Students of Madison (ASM) jointly published a brochure titled *The High Cost of Textbooks: Options and Alternatives for Students*, and plan to update the brochure to reflect current statistics and new alternatives. UW-Madison anticipates distributing the brochure through student orientation programs and at places students frequent, such as residence halls and student financial aid offices.

UW institutions are making similar attempts to educate instructors. For example, UW-Platteville monitors textbooks that receive little or no use during a semester, as reported by students on course evaluations, and shares that information with the schools. UW-La Crosse reported it is asking faculty to not adopt new textbook editions with few substantive changes without considerable review by the academic departments. UW-Madison indicated it will begin emailing instructors each semester with suggestions on how they can be cost-conscious when making textbook selections. These suggestions may include selecting textbooks that are not bundled with supplemental materials, committing to using a textbook for multiple years, and using older edition textbooks, where practical. UW-Madison also plans to update a brochure regarding factors affecting textbook costs and provide these brochures to new instructors during orientation and to existing instructors through department offices and websites.

Alternatives to Traditional Textbook Purchases

Several campuses identified initiatives that are potentially lower-cost alternatives than purchasing traditional textbooks. These initiatives include textbook rental programs, electronic books (E-books), library reserves, and textbook swaps.

Textbook Rental: Several UW institutions operate textbook rental programs, which are often cited as a model for controlling textbook costs. Rental fees at UW institutions ranged from approximately \$121 to \$168 in the 2006-07 academic year. Though supplemental materials and textbooks may be necessary under these rental programs, UW-Platteville noted that it limits these costs to \$7 per credit. UW-Stevens Point limits the cost of supplemental materials and textbooks to \$45 per class.

Of the UW institutions without rental programs, most took steps to gain a better understanding of how the programs operate and consider the feasibility of implementing such a program. In the end, each institution concluded that a significant capital investment would be needed. UW-Milwaukee, UW-Superior, and UW Colleges are continuing to evaluate a textbook rental program:

- According to UW-Milwaukee's plan to address textbook costs, its bookstore has conducted a preliminary survey of textbook adoptions and identified potential

candidates for inclusion in a rental program. It anticipates some trial form of textbook rental will be offered in a few select classes no later than the Fall 2008 semester. If this trial is successful, the UW-Milwaukee bookstore expects resource challenges that may require additional campus or System support.

- UW-Superior reported it is reviewing various models, including full rental, modified rental, and a hybrid model used by UC Berkeley, in which books in several classes may be purchased, rented, or obtained in electronic format.
- UW Colleges is currently “testing” a textbook rental program at the UW-Marshfield campus by offering a text rental option for certain courses.

UW-Stout already has a textbook rental program in place and for the 2006-07 academic year, assessed students a rental fee of approximately \$141. UW-Stout noted that it has formed a working group, including students, faculty, and academic staff, to review its rental program guidelines and practices, with the charge to recommend changes to control any future increases in textbook fees.

E-books: The form, content and means of delivery of E-books are still under development, and the general demand remains light. However, due to changing technologies, two campuses reported they are considering E-book options and evaluating whether they are a viable alternative to traditional textbooks. UW-Superior indicated it has been working with its student government to start a test program for E-books. In addition, if technically feasible, UW-Milwaukee reports it will offer E-books on its website by the Fall 2008 semester.

Library Reserves: Another approach to reduce textbook costs is to place textbooks on reserve at libraries. UW-Madison and Oshkosh reported purchasing textbook copies for high-enrollment courses for years and placing them in library reserves. UW-Milwaukee and UW Colleges are currently investigating the feasibility of enhanced reserve programs for high-cost texts in high-enrollment courses. In addition, the UW-Milwaukee Multicultural Student Center is piloting a program to make available to its students a core library of common texts at no cost.

Textbook Swaps: A national textbook swap market has developed over the years via various Internet sites. UW-Superior and a student organization within the UW-Madison College of Engineering also run a textbook swap through which students can exchange or sell books to fellow students. The ASM, with assistance from the UW-Madison Libraries, is considering replicating this program in other schools and colleges on campus.

Bookstore and Rental Operations

Several campuses reported reviewing overall bookstore operations to identify efficiencies or savings that could be passed along to students.

- The UW-Milwaukee bookstore noted it has assessed its current margins and financial status, and has decided to lower the mark-up percentage on textbooks by one percent in the Spring 2008 semester. If overall sales do not increase, this

- pricing adjustment may result in a decrease in the contribution that the UW-Milwaukee bookstore generates for the campus.
- As UW-Superior is in the process of replacing its student center, which houses the campus bookstore, the University retained a consultant to analyze the bookstore space and programming requirements. This included a comprehensive operations, financial, and service review. UW-Superior is also updating the technology in its bookstore to streamline operations, make it more efficient, and allow for enhanced use of the used textbook market.
 - Several campuses have reviewed ways to allow more students to access the buy-back program and get more money in return for their books. For example, UW-Superior is considering extending the hours and increasing the number of times it offers a buy-back program each semester.
 - To keep rental program costs low, UW-River Falls indicated it developed an automated system that compares inventory and registration information. This allows the campus to quickly adjust to changes in enrollment but minimize its inventory.
 - UW-Stout reported that its textbook rental program utilizes the library's online circulation system, instead of a separate database or system. UW-Eau Claire noted that during this past summer, its textbook rental program was moved from a computer system run by its bookstore contractor to the university library's system. The library system allows individual books, not just titles, to be tracked. As a result, a book that is lost or stolen but eventually returned to the rental program will be credited to whom it was issued. In addition, UW-Eau Claire indicates the library system will reduce administrative costs by allowing books to be quickly and accurately checked out and returned.

Conclusion

UW institutions have reviewed textbook costs in the past and renewed this effort with the May 2007 Board of Regent resolution that required each UW institution to provide its implemented and planned strategies to control textbook costs. The strategies identified by UW institutions primarily focus on instructors' enhanced awareness of their impact on textbook costs, students' knowledge of alternatives available to them, and institutions' potential delivery methods and business models. In the future, UW institutions will evaluate the success of their implemented strategies and assess any new approaches for containing textbook costs. Progress reports will be provided to the Board of Regents.

RELATED REGENT POLICIES

None

UW SYSTEM INSTITUTIONS' COMPLETED AUDIT PROJECTS

BACKGROUND

This report provides the Business, Finance, and Audit Committee with information about audit activity conducted at UW System institutions. As in the past, the report illustrates the scope and diversity of audit projects at UW institutions.

REQUESTED ACTION

For information only.

DISCUSSION

The UW System Office of Operations Review and Audit periodically collects information from the UW institutions about their audit projects. UW institutional auditors are responsible for providing objective analyses of campuses' financial and operational activities. These auditors typically report to an institution's Chief Business Officer and prepare reports for use at their institution.

The institutional auditors have been encouraged to conduct audit activities in certain higher-risk areas. Such areas could include cash handling, payroll and personnel transactions, property control and inventory verification, auxiliary operations, tuition and segregated fee revenue collection, and major systems or segments of major systems. However, for those institutions with auditors, the frequency and scope of work performed in each area is based on the professional judgment of the auditor who, in consultation with institution administrators, determines an institution's audit priorities.

The following table includes audit activities for January 2006 through June 2007. As the table shows, projects completed during the 18-month period covered a wide array of processes, procedures, and policies. UW auditors also sometimes served in a consulting role on committees charged with developing policies or implementing new systems. UW-Green Bay, Oshkosh, and River Falls did not have an internal auditor for the time period reflected and, therefore, did not report any completed audits. UW-Whitewater's auditor position was in transition during this time period.

RELATED REGENT POLICIES

None

UW Institutions' Audit-Related Activities
January 2006 - June 2007
as of June 2007

Topic	Date	Project Scope
UW – EAU CLAIRE		
Housing and Residence Life	1/06	Review of cash handling.
Remedial Education	9/06	Review of compliance with Board Of Regent policy 4-8 and related UW System guidelines.
Admissions	10/06	Review of cash handling procedures and residency determinations.
Cashier's Office	12/06	Review of cashier's cash handling and reconciliation procedures.
Cell Phones	2/07	Review of compliance with DOA cellular telephone policy.
The Spectator – Student Newspaper	5/07	Review of cash handling, billing procedures, contracted services, student payroll, and other internal control issues.
Continuing Education	In Progress	Review of operating procedures and internal controls for various extension activities (cash handling, expenditure and budgetary control, etc. for credit and non-credit programs).
Event Services	In Progress	Review of operating procedures and internal controls, including the establishment of rental rates, categorization of customers, chargebacks and invoicing procedures, and cash handling.
Library Holdings	In Progress	Review of inventory procedures and checks to determine accuracy of inventory.
UW – GREEN BAY		
UW – LA CROSSE		
Laundry Operations	2/07	Review of operations, cash handling, and program reserves for equipment replacement.
Banking	2/07	Confirmation of wire transfer and reconciliation procedures.
Property Control	3/07	Annual capital equipment inventory verification.
Inventory Management System	5/07	Equipment inventory system converted to the UW System PeopleSoft Asset Management Module. Reconciliation of depreciation and obsolete items.
Audio Video Chargeback	6/07	Review of internal controls and procedures for processing chargebacks for services/goods in Educational Technologies and Services. Review of the methodology for calculating chargeback rates.
Vending Contracts	10/06	Compliance review of vending contracts.

Topic	Date	Project Scope
UW – EAU CLAIRE (continued)		
Procurement Card Transactions	Biweekly	Review of transactions for compliance with UW System and DOA procurement policies.
Procurement Card – Travel Related Transactions	Biweekly	Review of travel-related procurement card transactions to ensure compliance with UW System travel policies, receipts, and business purpose.
Cash Handling	Ongoing	Review of cash handling policies and practices for compliance with UWL procedures and state policies.
A-133 Single Audit		Information collection and follow-up for Legislative Audit Bureau.
UW – MADISON		
Library Science	1/06	Continuing Education program audit follow-up.
Campus-wide	1/06	Review of Foundation imprest accounts.
Employee Compensation and Benefit Services	1/06	Review of controls over Automated Clearing House (ACH) imprest accounts.
Accounting	1/06	Review of policies and procedures for approving and monitoring revenue-producing activity.
Athletics	1/06	Ticket office audit.
Credit Card Security	1/06	VISA Cardholder Information Security Program Policy Development.
Medical School	1/06	Follow-up audit of the Medical School's revenue-producing activity.
Employee Compensation and Benefit Services	2/06	Participation in Kronos implementation subcommittee.
Purchasing	2/06	Procurement card audits.
Credit Card Security	3/06	VISA merchant site security.
Athletics	3/06	Special events revenue/expense accounting.
College of Agricultural and Life Sciences	3/06	Agronomy cash handling.
Wisconsin Veterinary Diagnostic Laboratory	3/06	Internal controls and accounting follow-up.
Research and Sponsored Programs	3/06	Review of personal activity reporting systems.
College of Agricultural and Life Sciences	3/06	Dairy Science cash handling.
Employee Compensation & Benefit Services	3/06	KRONOS automated timekeeping system implementation.
Cash Management	5/06	Accounting for cash advances.
Athletics	5/06	Badger Fund reconciliation.
School of Business	6/06	Copy center cash handling.
Division of Continuing Studies	6/06	Development of accounting guidelines with Dean's Office.

Topic	Date	Project Scope
UW – MADISON (continued)		
Registrar	6/06	Consulting on on-line transcript system.
Business Resumption Planning	6/06	Business continuation plan development.
Purchasing	7/06	Procurement card audits.
Registrar	8/06	Integrated Student Information System - Security Grade Entry/Desire to Learn consulting.
Graduate School	9/06	School of Education Institutional Review Board review.
School of Business	9/06	Review of policies and procedures for major revenue-producing activities.
Property Control	10/06	Capital Equipment Inventory Management System testing.
College of Agricultural and Life Sciences	10/06	Study Abroad Program.
School of Education	10/06	Review of program controls and accountability.
Bursar	12/06	Accounting for veterans' refunds.
Accounting	1/07	Review of Policies and procedures for direct billing of revenue-producing activities.
Library Science	1/07	Validation of holdings.
Veterinary Medicine	2/07	Assessment of discounts.
UW – MILWAUKEE		
NCAA	1/06	Fieldwork (i.e., certain agreed-upon procedures) for the annual audit of the financial statement of the Athletic Department as required by the NCAA.
RFID Technology	4/06	Analysis of potential uses of radio frequency identification systems on campus.
Library Security Review	5/06	Library system security review.
UWM Data Center and Network	6/06	Host review for critical campus systems, process review for data center and host processes; data center physical security; network security and availability.
Residence Hall Cash	6/06	Review of procedures for handling residence hall cash.
Department of the Interior Certification	6/06	Identification and examination of objects needed to provide a certification to the U.S. Dept. of the Interior.
Security Scanning	7/06	Acquisition of vulnerability scanning application to test security of existing and planned systems. Scans have also been performed for UW-Eau Claire and UW-Stevens Point.
BFS Data Center	8/06	Host review for critical campus systems, process review for data center and host processes; data center physical security.
Auxiliary Cashier	8/06	Investigation of variances and recommendations for improvement.

Topic	Date	Project Scope
UW – MILWAUKEE (continued)		
Travel Expense Reports in the College of Health Sciences	11/06	Review of expense reports and procurement card transactions.
Precollege Initiative	11/06	Examination of certain aspects of the Ameritech Minority Precollege Initiative.
WUWM	11/06	Fieldwork for annual audit of campus radio station WUWM. This financial audit is a condition of a grant that WUWM receives from the Corporation for Public Broadcasting.
Outside Activity Reporting	1/06-12/06	Through calendar year 2006, Internal Audit was responsible for collecting outside activity reports as required by UWS 8 and certain federal regulations.
Business Resumption Planning	12/06	Devising a policy, scope, process framework for Information Systems business resumption in the case of disaster, service outage, or other IT-impacting event.
NCAA	1/07	Fieldwork (i.e., certain agreed-upon procedures) for the annual audit of the financial statement of the Athletic Department as required by the NCAA.
Printing Press Financial Analysis	1/07	Review of a cost benefit analysis concerning the purchase of a new digital printing press.
Chancellor's Graduate Student Awards	1/07	Identification of issues in the graduate student award program and ways to ensure the program accomplishes its purpose.
Proxy Access	1/07	Review of proxy access security.
HIPAA	6/06-2/07	HIPAA policy revision, development of training materials, and presentation to privacy officers.
Students Housing Administrative Council (SHAC)	3/07	Investigated issues involving the private bank account of SHAC.
Student Association (SA)	3/07	Investigated issues involving the private bank account of SA.
Agency Accounts at Local Financial Institutions	3/07	Review of balances in agency accounts at local financial institutions.
Wireless Network Access	3/07	Analysis of wireless access for employees.
Email/ Calendar	2/06 – 3/07	Led effort to select a new integrated email and calendaring solution for the entire campus.
HIPAA	4/07	HIPAA self-assessment review for Speech and Language Clinic.
HIPAA	5/07	HIPAA self-assessment review for Hearing Evaluation Center.
Financial Aid	5/07	Assisted in preparing for a review of Financial Aid by the U.S. Department of Education.
Procurement Cards	1/06-6/07	Ongoing review of departmental documentation (receipts, logs, etc.) to support credit card purchases.

Topic	Date	Project Scope
UW – MILWAUKEE (continued)		
Academic Fees	1/06-6/07	Continuous audit of academic fees.
Capital Equipment	1/06-6/07	Physical observation of capital equipment. Each fiscal year, approximately 50% of the 4,000 items in capital inventory is observed by Internal Audit.
Unix Security	6/07	Shadow password security review for UWM Alpha computer.
HIPAA	6/07	HIPAA Self-assessment review for Norris Health Center.
Grant Accounting	6/07	Review of a research grant account where UWM was a subrecipient.
Request for Proposal (RFP) for 9-1-1 software and system	6/07	Developed criteria for ranking vendors that submitted financial statements as part of the RFP process for a new 9-1-1 system. Also reviewed and ranked vendor submissions.
Credit Card Security and Processing	6/07-ongoing	Review of each area on campus where credit cards are accepted for payment to ensure compliance with card vendor agreements.
Internal Control Plan	Ongoing	Establishment and updating of an internal control plan for UWM.
WUWM Security Review	Ongoing	WUWM security review.
Credit Card Security	Ongoing	Payment Card Industry Data Security Standard (PCI-DSS) review of the Auxiliary Point-of-Sale system.
Software Licensing	Ongoing	Review of campus software licensing for top four most-used software packages.
Records Retention	Ongoing	Review and approval of <i>Records Retention/Disposal Authorization</i> forms prepared by UWM Archivist (official agency records officer).
A-133 Single Audit, performed by LAB	Ongoing	Coordinate and obtain responses for the State of Wisconsin's A-133 Single Audit as it pertains to UWM.
UW – OSHKOSH		
UW – PARKSIDE*		
Information Systems	1/06-10/06	Quality assurance testing for PeopleSoft upgrade.
Child Care Center	1/06	Financial review of the Child Care Center operations.
Parking Operations	3/06	Analytical review of the parking program.
A-133 Single Audit and Other External Reviews	3/06	Coordinated responses to the Legislative Audit Bureau.
Procurement Card	7/06	Review of UW System Procurement Card Policy and Draft Manual.
Capital Equipment	10/06	Biennial audit of capital equipment.
Arts Alive!	10/06	Follow-up audit to 2004 Arts Alive! Audit to assess status of changes.
*Internal Auditor position is 60% time (remaining 40% is dedicated to Institutional Research). Position was vacant from 11/06 to 9/07.		

Topic	Date	Project Scope
UW-PLATTEVILLE		
Continuing Education Follow-up	3/06	Follow-up of prior-year program review.
Continuing Education – Arts Build	7/06	Assistance in the development of a grant document.
Clinical Experiences	7/06	Investigation of problems with the collection and distribution of special course fee revenue.
Credit Card Security	9/06	Review of areas on campus where credit cards are accepted to ensure internal controls are adequate and credit card data is safeguarded.
Capital Equipment	10/06	Physical inventory of one-half of assets.
Overload Payments	10/06	Review of the tracking process for overload payments.
UBIT	10/06	Preparation of the Unrelated Business Tax Return.
Segregated Fees	12/06	Review of the distribution process for segregated fees including the affect of Wisconsin GI Bill waivers on the process.
Athletics	1/07	Full-scope audit, including cash handling, recruitment, eligibility, Title IX and summer camps.
Capital Equipment	5/07	Physical inventory of one-half of university assets.
Physical Plant	5/07	Review of physical plant chargeback rates for compliance with Financial and Administrative Policy 25.
Travel	In Progress	Review of cash handling, and planning, accounting and liability issues for foreign and in-country trips.
Bookstore Contract	In Progress	Review of compliance with contract terms. Reviewed campus procedures to monitor the contract.
Accounts Payable	Quarterly	Post-payment review of selected transactions to compensate for inadequate separation of duties between vouchering and check-writing.
Financial Aid Workstudy	Semi-annually	Reconciliation of off-campus workstudy accounts. Review of cash handling and billing procedures
Fees	Ongoing	Continuous audit of special course fee applications for compliance with UW System policy.
A-133 Single Audit	Ongoing	Coordinate the on-campus review, obtain written responses and conduct follow-up to the audit.
UW – RIVER FALLS		
UW – STEVENS POINT		
Library Holdings	2/06	Verification of library holdings in accordance with UW System Financial and Administrative Policy 47.
CWES Follow-up	3/06	Follow-up audit based on the observations from the audit reported dated May 2003.
Classroom Utilization	7/06	Review of the utilization of classrooms.
Bursars Office	1/07	Cash handling.

Topic	Date	Project Scope
UW – STEVENS POINT (continued)		
International Programs	5/07	Review of internal controls over cash handling, computer and capital equipment, contracts, expense processing, inventory, and monitoring of activities to ensure that transactions are properly authorized and recorded and that assets are properly safeguarded.
Cell Phone Audit	6/07	Audit of cell phones offered by Telephone Support, including internal controls over cash handling, computer and capital equipment, contracts, expense processing, inventory, and monitoring of activities to ensure that transactions are properly authorized and recorded and that assets are properly safeguarded.
UW – STOUT		
Fiscal Integrity	1/06	Review of faculty use of university resources for workshop.
Golf Team Review	5/06	Budget review and feasibility.
The Niche	5/06	Review of operations of boutique operated by the retail management students.
Fiscal Integrity	8/06	Review of faculty use of university resources for workshop.
Stout Advanced Management Assistance	11/06	Review of contracting process; intellectual property issues.
Technical Assistance Project Agreements	12/06	Review of delegated authority for contracts.
Procurement Cards	Ongoing	Review of procurement card activity.
UW – SUPERIOR		
Cash Handling	7/06	Annual verification of all department-held cash funds issued from campus contingent fund.
Capital Equipment	1/07	Physical observation of capital equipment.
Cash Handling	4/07	Review of selected student organizations' cash-handling procedure compliance.
Procurement Cards	Biweekly	Review of procurement card transactions for compliance.
UW – WHITEWATER		
UW – COLLEGES		
Payroll	2006-07	Review of payroll processes for select campuses.
Cell Phones	2006-07	Review at selected campuses.
Cash Handling	2006-07	Review of selected cash handling operations.
Purchasing Cards	2006-07	Review and testing of procedures and controls over the campus procurement card activities.
Vending & Food Service	2006-07	Review at selected campuses.
Contractual Administration	2006-07	Review at selected campuses.

Topic	Date	Project Scope
UW – COLLEGES (continued)		
Financial Aid	2006-07	Review of compliance with satisfactory academic progress standards at selected campuses.
Retroactive Student Withdrawals	2006-07	Review at selected campuses.
UW – EXTENSION**		
Wisconsin Humanities Council	12/06	Examination of internal financial and administrative controls, policies, and procedures to ensure proper authorization of transactions, segregation of duties, documentation and recording of transactions, and safeguards over access to and use of assets and records. Policies and procedures were tested for compliance with UW System requirements.
Wisconsin Geological and Natural History Survey	12/06	Similar to scope of Wisconsin Humanities Council (see above).
Mail Services	2/07	Similar to scope of Wisconsin Humanities Council (see above).
Travel Compliance Review	4/07	Review of compliance with University policies; verification of authorizations; effective preaudit of transactions, including non-reimbursement of personal travel expenses and proper leave reporting.
Division of Broadcasting and Media Innovations (Wisconsin Public Radio and Public Television)	4/07	Similar to scope of Wisconsin Humanities Council (see above).
Extension Conference Center–The Pyle Center	4/07	Similar to scope of Wisconsin Humanities Council (see above).
Division of Outreach & E-Learning (Continuing Education, UW Learning Innovations, UW Help, Independent Learning)	6/07	Similar to scope of Wisconsin Humanities Council (see above).
Continuity of Operations Plan (COOP)	Ongoing	Internal Audit is responsible for coordinating, gathering information and writing the COOP plan for UW-Extension.
**The UW-Extension auditor position was vacant from 1/06 to 9/06.		

RELATED REGENT POLICIES

None.

OPERATIONS REVIEW AND AUDIT REVIEW PLAN CALENDAR YEAR 2008

Purpose of the Review Plan

The Office of Operations Review and Audit is responsible for providing objective review and analysis to ensure the University of Wisconsin System's programs and policies are efficient, effective, and conducted in accordance with best practices and applicable laws and regulations. To help allocate limited resources within the Office, we have identified potential programs and policies to be reviewed in calendar year 2008. This review plan strives to achieve two objectives: assure coverage of areas representing the greatest current risk, while at the same time assure broad coverage of the operations of the UW System over time.

The review plan is a guide that must remain flexible to accommodate review or audit requests from members of the UW Board of Regents, requests for assistance from campuses, and other unexpected occurrences. For example, in 2007, priorities of the Office of Operations Review and Audit were adjusted due to occurrences at the national level involving student lending and campus security.

Development of the Review Plan

The review planning process begins with an understanding of the entity, its activities, and its risks. We gathered such information by (1) discussing various issues with UW System management, institutional management, institutional internal auditors, and students, including the United Council of UW Students; (2) reviewing Board of Regents policies, UW System policies and procedures, state and federal laws and requirements, and changes therein; (3) considering external review activities or inquiries, such as those by the Legislative Audit Bureau and federal oversight agencies; and (4) considering general experiences and concerns within other colleges and universities. Potential topics were discussed with the administrators of the affected program or policy areas.

Proposed Reviews

Through this information gathering process, potential review topics were identified. The issues proposed for calendar year 2008, not listed in order of priority, are as follows:

- Risk Management Review of Service Learning – Student education frequently occurs in the workforce through internships and volunteer programs that integrate community service with academic study. Significant risks and potential liabilities may exist in these environments. A review focusing on the risk management aspects of these programs would identify best practices to mitigate these risks.
- Energy Conservation – Increased advocacy for energy conservation is occurring nationwide, with several professional organizations focusing on higher education. A review in this area could highlight good practices and energy conservation opportunities that are within the UW institutions' control.

- Excess Credit Policy – RPD 4-15 was adopted in 2002 and became effective in the fall of 2004. We are unaware of any review of this policy to date. A review may identify how the policy has been implemented and how campuses are identifying and counseling students who are assessed the excess credit surcharge.
- University-hosted Camps and Clinics: Throughout the year, each UW institution hosts various camps and clinics, such as those for academic, athletic, and musical purposes. Areas for review may include liability issues, employment issues surrounding the coaches or instructors, and revenue recognition.
- National Collegiate Athletic Association (NCAA) Financial Reporting at UW-Milwaukee and UW-Green Bay – The Office of Operations Review and Audit will perform agreed-upon procedures for the NCAA-required reports that include fiscal year 2007 revenues, expenses, and capital improvements associated with the institutions' intercollegiate athletics departments. A private CPA firm performs a similar function for UW-Madison.
- WUWM FM 89.7 Financial Statements Audit – This annual audit is conducted to meet requirements of the Corporation for Public Broadcasting.
- Academic Fees Reviews – The Office of Operations Review and Audit will review the assessment and collection procedures for academic tuition and segregated fees at UW-La Crosse and UW-Stout. In recent years, a similar review has been conducted at all other UW institutions.
- Child Care Centers: A review of child care centers was initially conducted in 2003. A follow-up review would determine the institutions' progress in implementing recommendations relating to providing quality programming, assessing services through evaluation tools, and maintaining accreditation.

Next Steps

The list above identifies potential topics for review in 2008. However, the specific purpose of each review has not been determined. Once the topical areas are determined and before fieldwork begins, Operations Review and Audit staff will conduct preliminary research and prepare a project-overview memo, which includes 1) background data and circumstances prompting the review; 2) the specific purpose(s) and objective(s) of the review; and 3) a description of the project methodology, such as what information would be gathered and who would be contacted. The project-overview memo would be shared with the President's Cabinet and appropriate UW System staff for discussion. These discussions will provide assurance that the Office of Operations Review and Audit is correctly targeting the areas of interest.

OFFICE OF OPERATIONS REVIEW AND AUDIT QUARTERLY STATUS UPDATE

BACKGROUND

This report is presented to the Board of Regents Business, Finance, and Audit Committee to provide: (1) a status report on the major projects the UW System Office of Operations Review and Audit is conducting; and (2) an update on Legislative Audit Bureau projects in the UW System.

REQUESTED ACTION

For information only.

MAJOR OFFICE OF OPERATIONS REVIEW AND AUDIT PROJECTS

- (1) Computer Security Policies, Procedures, and Practices examines how UW institutions structure and manage computer security functions and the extent to which adequate safeguards are in place to minimize the risk of unauthorized access to private information. A report is being drafted.
- (2) Student Mental Health Services will provide information about mental health services UW System institutions provide, policies and procedures related to these services, and UW institutions' preparedness to address student mental health needs and mental health-related emergencies. Fieldwork is continuing.
- (3) Oversight of Student Organizations will identify efforts to manage risk associated with student organization activities. A report is being drafted.
- (4) Academic Fees audits are being conducted to determine the adequacy of policies, procedures, and internal controls related to the assessment and collection of student fees.
- (5) National Collegiate Athletic Association Independent Accountant's Reports will be prepared for UW-Green Bay and UW-Milwaukee. Due in January, these are required reports on the application of minimum agreed-upon procedures for revenues and expenses associated with the athletics department at each institution.

LEGISLATIVE AUDIT BUREAU PROJECTS

The Legislative Audit Bureau is working on: (1) the university's annual financial report, which will be completed in December 2007, and (2) the annual compliance audit of federal grants and expenditures for FY 2006-07, which will be issued in March 2008.

University of Wisconsin System Trust Funds
Investment Policy Statement

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution:

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the adoption of the “Investment Policy Statement” presented to the Board at their meeting of December 7, 2007 and rescind Regent Policy 31-9, “Investment Objectives and Guidelines.”

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS INVESTMENT POLICY STATEMENT

EXECUTIVE SUMMARY

BACKGROUND

Although the existing policy document entitled “*Investment Objectives and Guidelines*” (Regent Policy 31-9) contains some elements of a robust Investment Policy Statement (IPS), it lacks many other important components. The preparation and maintenance of the IPS is one of the most critical functions of the investment fiduciary. The IPS should be viewed as the business plan and the essential management tool for directing and communicating the activities of an investment portfolio.

A draft IPS was presented as a “first reading” at the October 2007 Board meeting. A final version of the IPS is now being presented for adoption.

REQUESTED ACTION

Approval of Resolution I.2.i.1. and rescission of Regent Policy 31-9, “*Investment Objectives and Guidelines*.”

DISCUSSION

As before, the proposed IPS is intended to more clearly delineate the roles and responsibilities of various parties and incorporate and describe the following key elements: overall fund objectives and constraints, approved asset classes and investment strategies, targets and acceptable ranges for asset allocations, spending distribution policies, and qualitative discussions of topics such as overriding investment philosophies, beliefs, and expectations.

The attached final version of the IPS incorporates one revision, based on a suggestion from the Committee at the October 2007 meeting (this revision, located on page 21, is high-lighted and underlined). No other comments or suggestions have been received from any Board members.

RELATED REGENT POLICIES

All Regent Policies found in Section 31: Trust and Investment Policies



UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

INVESTMENT POLICY STATEMENT

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Policy Statement

Preface

Introduction and Background. The invested Trust Funds of the University of Wisconsin System (UW Trust Funds) currently consist predominately of gifts from individuals via wills or other trusts, as well as outright gifts from living donors, corporations (including matching gift programs), and external foundations and trusts. Such bequests and gifts come to the Board of Regents of the University of Wisconsin System (the Board) whenever the donor and documentation name the beneficiary as either the Board of Regents, directly, or any UW System institution, without specifically identifying a UW-related foundation. (UW-related foundations are independent entities with separate governing boards.) These gifts or donations originate as either, 1) “true endowments,” where the donor has restricted the use of “principal” and may or may not have imposed additional restrictions as to purpose (in accounting parlance, “restricted – nonexpendable” gifts), or 2) “quasi-endowments,” where the donor has placed no restriction on use of principal and may or may not have imposed restrictions as to purpose (in accounting parlance, either “restricted – expendable” or fully “unrestricted” gifts).

The Board is the principal and ultimate fiduciary of the UW Trust Funds. A fiduciary is defined as someone who oversees and/or manages the assets of, or for the benefit of, another person and who stands in a special relationship of trust, confidence, and/or legal responsibility. A summary of the primary fiduciary and management responsibilities of the Board is provided in **Appendix 1**. As noted there, the Board has delegated to its Business, Finance, and Audit Committee (the Committee), many oversight and management functions. Specific roles and responsibilities of all relevant parties are discussed later.

Purposes. “The preparation and maintenance of the Investment Policy Statement (IPS) is one of the most critical functions of the investment steward. The IPS should be viewed as the business plan and the essential management tool for directing and communicating the activities of the [investment] portfolio. It is a formal, long-range, strategic plan that allows the steward to coordinate the management of the investment program in a logical and consistent framework. All material investment facts, assumptions, and opinions should be included.”¹ Furthermore, the IPS should provide the guiding principles for all aspects of the management of entrusted assets, and the premises on which these principles rest.

Organization and Format. The IPS is organized into these five major sections:

- **Premises** – which discusses the underlying bases (primarily various objectives, assumptions, and beliefs) for the policies and their implementation
- **Investment Policies** – which describes specific policies adopted to attain identified objectives while conforming with the major premises
- **Implementation** – which describes by whom and how the policies are to be implemented
- **Evaluation** – which describes how success will be monitored and evaluated
- **Appendices** – which provide greater detail on various policy elements discussed at a broader level in the main body of the document

In general, the main body of the IPS is intended to provide higher level elements expected to change only infrequently. The appendices are intended to provide details or lower level elements, which may require more frequent revisions and refinements, due to changing economic and market conditions, the investment opportunity set, industry “best practices,” etc. Incorporating these items into appendices will allow for them to be more clearly and easily revised.

¹ *Fiduciary360*, “Prudent Practices for Investment Stewards,” p. 29.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Policy Statement

Regarding format, the following conventions are used: the major section headings are designated by Roman numerals (e.g., **I.**); major sub-sections are designated by capital letters (e.g., **A.**); headings for specific topics within major sub-sections appear in **Boldface**; headings for subsidiary topics therein appear in ***Italicized Boldface***; headings for each topic therein (sub-sub-topic) appear in *Italics*; and headings for paragraphs therein, where helpful, appear in Regular Typeface. Finally, within the text, *italicized* words or sentences are used to add emphasis; quotation marks (other than for direct quotes) are used when introducing a term or phrase that, although perhaps common in the investment and endowment fields, may not be familiar to the general reader.

Review of the IPS. Given the centrality of the IPS itself in ensuring that the Board meets its fiduciary responsibilities and effectively oversees the management of the investment program, it is imperative that the Board review the IPS on an on-going basis. Although long-range and strategic in nature, the IPS should nevertheless be considered a living document; revisions and further refinements may be required as and when goals, constraints, or external market conditions change significantly.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Policy Statement

I. Premises

A. Investment Objectives, Constraints, and Competencies

Creation of Distinct Investment Funds. Recognizing that assets invested with UW Trust Funds may have distinctly different investment time horizons, three separate investment pools (or funds) have been created. To accommodate endowed assets (where the “principal” is to be preserved into perpetuity) and other long-term investments, the “Long Term Fund” has been created. To accommodate fully expendable assets that may have a shorter or immediate investment time horizon, the “Intermediate Term Fund” and “Income Fund” have been created (collectively, the Funds). Each of these Funds are accounted for on a unitized basis, similar to a mutual fund, where investors buy and sell Fund units representing proportional shares of the Funds’ underlying investments. The investment objectives and constraints for each of the Funds are inherently different and are therefore discussed separately below. There are, however, certain general constraints applicable to all Funds.

General Investment Constraints. Two potential investment constraints – tax considerations and external legal/regulatory requirements – are generally relevant to all UW Trust Fund assets. As a tax-exempt organization, the UW System’s investment returns are not subject to taxation; therefore, tax considerations become essentially irrelevant in the investment decision-making process. However, given the UW’s tax status, tax-exempt securities (e.g., municipal bonds) should be excluded from investment consideration. (It should be noted that under certain circumstances, a tax-exempt organization’s investments can generate Unrelated Business Income (UBIT). Therefore, for investment vehicles and strategies that could potentially generate UBIT, an expectation should be that they seek to minimize it.) The current external legal/regulatory frame-work, to which generally all assets are subject, is also described in **Appendix 1**.

Long Term Fund

Investment Return Objectives. Used primarily for investing endowed assets, the principal return objective of the Long Term Fund is to achieve, net of administrative and investment expenses, *significant and attainable* “real returns;” that is, nominal returns net of expenses, over and above the rate of inflation. By distributing a significant real return stream, disbursements for current expenditure will grow with the rate of inflation so as to maintain their purchasing power and support level into perpetuity. Other secondary investment return objectives for the Fund are to outperform various market and peer group benchmarks. (Details on these benchmarks are provided in later sections.)

Spending Policy. The “spending policy” for an endowment provides guidance and a methodology for determining what amounts are to be distributed for annual spending purposes. The policy should help ensure that the purchasing power of the corpus is maintained. The current spending policy for the Long Term Fund is provided in **Appendix 2**.

Usage, Constraints, and Other Considerations

Investment Time Horizon. With over 95 percent of the accounts in the Fund classified as endowments, the appropriate investment horizon is extremely long term. The Fund should therefore be managed as an “endowment fund,” where the “principal” is to be preserved into perpetuity.

Fund Size. At roughly \$350 million as of June 30, 2007, the Fund is large enough to participate in virtually all asset classes. However, smaller percentage allocations to certain asset classes may

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Policy Statement

necessitate the use of commingled vehicles rather than separate accounts. Commingled vehicles preclude the application of individualized investment guidelines.

Dependence on and Variability of Distributions. Expenditures from UW Trust Funds do not represent a significant portion of overall UW campus budgets. However, specific departments and programs may rely heavily on Trust Fund resources. As such, extreme variability in the value of the annual distributions is not desirable. Therefore, risk objectives (i.e., volatility of returns) and the spending rate methodology should take this into account.

Liquidity Requirements and Cash Flow Analysis. Generally, the Fund has an obligation or liability to pay out the spending rate, plus expenses, offset by new contributions. To a limited extent, some “quasi-endowments” or “expendable” assets are invested in the Long Term Fund, which results in the occasional need to liquidate Fund principal as well. Over the past six-year period ended June 30, 2007, the Fund experienced average net quarterly cash flows of only -0.6 percent of assets. The limited nature of quarterly withdrawal requirements coupled with the perpetual time horizon of the Fund suggests that significant allocations can be made to “illiquid” asset classes.

Investment Risk Objectives. A primary risk objective is to minimize the probability that the desired return objective is not achieved, particularly over the intermediate to long term. Another objective, as suggested above, is to limit extreme volatility of spending distribution levels in the shorter term, which by extension implies limiting extreme volatility of returns in the shorter term. To address both of these shorter and longer term concerns, the Fund should seek to minimize its expected volatility for any given targeted return level. However, it is also recognized that expected volatilities, as represented by standard deviations assuming “normal distributions,” do not provide a complete picture of portfolio risk. Therefore, another risk objective of the Fund is to maintain meaningful “hedges” against major economic events or traumas that can lead to “fat-tail” negative outcomes.

Intermediate Term Fund

Investment Return Objectives. The primary objective of the Intermediate Term Fund is to provide competitive investment returns consistent with very moderate levels of volatility (ideally, equal to or lower than that expected from an intermediate, investment-grade bond portfolio) and low probability of loss of “principal.” Furthermore, the Fund should seek to maximize its expected return for any given targeted level of volatility. Other investment objectives for the Fund are to outperform various market and peer group benchmarks. (Details on these benchmarks are provided in later sections).

Usage, Constraints, and Other Considerations.

Investment Horizon. Over 90 percent of the Fund is represented by “quasi-endowments,” where the expected investment horizon is approximately two to five years. Some ten percent of the Fund appears to represent unspent Income Fund balances that have been swept into the Intermediate Fund; these assets should be considered to have an even shorter investment horizon.

Fund Size. At approximately \$60 million as of June 30, 2007, were the Fund considered on a “stand-alone” basis, it would likely not be large enough to participate in some “alternative” asset classes such as Private Equity and Absolute Return, where investment minimums may be quite high. However, since the Long Term Fund participates in these alternative asset classes, investment minimums would likely not be an issue.

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Dependence on and Variability of Distributions. Historically, this Fund, invested entirely in U.S. Bonds, distributed all of its interest income to the Income Fund for spending purposes. However, since all of the assets of the Intermediate Term Fund are considered fully expendable (i.e., principal can be completely spent down too), the level and variability of such spending distributions are essentially irrelevant.

Liquidity Requirements and Cash Flow Analysis. The Fund permits withdrawals and contributions on a quarterly basis; however, the quarterly cash flows are less certain since all assets are fully expendable. An analysis of the Fund over the three-year period ending June 30, 2007, indicates that *quarterly* net withdrawals have been as high as -6.4 percent of the Fund, while net contributions have been as high as +8.7 percent. Net quarterly cash flows have averaged +/-3.5 percent of the Fund, but have been essentially zero over the entire period. (i.e., contributions have roughly equaled withdrawals). However, during this time, all of the Fund's interest income was being distributed to the Income Fund for spending. Therefore, the Fund may exhibit higher withdrawals going forward if it becomes partly invested in non- or low- income-generating asset classes. Given the quarterly cash flow uncertainty of this Fund, the fact that all assets are in theory immediately expendable and that the expected average investment horizon is only two to five-years, "illiquid" asset classes do not make sense.

Investment Risk Objectives. The primary risk objectives for the Fund are to provide moderate levels of return volatility (ideally, equal to or lower than that expected from an intermediate, investment-grade bond portfolio) and low probability of loss of "principal."

Income Fund

Investment Risk and Return Objectives. The primary objective of the Income Fund is to provide competitive investment returns consistent with the need for preservation of "principal" and immediate liquidity. Expected risk and return for the Fund should also be similar to high-quality "money market" funds.

Usage, Constraints, and Other Considerations.

Investment Horizon. The Fund is used primarily for the following: 1) spending distributions from the Long Term Fund (these amounts become currently expendable income); 2) other monies which are needed for expenditure, generally within the next twelve to eighteen months; and 3) pending investment of new monies awaiting investment in long-term Funds.

Liquidity Requirements. This Fund essentially permits withdrawals and contributions on a daily basis. Only short-term, highly liquid investments are appropriate here.

State of Wisconsin Requirement. By statute, this Fund must reside with the State as part of its agency-commingled State Investment Fund, and it is managed by the State of Wisconsin Investment Board. Other than performance reporting and certain benchmark comparisons discussed later, *this document excludes any further discussion of the Income Fund, as it falls outside of the purview of the UW Board of Regents and UW Trust Funds staff.*

Internal Competencies. The specific policies contained in the IPS should also take into account internal competencies and limitations, given the size, structure, and governance of the UW Trust Funds. These are broadly categorized and discussed below under "Strengths" and "Weaknesses."

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Potential Strengths.

Asset Base. The relatively modest size of assets under management should allow for participation in investment opportunities which have more limited capacity. Funds can be either too small or too large to effectively participate in some markets and opportunities. UW Trust Funds' size may often fall in the "sweet spot" in this regard.

Committee and Board Composition. The relatively small size of the Committee may facilitate more effective and timely decision-making. Also, the Committee and Board are made up of State government-appointed members with diverse and varied personal and professional backgrounds, including UW students. This diversity of backgrounds and expertise may enhance deliberation and decision-making by providing for unique and fresh perspectives.

Reputation. Many investment management firms and service providers prefer to have prestigious institutional clients, and the UW System is so perceived. Also, the prestige of the UW should help to attract and retain talented investment staff.

Academic Expertise. Although infrequently tapped, the UW System includes academicians with expertise in relevant fields such as investments, economics, and accounting. (Applied graduate student investment programs are one example of such academic expertise.)

Potential Weaknesses.

Asset Base. The modest size of assets under management may limit, to some extent, the level of resources devoted to internal investment capabilities and staffing, as their costs are charged against invested assets.

Compensation of Investment Professionals. Compensation levels and types (e.g., base salary, performance-based incentives) may not be considered competitive enough to attract and retain talented investment staff.

Committee and Board Composition. The Committee is not purely an "Investment Committee," and there is no requirement for its members to have any investment experience or expertise. In fact, for the most part, members have historically not had investment-related backgrounds. Also, Committee membership likely changes more frequently than is typical among investment committees of other endowments and foundations.

B. Core Investment Philosophy and Beliefs

Nature of Capital Markets, Investment Risks and Returns. When one seeks to truly "invest," the objective is not just to get one's money back (or even just enough to maintain the same purchasing power), but to actually make more money, to make a profit, to have increased the "real" value of your assets. To do this, one must be willing to accept some level of investment risk. Unfortunately, there are no "risk-free" assets capable of generating returns sufficient to support the desired spending levels of an endowment. In free and open capital markets, capital will flow to higher risk investment opportunities only if they are priced to provide the *potential* for higher returns. "Potential" for higher returns is emphasized here, because the higher returns are not a certainty; if they were certain, they would not be riskier. The *expected average* return may be higher, but the range of possible outcomes is much wider (including the possibility of complete loss) versus a "safer" investment. Some investment risks, however, can and should be mostly *diversified away*, as these risks are not on average compensated for. An example of such a risk is the "idiosyncratic" or "non-systematic" risk that comes from investing in a

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particular company, or even industry. These are risks peculiar to that company or industry. The power of diversification works to largely eliminate many of these risks. There are other types of risk that *cannot* be diversified away; they are referred to as “systematic” or “market” risks. But fortunately, these risks are compensated for on average. Some examples of systematic or broad market risks are the following:

- Equity market
- Bond market (or interest rate)
- Inflation
- Deflation
- Economic trauma
- Geopolitics
- Illiquidity

It may be possible to hedge against some of these risks, but they cannot be completely eliminated simply through investment diversification. However, since these broad risk factors affect different markets and asset classes in different ways and to varying degrees, *diversification among many different asset classes and markets can greatly reduce overall portfolio risk*. It is important to keep in mind, though, that *all* investment returns derive from economic activity and productivity – from the creation (or destruction) of “real” wealth, real goods, and services. Whether it is corporate profits or interest income, the corporations and borrowers are engaged in economic activity, which if successful, will allow them to repay their lenders or share the wealth with their owners. With this perspective in mind, it is clear that broad (increasingly, global) economic activity is the ultimate risk factor, and that each of the systematic risks listed above can significantly impact this economic activity. In summary, the principal premise put forward here is that investment risk is inherently neither good nor bad, but all aspects and sources of potential risk must be understood, monitored, managed, and, in the end, embraced in order to achieve attractive and commensurate returns.

Market Efficiency. As originally formulated, the concept of “market efficiency” referred to its “informational efficiency;” that is, whether market prices fully reflect all available information, and that assets are then appropriately priced relative to “fully-informed” perceptions of their risk. In such a world, all assets should provide similar perceived-risk-adjusted returns. However, the concept of an efficient market has also come to refer more nebulously to a market where assets are always priced at “fair value.” What is “fair value” though? It means that an asset is not “mispriced.” Mispriced relative to what? The only time it can be said with certainty that one asset is mispriced is if there is an identical asset that is selling for a different price (this is called an “arbitrage” opportunity and they, of course, will always be short-lived). The premise put forward here regarding market efficiency is that markets some times do a very poor job in even roughly pricing risk appropriately. In that sense, the general belief is that prices for individual assets, and even entire sectors and markets, do sometimes veer far from “fair” or “intrinsic value,” and that these mispricings can be exploited through active management. However, it is also important to state the additional premise that some markets are inherently less efficient in this sense. This can be because they simply receive less attention (e.g., stocks of small companies vs. stocks of large companies), or because there is much less public information available about them (e.g., commercial real estate or private equity).

Alpha and Beta Concepts. The concepts of “alpha” and “beta” in a portfolio management context have become a common part of investment vernacular. Although they are frequently overused or misused, institutional investors and fiduciaries should have a basic understanding of these concepts. As applied to a single security, the term “beta” is generally used to denote that component of expected return attributed to the security’s sensitivity to movements in the overall market. For example, if a security has an

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estimated (or historical) beta of 1.2, it would be expected to move on average, 20 percent more than the market overall; that is, it would be 20 percent more volatile. The beta for the overall market in question is always set at 1.0, so the beta measures for individual securities are *relative* to the market. Beta is therefore to be viewed as a standardized measure of “systematic” risk which cannot be diversified away. The term “alpha” in a single security context is used to denote any expected excess return; that is, expected return over (or under) that predicted by the security’s beta. (In mathematical terms, the equation is denoted as follows: $\text{expected return} = (\text{market return} \times \text{beta}) + \text{alpha}$.) This expected excess return would exist only if the security was “mispriced” or “inefficiently priced.” In an overall portfolio context, the term beta is generally used to denote the return achievable by simply investing passively in a particular market, such that only systematic risk is incurred. The term alpha here has come to simply denote excess return, if any, over and above that of the market in question. Positive (or negative) alpha can only be realized through active investment management, that is, consciously deviating from a given market benchmark.

Portable Alpha. An investment technique that has become increasingly in vogue is referred to as “portable alpha.” The idea behind it is that alpha and beta sources within a portfolio context can be “decoupled.” More typically, institutional portfolios have had to find alpha only from where they have placed their beta (market or asset class) allocations. For instance, if an investor wanted a beta exposure of say 50 percent in U.S. large-cap equities, any alpha (excess return) for that allocation would have to come from active management within that large-cap portfolio. Therefore, beta and alpha were inextricably tied together. An example of “portable alpha” would be as follows: the investor gets cheap beta exposure to U.S. large-cap equities through S&P 500 futures; actual dollars are used to fund a U.S. small-cap equity manager, where there is, in theory, greater alpha potential; and, finally, the small-cap beta exposure is hedged away by selling small-cap futures. The result is that the small-cap manager’s pure alpha, if any, has been “ported” onto the large-cap beta exposure. Whereas return expectations from an active large-cap portfolio might have been the S&P 500 return + 100 basis points, the portable alpha structure might be expected to produce S&P 500 + 300 basis points. The premise put forward here, is that portable alpha is a logical and potentially attractive active management strategy. However, if and when it is entertained, its complexities and risks must be fully understood and easily managed.

Active vs. Passive Management. Consistent with the premises on market efficiency, the belief put forward here is that active management may be desirable (as opposed to passive or indexed management), especially in less efficient markets. However, if active management is to be pursued by hiring external managers, one must be adept at selecting superior managers, because active management is a zero-sum game – one manager’s positive alpha is another manager’s negative alpha. One good indication of market efficiency, as well as a good indicator as to whether active management should be pursued, is the dispersion of returns among managers within an asset class. For example, the dispersion of returns between “top-quartile” and “bottom quartile” private equity or real estate managers is huge, whereas the dispersion between the top and bottom investment-grade bond managers is negligible.

Hedge Funds. Hedge funds are largely unregulated vehicles that can represent “the ultimate” in active management, where there are few if any constraints imposed. For instance, they are commonly believed to use extensive leverage, sell short, use derivatives, and otherwise invest in anything, anywhere – the more exotic the better. Nevertheless, a premise is that a diversified portfolio of skilled hedge fund managers, operating within prudent constraints and with strong risk-control capabilities, can add a level of diversification and return potential from active management to an otherwise well-diversified portfolio. Due diligence standards, must, however be of the highest order given hedge fund managers’ greater flexibility.

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Market Neutral and Absolute Return Funds. A type of hedge fund strategy that may be of particular interest is a so-called “market neutral” or “absolute return” strategy. Here, the intent is that its investment returns will exhibit little or no correlation to the movements in the major capital markets. The returns in total, in theory, should come primarily from manager skill in identifying and exploiting mispricings and arbitrage opportunities; any beta exposures are in theory hedged away. If, again, skilled managers following such strategies can be sourced, these types of hedge funds would provide an excellent additional source of portfolio diversification.

Capitalization-Weighted Benchmarks. It is recognized that the market benchmarks that are most widely used are “capitalization-weighted.” Capitalization-weighted indexes are comprised of a particular market’s securities, weighted by their total capitalization value (i.e., total shares outstanding times current market price). Some academicians and practitioners have suggested that there are some fundamental flaws to cap-weighted benchmarks. First among those suggested, is that cap-weighting on average results in an overweighting of overvalued stocks, and “growth” stocks in general, and an underweighting of undervalued stocks, and “value” stocks in general. Schemes such as equal-weighting (which has its own drawbacks) or weightings based on some “fundamental” business measures (e.g., sales, market share, etc.) have been suggested as better alternatives. For the time being, the premise in this regard is that capitalization-weighting remains a sound basis for benchmark construction.

Primacy of Asset Allocation. The single most significant decision in the investment process is that of asset allocation; that is, deciding how assets are to be allocated among the major investment categories (or asset classes). Studies indicate that well over 90 percent of a portfolio’s return can be explained simply by its asset allocation.

Mean-Variance Optimization and its Limitations. “Mean-variance optimization” programs are a very commonly used tool for conducting asset allocation analyses. They are designed to solve the following question given the inputs discussed above: Which portfolios will provide the highest expected average return for any expected level of volatility, or conversely, which portfolios will provide the lowest expected volatility at any expected level of return? Forward-looking capital market assumptions for various asset classes are essential in determining which portfolios will exhibit desirable risk/return profiles. These same assumptions are also the key inputs to “mean-variance optimization.” They are: 1) expected returns, 2) standard deviations, and 3) correlations. Although there are very significant limitations to mean-variance optimization (e.g., there is uncertainty associated with the assumptions; there is significant sensitivity to small changes in assumptions; covariances change over time and under more extreme conditions; it assumes that the simple “point-estimates” of assumptions are known with certainty and that the outcome is therefore known with certainty; outcomes, therefore, do not reflect the probabilities that significantly different outcomes may occur; etc.), the analysis is at least a useful and informative exercise. For instance, it prompts an investor to carefully review expected returns and volatilities of various asset classes, their implied risk premiums, and their relationship to each other and whether these make intuitive sense for capital markets. They also help encourage investors to “stretch” in terms of giving consideration to new or more non-traditional asset classes. Also, mean-variance optimization can lend some quantitative support to what intuitively seems to make good sense and indicate whether one is at least “heading in the right direction.” On the other hand, it is important to note that unless some constraints are employed in the modeling (i.e., reasonable minimums and maximums by asset class), an optimizer will generate many, if not mostly, portfolios that are intuitively unacceptable (e.g., 50 percent or more to Real Assets or Private Equity). Therefore, some “reasonable” constraints should normally be devised.

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Specification and Primary Roles of Asset Classes. Although there are certain standard broad classifications (e.g., equities and bonds), there remains some controversy over what constitutes a distinct asset class. However, the criteria given below provide a good starting point for asset class specification:

- *Assets within an asset class should be relatively homogenous.* Assets within an asset class should have similar attributes. [And they should be subject to the same principal risk factors.]
- *Asset classes should be mutually exclusive.* [That is, they should not overlap.]
- *Asset classes should be diversifying.* For risk-control purposes, an included asset class should not have extremely high expected correlations with other asset classes or with a linear combination of the other asset classes. Otherwise the included asset class will be effectively redundant in a portfolio because it will duplicate risk exposures already present. In general, a pair-wise correlation above 0.95 is undesirable.
- *The asset classes as a group should make up a preponderance of world investable wealth.*
- *The asset class should have the capacity to absorb a significant fraction of the investor's portfolio without seriously affecting the portfolio's liquidity.* Practically, most investors will want to be able to reset or rebalance to a strategic asset allocation without moving asset class prices or incurring high transaction costs.²

Asset classes should also be grouped into certain “super-categories” based on the primary roles those asset classes are expected to play within the overall portfolios. It is recognized that expected returns, volatilities, and pair-wise correlations are inherently imperfect representations of true underlying risks and returns. Therefore, optimal portfolios generated using only these inputs may lack some needed judgmental, qualitative assessment of broad risk factors, and risk control. This is where it may also be helpful to consider what levels of assets might be prudently devoted to each such “super-category.”

The following broad asset classes, grouped by “super-categories,” are consistent with the above criteria and are deemed appropriate for the UW Trust Funds:

Growth and High-Yielding Assets. (i.e., higher risk “return drivers”)

U.S. Equities

Non-U.S. Equities

Emerging Market Equities

Private Equity (e.g., venture capital, leveraged buyouts, other private capital)

High Yield Debt (e.g., high yielding corporate debt or bank loans, emerging market debt)

Event-Risk and Deflation-Hedge Assets. (i.e., lower risk, “catastrophe insurance”-like)

U.S. Bonds (pure U.S. Treasuries are perhaps ideal here)

U.S. Cash

Absolute Return (this “asset class” is best represented by “market-neutral” hedge funds)

Real and Inflation-Hedge Assets. (i.e., physical assets and inflation-protected financial assets)

U.S. TIPS (Treasury Inflation Protection Securities)

Real Assets (e.g., private/public commercial real estate, timber, commodities, infrastructure)

Market indexes selected to be broadly representative of each of these asset class (and in most cases to suggest appropriate passively managed alternatives), are provided in later sections or appendices.

² Sharpe, Chen, Pinto and McLeavy. “Asset Allocation.” *Portfolio Management*. CFA Institute, Ch.5.

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Meaningful Asset Class Allocations. Another basic premise regarding asset classes and their inclusion in a portfolio is that the allocation must be significant enough to provide its desired attributes in a meaningful way. Allocations of less than 5 percent of portfolio assets to a particular asset class do not make sense.

Tactical Asset Allocation. “Tactical asset allocation” involves making tactical shifts away from long-term strategic asset allocations. The crux of this strategy involves the following: some form of current valuation of asset classes or markets as a whole, determination of the “fair” risk-adjusted valuation (whether an “equilibrium” or average historical value, etc.), determination of the current level of over- or under-valuation and what this implies for expected returns going forward. Based upon relative levels of over-/under-valuation and expected future returns (for some period) among the asset classes/markets available, under- and over-weightings versus some strategic norm or benchmark are implemented. This is no different than what an active long-only stock picker does, but he does it at the individual security level; the asset allocator does it at the asset class level. Risk-controlled active asset allocation strategies should provide opportunities to add alpha over and above what a static, strategic asset allocation can be expected to provide. Desirable managers for a global active asset allocation mandate should have all of the following characteristics: a strong, dedicated and utterly defensible conviction that it can be done successfully; a long and strong track record that supports this conviction; a sophisticated risk-control platform; strong global presence and expertise; and very bright people and leadership that reflect a strong cultural continuity. If such managers can be found, a global active asset allocation strategy should be considered for incorporation into the Long Term Fund’s portfolio, in some manner and at some level. (Note, when this strategy is employed with a global focus, it is often referred to as “global tactical asset allocation,” or GTAA.)

Opportunistic Investment Category. The concept behind an “Opportunistic” investment category is as follows. On occasion, unusual and exceptional investment opportunities may present themselves which could meaningfully improve the risk/return profile of the Funds. Such an investment opportunity will likely represent one of the following situations: 1) it does not quite fit into any currently acceptable asset class or strategy (at least as they are presently defined), or 2) investing in the opportunity would shift the Fund’s strategic asset allocations beyond what is normally acceptable. Also, such investments will normally not represent permanent positions; i.e., they will likely have either a term associated with them (e.g., a limited partnership vehicle) or they will eventually be divested or otherwise unwound. A limited place should be reserved for such unusual opportunities for the Long Term Fund.

Currency. Currency is not considered to be an asset class or an “investment” at all for that matter, as there are normally, and on average, no expected returns from holding or being exposed to, a foreign currency. Also, unhedged foreign-denominated assets generally provide somewhat higher levels of diversification (i.e., somewhat lower correlations) in a broad portfolio context. Therefore, for the most part, and unless significant skill in currency exposure management can be demonstrated, assets denominated in foreign currencies should not be hedged.

Leverage. The use of borrowed funds, or explicit leverage, in investing is inherently neither good nor bad. It becomes good or bad depending on how it is used, how much is used, and what is being levered (e.g., what the nature of the collateral is). It is important to remember that many “traditional” types of investing involve substantial leverage; for example, stocks of companies that have significant debt, or stocks/interests in commercial real estate investment entities that have considerable debt. The intent in using debt is to lever up the returns going to the reduced level of equity being invested. Of course the leverage works both ways; if there are losses, they fall entirely onto the equity (assuming that losses are not severe enough to impair the repayment of the debt). The premise put forward here is that the use of

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leverage *within the context of an investment strategy/portfolio itself*, may be prudent and desirable depending on how it is used, how much is used, and what is being levered (e.g., what the nature of the collateral is).

Derivatives. A derivative is defined as an instrument that derives its value from some underlying asset, reference rate (such as an interest rate), or index. It is recognized that derivatives involve certain risks as do all investments, but that their risk ensues primarily from how they are used in the context of an overall portfolio. Therefore, as with leverage, derivatives are inherently neither good nor bad, as they can be put to either good or bad purposes. The primary risk of derivative strategies comes from the potential to leverage a position or to invest/speculate without committing capital. The use of derivatives to create economic leverage should generally be prohibited. Other uses of derivatives, if employed, should be well-defined, clearly understood, and generally seek to reduce portfolio risk and/or costs.

Short Selling. “Short selling” is the practice whereby a security is “borrowed” and sold at today’s price; the security is then repurchased by the short seller in the market at a later date to replace the security borrowed from the lender’s account. As opposed to owning the security (or being “long” the security) if its price is expected to rise, one might sell the security short (or be “short” the security) if its price is expected to fall. Short sales are conducted through a broker: not only are the proceeds from the short sale kept on account with the broker, the short seller must also post margin (essentially, collateral) to ensure that the trader can cover any losses sustained if the security price *rises* during the period of the short sale. Whereas the maximum loss for a long position is the amount invested, the maximum loss from a short position is in theory unlimited (if the price were to rise to infinity). Although short sellers face particular challenges, risk-controlled short selling within an overall portfolio context can be rewarding if the manager has real skill in identifying both under- and over-valued securities. In fact, numerous academic studies have shown that by being allowed to combine long and short positions, a skilled manager is better equipped to translate his insights into profitable portfolio positions. One example of long/short portfolio strategies is a “130/30” strategy, where the manager is permitted to go up to 130 percent long and 30 percent short, such that the net long exposure is 100 percent. Effectively, such a portfolio can be no more risky than a traditional 100 percent long portfolio and yet provide more opportunities for alpha.

Securities Lending. Securities lending is taking the other side of the short sale (securities borrowing) described above. Many, if not most, large institutional investors, usually through their custodian bank, actively lend securities they own. The objective is to earn a modest level of incremental income from the program in one of the following ways: 1) if the borrower posts other securities as collateral, the lender simply receives a fee, usually quoted in basis points per annum of the original market value of the loaned security, or 2) if cash is posted as collateral, the revenue generated from lending is derived from the difference or “spread” between interest rates that are paid (the “rebate rate”) and received (the “reinvestment rate”) by the lender. It is recognized that the primary risk in securities lending is not that the borrower will default, due to required collateralization and margin maintenance, but that in the case of cash collateralization, the expected interest spread is not earned. If a securities lending program is to be approved, the risks must be fully understood and commensurate with expected incremental returns.

Strategic Partnering. Given certain internal constraints and competencies, “partnering” with fewer excellent managers capable of providing wide-ranging research and consultative feedback is desirable. Therefore, a focus in investment manager selection should be to employ at least some managers that can become such “strategic partners.”

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Flexible Yet Disciplined. The overall management process for the UW Trust Funds' investment program should be flexible enough to allow for capturing investment opportunities *as they occur*, yet maintain reasonable parameters to ensure prudence and care in execution.

C. Other Premises

Corporate Activism and Social Responsibility. As an owner of stocks of public corporations, ownership rights should generally be exercised in a manner consistent with maximizing the value of the ownership interests. The voting of proxies, and the introduction of proxy proposals, is one important ownership right. Furthermore, while acknowledging that the primary fiduciary responsibility of the UW Trust Funds is to maximize financial gain on its investments, considerations of the "social responsibility" of the entities in which it may invest can still be entertained. The current policies related to proxy voting and "social responsibility" are summarized in **Appendix 3**.

Large Unrestricted Gifts. Large gifts where the donor does not restrict principal ("quasi-endowments") should become Board-designated endowments so as to provide for more perpetual support to the UW, unless compelling arguments for complete expenditure can be made. The current policy details are provided in **Appendix 4**.

Investing with a Wisconsin Focus. The Board's primary fiduciary responsibility for UW Trust Funds is to maximize financial return, given an appropriate level of risk. The Trust Funds generally are not managed internally but are managed by external investment firms. These investment managers, for both public and private investments, have the ability to invest in Wisconsin-based companies and start-ups to the extent they deem them to be desirable and appropriate investments. Furthermore, the sources of Trust Funds' assets are generally bequests and donations to benefit programs and activities as specified by the donors. Investing these funds with a Wisconsin focus would not provide any "additional" benefits for these programs and activities. In this case, the fiduciary responsibility is clearly to choose among the best investment options available without any bias as to where they are located.

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II. Investment Policies

A. Asset Allocations, Policy Portfolios, and Benchmarks

Strategic Asset Allocations.

Purpose. As noted earlier, determining and implementing the overall strategic asset allocations for the Funds is the first and most important step in implementing the investment program. The strategic, or policy, asset allocations should represent the long-term "equilibrium" or "normal" asset class positions for the portfolios, positions that under normal conditions are expected to best meet the Funds' objectives for both investment returns *and* risk.

Frequency of Asset Allocation Reviews. Given their focus on long-term capital market assumptions, in-depth asset allocation reviews need not be conducted on a set schedule. However, it is anticipated that in-depth reviews will be made at least once every three years. Also, the spending policy for the Long Term Fund should generally be reviewed in conjunction with an asset allocation review.

Sources of Data and Assumptions. Trust Funds will rely heavily on input from its "strategic investment partners" for the capital market assumptions required in an asset allocation analysis. Such assumptions are intended to be conscious of not only long-term historical relationships and averages, but also projected long-term capital market conditions based upon current economic and financial environments. Asset class return expectations should also be "internally consistent" and reflect a "build-up" of the following components: inflation + the risk-free real rate of return + various risk-premiums depending on the riskiness of the asset class in question. Furthermore, in the case of equities, return expectations are also viewed as being comprised of the following "building blocks:" earnings per share growth (which for equities overall should equal nominal GDP growth) + dividend yield + return impact from change in the price-to-earnings (P/E) ratio.

Reliance on Models and Judgment. Strategic asset allocation reviews will rely heavily on the use of "mean-variance optimization" models (discussed more in the *Premises* section). Other statistical tools may also be utilized, such as "Monte Carlo Simulations," to help predict probabilities of various outcomes. However, as these models and programs have significant limitations (also discussed earlier), results should be tempered with substantial amounts of judgment. Such judgmental factors are to be fully discussed as part of any reviews and recommendations of strategic asset allocations.

Departures from Strategic Asset Allocation Targets.

Setting Asset Allocation "Ranges." Strategic asset allocation analyses are generally intended to produce a desirable portfolio with *precise percentage targets* for each asset class. A common and acceptable practice is, however, to adopt permissible allocation ranges about these precise targets. This allows for some "tactical flexibility" for controlled deviations and limits, to some extent, the need for constant rebalancing. Asset allocation ranges are to be incorporated into approved asset allocations plans.

Global Tactical Asset Allocation. As discussed earlier in the *Premises* section, a core investment belief is that entire markets or asset classes can become significantly under- or over-valued, and that such inefficiencies can be exploited by capable and disciplined managers. Allocations to GTAA managers or strategies, if any, are to be fully described and incorporated into approved asset allocations plans. It is expected that any GTAA component will take one of two forms: 1) a dedicated portion of Fund assets will be allocated to a manager(s), or 2) an overlay strategy for the entire Fund will be employed. Furthermore, the GTAA program, if any, is to be designed so that overall Fund deviations from strategic asset allocation targets will normally be within permissible ranges. As with any active asset management

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strategy, GTAA is to be pursued in a risk-controlled fashion and only to the extent that truly skilled and capable managers can be sourced

Opportunistic Investment Category. Also as discussed earlier in the *Premises* section, another core belief is that unusual investment opportunities may present themselves from time to time which would either 1) not quite fit into any currently acceptable asset class or strategy, or 2) shift the Fund's strategic asset allocations beyond what is normally acceptable. To the extent that such "opportunistic investing" is permitted, it is to be incorporated into approved asset allocations plans. Absent any unusual opportunities or strategies, the allocation to Opportunistic investments will be zero. When an opportunistic investment is to be made, it is generally to be funded either by a roughly proportional reduction in all other asset classes, or the asset class most resembling the opportunistic investment is to be used as the primary funding source.

Current Asset Allocation Targets by Fund.

Long Term Fund. The current strategic asset allocation or "policy portfolio" for the Long Term Fund, without the incorporation of Global Tactical Asset Allocation or Opportunistic categories, is provided in **Appendix 5**. Therefore, this appendix provides the long-term strategic allocation, absent any allowance for significant tactical shifts or "opportunistic" investments. To the extent that GTAA and/or Opportunistic categories are to be incorporated, the combined target asset/category allocations are provided in **Appendix 6**. Asset class benchmarks are also provided in each Appendix.

Intermediate Term Fund. The current strategic asset allocation or "policy portfolio" for the Intermediate Term Fund is provided in **Appendix 7**. Asset class benchmarks are also shown.

B. Other Investment and Risk Management Policies

Rebalancing. Rebalancing to target asset allocations, or to within permissible ranges, is a key risk management practice, given again the primacy of asset allocation to achieving and maintaining the desired risk/return profile. Furthermore, to the extent that multiple managers, investment styles (e.g., growth vs. value, large- vs. small-cap, etc.), or "sub-asset classes" are employed within a particular broad asset class category, rebalancing should generally take place at these levels as well. Details of the current rebalancing policies are provided in **Appendix 8**.

Sector, Security, Individual Investment Concentration. Generally, limits on various investment concentration levels are not to be set at the broad policy level. However, it is expected that virtually all investment managers, strategies, and vehicles selected will employ diversification sufficient to eliminate a majority of "non-systematic" or idiosyncratic risks. Concentration levels will also be monitored closely, and in the case of "separate accounts," individualized investment guidelines will address this as well as other aspects of risk management.

Individualized Investment Guidelines. In the case of "separately-managed accounts," individualized investment guidelines are to be developed. These guidelines will vary depending on the asset class, style, and strategies involved, as well as the perceived capabilities of the investment manager in question. When commingled funds of any kind are contemplated, the funds' documented investment guidelines, and expected investment practices, are to be carefully reviewed to determine their acceptability.

Regarding Specific Investment Strategies and Vehicles. Certain guidelines, restrictions, and expectations are expected to be broadly applicable to most, if not all, investment managers and portfolios. These are discussed below.

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Leverage. Generally, portfolios devoted to “traditional asset classes” (e.g., equities and fixed income) using “long-only” strategies are to be prohibited from using economic leverage. Notwithstanding this general prohibition, leverage may be used in Private Equity; Real Estate, and other similar Real Assets; Absolute Return, and other Hedge Fund strategies; and in the conduct of a “Securities Lending Program” (if such a program exists, it is to be fully described in an Appendix to the IPS). In these cases, leverage levels, limits, and practices are to be carefully reviewed as part of the initial and on-going due diligence process when investing in commingled vehicles. For separately-managed accounts, individualized investment guidelines are to address leverage.

Derivatives. The use of derivatives to create economic leverage is to be prohibited in traditional asset class portfolios. Furthermore, for any given portfolio, derivatives are generally to be limited to those whose value is directly linked to investments which would otherwise be permissible for that portfolio. Generally, derivatives are expected to be used primarily to reduce portfolio risks, provide needed liquidity, or to affect transactions more cost-effectively. For commingled vehicles; policies, practices, and limits on the use of derivatives are to be carefully reviewed as part of the initial and on-going due diligence process. For separately-managed accounts, individualized investment guidelines are to address the use of derivatives.

Short Selling. For commingled vehicles; policies, practices, and limits on short selling, if permitted at all, are to be carefully reviewed as part of the initial and on-going due diligence process. For separately-managed accounts, individualized investment guidelines are to address the practice of short selling, if permitted at all.

Foreign Currency Exposure. In general, the expectation will be that portfolios with assets denominated in foreign currencies will not hedge the foreign currency exposure either back into U.S. dollars or into another currency. To the extent that managers have demonstrated consistent skill in actively managing currency exposures, such activities may be considered. For commingled vehicles; policies, practices, and limits on currency exposure management are to be carefully reviewed as part of the initial and on-going due diligence process. For separately-managed accounts, individualized investment guidelines are to address currency exposure management.

Trading. Investment managers will be expected to execute all transactions at the lowest possible cost, which includes explicit commissions, bid/ask spread, and estimated market impact; in aggregate, this is referred to as obtaining “best execution.” The use of “soft dollar” arrangements, where higher commissions are paid to a broker in exchange for research or other services, is generally to be prohibited or strongly discouraged, as such research or services may not in fact directly benefit the portfolio in question.

Manager Concentration. Recognizing that one element of risk is “manager risk,” the risk that any particular investment manager may experience serious investment-related or organizational problems, manager-level concentration will be thoughtfully considered. Generally, acceptable manager concentration levels will depend greatly upon the asset class and investment strategy involved, as well as the expected level of “tracking error.”

Risk Metrics and Budgeting. The broad framework for risk management consists of the following key elements: the strategic asset allocation, other investment policies and individualized investment manager guidelines, and the benchmarks used for measuring performance objectives. However, certain risk

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metrics and budgeting practices are also to be employed to more quantitatively measure and control portfolio risk, particularly when active investment management is employed. These are discussed below.

Total Risk. The basis for the “risk budget” at the total portfolio level is the risk (volatility) of the Fund’s “policy portfolio” benchmark. Thus the risk budget begins with the risk of the benchmark index, which assumes passive (or, in most cases, indexed) management within each asset class and no deviations (intentional or otherwise) from benchmark asset class weights. The “total risk” at the Fund level is to be defined as the annualized standard deviation of its monthly returns.

Budget. Total risk for the Long Term Fund is to be maintained at a level equal to the square root of the sum of the squares of the actual “benchmark risk” (described above) and the “active risk” budget (described below). As this precision is not practically achievable, the total risk is generally expected to be managed within a 20 percent range of the budgeted level. For example, if the total risk budget is 10 percent, the allowable range is 8 percent to 12 percent.

Active Risk. Active risk ensues from any deviations away from the Fund-level policy benchmarks or from the compositions of the benchmarks for each asset class. The budget for active risk is to be consistent with the tolerance for active risk and the expectations for excess returns from active management. The active risk at the Fund level is to be defined and measured as the “tracking error,” which is the annualized standard deviation of the difference between monthly Fund returns and monthly policy portfolio benchmark returns.

Budget. The active risk, or tracking error, budget for the Long Term Fund is to be 5 percent annual standard deviation, and is expected to be generally managed within a range of 4 percent to 6 percent.

Note on Private Equity. Both total risk and active risk for the Long Term Fund is to be computed without the impact of Private Equity. Therefore, only for the risk budgeting purpose here, Fund and policy allocation benchmark performance calculations assume there is no Private Equity component.

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III. Implementation

A. Roles and Responsibilities

Board of Regents. The full Board retains these specific responsibilities:

- Approve the Investment Policy Statement, which includes these key elements:
 - Asset allocations for each Fund
 - Spending policy for the Long Term Fund
 - Proxy voting and policy, and “social responsibility” policies
- Annually elect all UW Trust Funds-related officers (i.e., the Trust Officer and any Assistant Trust Officers, which includes the Director of the Office of Trust Funds)

Business, Finance, and Audit Committee. The Board delegates all other management and administration responsibilities for the UW Trust Funds to its Business, Finance, and Audit Committee. The Committee, in turn, is authorized, with the approval of the Board, to delegate such powers and responsibilities regarding the management and administration to the Trust Officer or other administrative officers or employees of the UW System as the Committee deems appropriate. The Committee retains these specific roles and responsibilities:

- Recommend to the full Board an Investment Policy Statement, which includes these key elements:
 - Asset allocations for each Fund
 - Spending policy for the Long Term Fund
 - Proxy voting and policy, and “social responsibility” policies
- Recommend to the full Board the UW Trust Funds-related officers (i.e., the Trust Officer and any Assistant Trust Officers, which includes the Director of the Office of Trust Funds)
- Otherwise oversee and monitor all other aspects of the management and administration of UW Trust Funds which have been delegated to others

Office of Finance.

Vice President for Finance/Trust Officer. Primary responsibilities of the Vice President for Finance are the following:

- In general, oversee the management and administration of the Office of Trust Funds
- Perform other duties as required by law or assigned by the Board or Committee

Office of Trust Funds.

Director/Assistant Trust Officer. Primary responsibilities of the Director of the Office of Trust Funds are the following:

- In general, implement, conduct, oversee, and monitor all other aspects of the management and administration of the UW Trust Funds, including all specific policies and practices contained herein or otherwise approved by the Committee and Board
- So as to be particularly clear regarding this important function, the Director is responsible for hiring (and terminating) external investment managers (subject to the selection process discussed later), provided, however, that he/she provides to the Committee a due diligence memo regarding each prospective hire (or termination) at least 15 business days in advance of the manager’s initial funding (or termination); should any Committee member voice opposition within that timeframe, the decision will be delayed pending further due diligence
- Submit periodic reports to the Committee (reporting/communication standards are discussed later)
- Manage and monitor all external and internal expenses and fees
- Manage and maintain all UW Trust Funds records
- Work with donors, estates, and trusts in taking in and properly establishing new Trust Funds accounts

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Other Investment Staff. Conduct all investment management-related and administrative functions as assigned by the Director of the Office of Trust Funds.

Accounting, Recordkeeping, and Administrative Staff. Primary responsibilities are the following:

- In general, maintain all accounting and recordkeeping systems related to the various unitized investment pools, or Funds, and for all accounts participating in those pools
- Assist benefiting campuses and departments in their utilization of Trust Funds accounts

General Counsel's Office. Primary responsibilities are the following:

- Help ensure compliance with all applicable laws and regulations
- Provide assistance on any legal matters pertaining to bequests and other trust-related gifts
- Provide assistance on matters pertaining to investment-related contracts and agreements (external counsel may be hired under some circumstances)

Office of Procurement. Primary responsibilities are the following:

- Assist in the procurement of investment-related and other product/service providers, particularly where an RFP and competitive-bid process is warranted

Investment Managers. Primary responsibilities are the following:

- Manage the portfolio or commingled vehicle in conformance with their individualized investment guidelines or the guidelines of the commingled vehicle
- Provide the following information, at a minimum, to the Office of Trust Funds on a monthly basis (or quarterly for some asset classes): 1) portfolio holdings and valuations, 2) transaction summary, and 3) investment returns for the most recent period and since inception
- For separately-managed accounts, work with the custodian to reconcile any discrepancies regarding portfolio market valuations or calculated investment returns
- For commingled vehicles, provide safekeeping for underlying assets and interests
- Notify the Office of Trust Funds immediately upon any of the following events: a material change in the organization or the management of the portfolio; in the manager's judgment, the consequences of financial/economic developments may have a material adverse impact on the portfolio; the firm becomes subject to legal or regulatory enforcement actions or other investment-related litigation
- Ensure the availability of a senior-level officer(s) for annual due diligence meetings
- Ensure the availability of senior-level officers and/or investment professionals for due diligence meetings at the offices of the manager upon request

Custodian. Primary responsibilities are the following:

- Provide safekeeping for all UW Trust Funds assets, held in separately-managed accounts
- Provide monthly portfolio holdings, valuation, and transaction reports in a timely fashion
- Provide performance reporting and other analytics as requested and available under the custodial contract, or otherwise contracted for
- Notify the Office of Trust Funds immediately when there is a material change in the organization or its processes and procedures, or when there are any concerns regarding portfolio transactions or valuations
- File on behalf of UW Trust Funds, participation in class action lawsuits pertaining to Fund investments

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B. Investment Manager Selection, Retention, and Termination

Selection Process. Under all circumstances, the Office of Trust Funds is to conduct a thorough and documented due diligence process in the selection of investment managers or specific investment vehicles. In addition, in those cases where there are multiple providers of a desired investment product or service, UW and State procurement policies and practices are to be followed. This will typically involve a “bid process,” including a Request for Proposal and public notification of the impending vendor search. Also in these cases, an “Evaluation Team” or “Selection Committee” will be involved in the selection process. Such team or committee will include at least two members with financial or investment expertise who are external to the Office of Trust Funds.

It is recognized, however, that for certain investment opportunities, a competitive search process is not appropriate or even possible. Examples might include opportunities in various alternative asset classes, such as Private Equity, Real Estate, Timber, or Opportunistic investments. In many of these cases, the investment structure is a limited partnership with one-time opening and closing dates.

Major Selection and Retention Criteria. Provided below are areas which should be of particular focus in the investment manager selection process. It should be noted that these same areas should be the focus of on-going evaluations.

- Level of integrity and honesty
- Cogency of investment thesis and implementation processes
- Ownership structure and diffusion of ownership and profit interests
- Firm culture and history
- Cogency of strategic direction for the firm
- Evidence and significance of competitive advantages
- Importance of the product to the manager’s business
- Assets in the desired product/strategy, especially relative to the opportunity set
- Willingness to close products/strategies to maintain performance levels
- Alignment of interests (e.g., do managers co-invest significantly?)
- Risk control and management capabilities
- Sources of investment research and ideas (internal/proprietary vs. external)
- “Strategic partnering” potential
- Institutional focus
- Investment fees
- Long-term, risk-adjusted investment performance

Investment Vehicle Structures. There is to be no particular preference for the structure of an investment vehicle. Examples of different structures include separately-managed accounts, institutional mutual or other such commingled funds, limited partnerships, and limited liability companies. When there are opportunities to choose among different structures for a desired investment product, all aspects of their differences should be weighed in the decision-making process. Important differences might involve the following: investment minimums, fees and other costs, fee structure, liquidity, and legal/contractual provisions and protections.

Contracts. For separately-managed investment accounts, contracts or “investment management agreements” (IMAs) will generally be put into place. Individualized investment guidelines will also generally be made part of such IMAs. Such contracts or IMAs will be open-ended, with no set

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termination date; however, UW will retain the right to terminate for any reason with a 30-day advance notice to the manager. (It is important to note that for separate accounts, the assets reside with the UW Trust Funds' custodian and are so-titled.) For vehicles such as limited partnerships, the contractual agreements are to be carefully reviewed by Counsel to ensure their appropriateness. Where possible, "side-letter" agreements, which provide further protections or clarifications, should be contemplated.

Termination Criteria. Essentially, termination is to be considered when a manager no longer adequately meets an established standard(s) under the selection and retention criteria. Additionally, any change in firm ownership, or in regard to key investment personnel, should be grounds for immediate reevaluation.

C. Avoiding Conflicts of Interest

General Expectations. It is expected that no UW officials will make, participate in making, or influence a decision in which the official has a financial interest. Also, the explicit separation of roles and responsibilities of the various fiduciaries as provided herein is intended to ensure sound investment practice and protect against real or perceived conflicts of interest, especially with regard to the selection of individual investments or investment managers. In particular, this involves the separation of investment policy-making and investment implementation.

Code of Ethics. The Office of Trust Funds adopts the Chartered Financial Analyst (CFA) Institute Code of Ethics and Standards of Professional Conduct for its internal investment staff. These are found at the following Web address: <http://www.cfainstitute.org/centre/ethics/code/index.html> and are incorporated by reference. Furthermore, external investment managers and professionals will be expected to either adopt the CFA Code or have similar codes of conduct in place.

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IV. Evaluation

A. Monitoring and Measuring Success

Performance Expectations and Benchmarks.

Asset Class Level. Performance benchmarks for individual asset classes can be found in the Appendices which also provide Fund asset allocations (**Appendices 5, 6 and 7**).

Investment Manager Level. Each individual investment manager will be assigned an appropriate performance benchmark, which in many cases will be the same benchmark used for the entire asset class. In some cases, benchmarks which reflect a more appropriate sub-set of the broader asset class may be assigned. Performance comparisons relative to these benchmarks will be made not only on an absolute basis, but also on a risk-adjusted basis. Therefore, not only will investment returns be compared to benchmarks, but so too will various measures of portfolio risk (e.g., beta, duration, standard deviation of returns, Sharpe ratios, tracking error, information ratio, etc.). Finally, each investment manager will be compared to the median of an appropriate peer group, where available.

Fund Level.

Long Term Fund. Comparative benchmarks for the Long Term Fund as a whole are to be the following:

- Policy Allocation Index – calculated by replacing investment manager returns with their benchmark returns, which is to help gauge the success (or failure) of active management
- “70/30” Benchmark – defined as 55 percent S&P 500, 15 percent MSCI EAFE, and 30 percent Lehman Aggregate Bond Indexes, which is to represent a more traditional portfolio
- Spending Rate + HEPI + Expenses – which is to represent the “hurdle” rate for sustaining the endowment’s purchasing power
- NACUBO Median – which is to reflect the average performance of similar-sized university endowments

Opportunistic Investment Category. There is no appropriate market or peer benchmarks for this investment category. However, the performance objective for the category as a whole is to provide long-term returns of at least 300 basis points over the expected return achievable from the Fund’s strategic policy portfolio, to do this on a better risk-adjusted basis, and to reflect medium to low correlation of returns with the broad public stock and bond markets.

Intermediate Term Fund.

- Policy Allocation Index – calculated by replacing investment manager returns with their benchmark returns, which is to help gauge the success (or failure) of active management
- Lehman Intermediate Aggregate Bond Index – which is to represent a more traditional intermediate “expendables” fund

On-Going Investment Manager Due Diligence. Due diligence does not end upon hiring an investment manager but is to continue throughout the life of the relationship. At a minimum, this on-going process is expected to include the following elements:

- Annual in-depth meetings with key investment and/or firm-level representatives
- In-depth meetings at managers’ offices once every two to three years
- Attendance at client conferences and educational forums when available
- Open telephonic or electronic communication with key personnel as needed

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Monitoring and Managing Expenses. As mentioned earlier in the *Implementation* section, it is the responsibility of the Office of Trust Funds to monitor and manage both external and internal expenses related to the administration and management of the Trust Funds. External fees for investment management and other products and services are to be reasonable and competitive with similar products or services available. Expenses relating to internal investment, administrative, and accounting activities are to be managed to reasonable and acceptable levels, as these expenses too are charged against the investment Funds.

B. Reporting and Communication Standards

Reporting Expectations. The following reports are to incorporate the performance evaluation and benchmarking information discussed previously. These reports are to be provided to the Board and the Committee on a routine basis:

- Quarterly Investment Reviews – which are to include detailed market commentaries and investment performance data
- Annual Report – which is to provide annual data on sources and uses of the Funds, annual financial statements for the Trust Funds as a whole (consistent with the UW System’s audited financial statements), and information on the annual and internal expenses of the Office of Trust Funds
- Annual Endowment Peer Benchmarking Report – which is to provide investment performance data and other points of comparison for peer institutions
- Annual Investment Manager Due Diligence Reports – which are to be brief reports summarizing the most recent annual due diligence meetings, and are to highlight any areas of concern
- Annual Proxy Voting Reports - which are to provide the Committee with voting recommendations on proxy proposals and the voting results

These reports, with the exception of the manager due diligence reports, are also to be made publicly available via the Trust Funds’ web site.

Other Communication Expectations. It is expected that if there is any significant adverse development in the management of the Funds during any interim periods, the Director of the Office of Trust Funds will immediately communicate such information to the Trust Officer/Vice President for Finance, who may then direct that it be communicated to the Committee Chair.

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Appendix 1

PRIMARY FIDUCIARY AND MANAGEMENT RESPONSIBILITIES OF THE BOARD

Wisconsin Statutes, Board policies and the terms of the gifts, grants, and bequests themselves provide the basic framework within which UW Trust Funds are managed and its fiduciary responsibilities are established. This appendix outlines the principal provisions in these areas.

Statutory Provisions.

Section 36.29, Wisconsin Statutes. Section 36.29, Wis. Stats., authorizes the Board to accept gifts, grants and bequests for the benefit or advantage of the UW System, and to administer the funds comprised of such donations. This statute also establishes several restrictions and requirements with respect to these funds:

- (1) Gifts, grants and bequests must be executed and enforced according to the provisions of the legal instrument establishing the donation, including all provisions and directions in such an instrument for the accumulation of the income of any fund or rents and profits of any real estate without being subject to the limitations and restrictions provided by law in other cases, except that no such income accumulation can be allowed to produce a fund more than 20 times as great as that originally given;
- (2) No investment of the funds of such gifts, grants, or bequests shall knowingly be made in any company, corporation, subsidiary, or affiliate that practices or condones through its actions discrimination on the basis of race, religion, color, creed, or sex;
- (3) The board may not invest more than 85% of trust funds in common stocks;
- (4) Any grant, contract, gift, endowment, trust or segregated funds bequeathed or assigned to an institution or its component parts for any purpose whatsoever shall not be commingled or reassigned.

UMIFA, s. 112.10, Wisconsin Statutes. The Uniform Management of Institutional Funds Act ("UMIFA"), codified in s. 112.10, Wis. Stats., applies to the endowment funds of institutions, including governmental organizations and universities, organized and operated exclusively for educational, religious, charitable or other eleemosynary purposes. UMIFA describes the investment authority of an institution's governing board, allows for the delegation of investment management to committees of the governing board and to outside investment advisors, and establishes the standard of conduct for management decisions concerning the endowment funds.

In general, UMIFA grants broad authority to the governing board to invest and reinvest institutional funds, unless otherwise limited by the applicable gift instrument or law. The governing board of an institution may delegate its investment authority to its committees, its officers, or employees of the institution, or to other outside investment managers or advisors. The governing board may also appropriate for expenditure a portion of the appreciated assets of the fund, and make other expenditures as permitted by law, relevant gift instruments or the institutional charter. With respect to investing, delegating investment authority, and making appropriations of appreciated assets, UMIFA establishes the standard of fiduciary conduct that the governing board must follow, requiring that the board "exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision." Section 112.10(6), Wis. Stats.

UMIFA further permits the release of any restrictions on the use or investment of funds, if the donor gives written consent. If the consent of the donor cannot be obtained by reason of death, disability, unavailability or impossibility of identification, the governing board may apply to a state circuit court for

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release of such a restriction.

Board Bylaws and Policies.

Bylaws and Regent Policy Document 31-2. The Board has, through its Bylaws, delegated authority to the Business, Finance, and Audit Committee to "have charge of consideration of all matters related to . . . trust funds, . . ." (Chapter III, Section 3, Regent Bylaws.) In addition, the Committee has been delegated the authority to hire investment counsel, subject to Board approval, and to give discretionary authority to investment counsel in the purchase and sale of securities, "within guidelines determined by the Committee." The Board's Trust Officer (the Vice President for Business and Finance) has the duty to "receive, manage, and maintain records of all trust funds" to perform other duties required by law or assigned by the Board or Business, Finance, and Audit Committee (Chapter II, Section 8, Regent Bylaws).

Complementing these provisions in the Bylaws, Regent Policy Document (RPD) 31-2 expressly empowers the Committee to manage the Trust Funds, providing, in relevant part:

The management and administration of University Trust Funds, . . . is delegated to the [Business, Finance, and Audit] Committee; the said Committee is authorized and empowered to do all things necessary within the limitations imposed by law or by the terms of the specific gifts and bequests accepted by the Board of Regents to administer the funds so received and under the control of the Regents in an efficient and prudent manner; the Business and Finance Committee is authorized, with the approval of the Board, to delegate such powers and responsibilities regarding the management and administration of University Trust Funds to the Trust Officer or other administrative officers or employees of the University as the Committee may in its judgment deem appropriate; the Committee is authorized to employ investment counsel; and the Trust Officer of the Regents is directed to keep a separate record of the actions taken by the Business and Finance Committee on all matters relating to University Trust Funds and to distribute memoranda of such actions as soon as practicable to all members of the Board of Regents for their confidential information.

Compliance with Donor Terms. It is incumbent upon the Board to ensure that gifts and bequests be "executed and enforced according to the provisions of the instrument making the same," s. 36.29, Wis. Stats. However, donor-imposed terms and conditions can sometimes impose practical problems; contravene current University policies; or, in some cases, no longer be legal. As the vast majority of bequests coming to the Board of Regents are unsolicited gifts from deceased donors who have not worked with the University in crafting their gift instrument, the opportunity to prevent such problematic donor terms is limited. When such issues arise, whether in working with a living donor before the gift is made or "after the fact," the Trust Funds Office consults with the Office of General Counsel to determine appropriate actions consistent with Regent policy and applicable law.

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Appendix 2

SPENDING POLICY FOR THE LONG TERM FUND

The “spending policy” for an endowment specifies the methodology for determining what amounts are to be distributed for annual spending purposes. The policy should help ensure that the purchasing power of the endowment’s corpus is maintained.

Current Policy. (*Effective July 1, 2005.*) A “rate” of distribution (percent of assets) that reflects an achievable and sustainable level of *real* investment returns is to be determined. *Real* investment returns are those achieved over and above the relevant rate of inflation. The most relevant rate of inflation for University-related costs is the Higher Education Price Index (HEPI). HEPI is expected to roughly equal the Consumer Price Index (CPI) plus one percent over time. The spending rate should also be applied in a manner that helps smooth the volatility of the dollar level of annual distributions that may otherwise result from Fund market value fluctuations.

The spending rate is to be *four percent (4%)* per annum. This percentage is to be *applied to a trailing three-year moving average of Fund market valuations* (12 quarterly valuations) to determine the dollar value of the annual distribution. Investment income from the Fund plus proceeds from security sales as needed may be used to provide the required distribution. Realized annual investment returns above (below) the spending rate, will increase (decrease) the market value of the Fund’s corpus.

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Appendix 3

SUMMARY OF POLICIES ON PROXY VOTING AND “SOCIAL RESPONSIBILITY”

It should be noted that this appendix provides concise *summaries* of the various relevant Regent Policy documents; that is, the policies are not quoted in their entirety here.

Regent Policy 31-10: Procedures and Guidelines for Voting Proxies

“Routine” proxies will be voted by the respective external portfolio managers in accordance with each manager's proxy voting guidelines.

Routine issues include:

- Election of directors, unless the nominee has been found guilty in a criminal action
- Election of auditors
- Elimination of preemptive rights
- Adding or amending indemnification provisions in charters or by-laws
- Authorization to issue common stock under option and incentive plans, and other corporate purposes
- Outside director compensation (cash plus stock plans)
-

“Nonroutine” issues will be reviewed with the Business and Finance Committee to develop a position on how the proposals should be voted.

Non-routine issues include:

- Issues dealing with discrimination as defined in Ch 36.29 WI STATS and Regent Policies 31-6 and 31-7
- Issues dealing with the environment as defined in Regent Policy 31-5
- Issues relating to substantial social injury as defined in Regent Policy 31-13
- Stockholder proposals opposed by management and not supported by the portfolio managers
- Amendments to corporate charter or by-laws which might affect shareholder rights
- Acquisitions and mergers

Regent Policy 31-5: Investments and the Environment

- Recognition of UW's, state and federal governments' commitments to environmental protection.
- Expectation that companies invested in will evidence similar commitment.
- Persons/groups with evidence of a company not meeting these expectations can detail their concern and evidence to the Business and Finance Committee.
- Committee may then afford company opportunity to respond before deciding on any action.

Regent Policy 31-6: Investment of Trust Funds

- In accordance with state statutes, investments in any entity that practices or condones discrimination on the basis of race, religion, color, creed or sex shall be divested.

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Regent Policy 31-7: Interpretation of Policy 31-6 Relating to Divestiture

- In effect, any entity that employs persons in nations, which by their laws discriminate as described in 31-6, shall be divested of.

Regent Policy 31-13: Investment and Social Responsibility

- Primary fiduciary responsibility is to maximize financial return, given an appropriate level of risk.
- Acknowledgement of importance of public concerns about corporate policies/practices that discriminate or cause "substantial social injury" and these concerns will be taken into account.
- To enhance Board awareness of social concerns, a proxy review service will be subscribed to, so as to highlight relevant shareholder proposals and key issues.
- The Business and Finance Committee will hold an annual forum to solicit public input.
- For donors who place a high priority on socially responsible investing, use of special investment vehicles will be explored.

Regent Policy 31-16: Sudan Divestment

- The Board wishes to join in concert with other institutional investors, states and other municipalities, and the U.S. government in restricting and discouraging business activity that provides support to the current government of Sudan, or otherwise abets acts of genocide or "ethnic cleansing" occurring in that country.
- Assets held in *separately managed accounts* shall not be invested in companies ("targeted companies") which either directly or through an affiliated instrumentality meet the following criteria:
 - Provide revenues to the Sudanese government through business with the government, government-owned companies, or government-controlled consortiums.
 - Offer little substantive benefit to those outside of the Sudanese government.
 - Have either demonstrated complicity in the Darfur genocide or have not taken any substantial action to halt the genocide.
 - Provide military equipment, arms, or defense supplies to any domestic party in Sudan, including the Sudanese government and rebels.
- Non-investment in such companies will require divestment of current holdings and the screening out of such companies' securities so as to prevent future investment in them.
- *Investment is permissible* in companies which, either directly or through an affiliated instrumentality, provide services clearly dedicated to social development for the whole country.
- Where invested assets are held in *commingled* or *mutual fund accounts*, letters are to be submitted to the contracted investment management firms requesting that the manager consider either adopting a similar Sudan-free investment policy for the existing fund, or consider creating a comparable separate commingled fund devoid of companies targeted as a result of this resolution. In the event that the manager introduces a comparable separate Sudan-free fund, the Board shall direct that all assets in the existing fund be transferred into the newly available, Sudan-free fund.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

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Appendix 4

POLICY ON QUASI-ENDOWMENTS

Regent Policy 31-15: Policy on Quasi-Endowments

“That, upon recommendation of the President of the University of Wisconsin System, all new quasi-endowments greater than \$250,000 where the donor is silent as to the expenditure of principal be identified as designated endowments, with only the income from the trust available for expenditure in accordance with the terms of the trust agreement. (However, where the donor explicitly states that the principal of the gift be made available for expenditure, this policy will not apply.) If an institution wants an exception to this proposed rule, the request for exception, with appropriate justification, should be contained in the institution's recommendation for acceptance and be incorporated in the Regent resolution. If at a later date, the institution wishes to seek an exception to the Regent imposed restriction, it should submit a request to the Office of the Vice President for Finance for consideration at the next meeting of the Business and Finance Committee.”

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

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Appendix 5

ASSET ALLOCATIONS AND BENCHMARKS FOR THE LONG TERM FUND

Asset Allocations. *(Effective September 7, 2007.)*

	<u>Target Strategic Allocations</u>	<u>Allowable Ranges</u>
Global Tactical Asset Allocation	N/A	N/A
Growth and High-Yielding Assets		
U.S. Equities	15.0%	10% - 20%
Non-U.S. Equities	12.5%	9% - 16%
Emerging Market Equities	10.0%	7% - 13%
Private Equity	10.0%	7% - 13%
High Yield Debt	7.5%	5% - 10%
	<u>55.0%</u>	<u>40% - 70%</u>
Event Risk- and Deflation-Hedge Assets		
U.S. Bonds	10.0%	7% - 13%
U.S. Cash	0.0%	0% - 10%
Absolute Return	10.0%	7% - 13%
	<u>20.0%</u>	<u>15% - 35%</u>
Real and Inflation-Hedge Assets		
U.S. TIPS	7.5%	5% - 10%
Real Assets	17.5%	12% - 23%
	<u>25.0%</u>	<u>17% - 35%</u>
Opportunistic	N/A	N/A
	<u>100.0%</u>	

Asset Class Benchmarks. *(Effective September 7, 2007.)*

<u>Asset Class</u>	<u>Benchmark</u>
U.S. Equities	Russell 3000 Index
Non-U.S. Equities	MSCI EAFE Index
Emerging Market Equities	S&P/IFC Investable Composite
Private Equity	Composite of the following using actual portfolio weights:
Buyouts	Cambridge Private Equity Index
Venture Capital	Cambridge Venture Capital Index
High Yield Debt	Merrill Lynch High Yield BB/B
U.S. Bonds	Lehman Intermediate U.S. Treasury Index
U.S. Cash	1-Month Treasury Bill
Absolute Return	1-Month Treasury Bill + 300 basis points
U.S. TIPS	Lehman TIPS Index
Real Assets	Composite of the following using actual portfolio weights:
Private Real Estate	NCREIF Property Index
Public Real Estate	MSCI U.S. REIT Index
Timber	NCREIF Timber Index
Commodities	DJ-AIG Commodities Index (of spot prices)

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Policy Statement

Appendix 6

TARGET ASSET ALLOCATIONS FOR THE LONG TERM FUND WITH GLOBAL TACTICAL ASSET ALLOCATION INCORPORATED

Asset Allocations. *(Effective September 7, 2007)*

	<u>Target Allocations</u>	<u>Allowable Ranges</u>
Global Tactical Asset Allocation	<u>25.0%</u>	<u>23% - 27%</u>
Growth and High-Yielding Assets		
U.S. Equities	10.0%	7% - 13%
Non-U.S. Equities	8.0%	6% - 10%
Emerging Market Equities	6.5%	5% - 8%
Private Equity	10.0%	7% - 13%
High Yield Debt	<u>5.0%</u>	<u>3% - 7%</u>
	<u>39.5%</u>	<u>30% - 50%</u>
Event Risk- and Deflation-Hedge Assets		
U.S. Bonds	6.5%	5% - 8%
U.S. Cash	0.0%	0% - 10%
Absolute Return	<u>6.5%</u>	<u>5% - 8%</u>
	<u>13.0%</u>	<u>10% - 25%</u>
Real and Inflation-Hedge Assets		
U.S. TIPS	5.0%	3% - 7%
Real Assets	<u>17.5%</u>	<u>12% - 23%</u>
	<u>22.5%</u>	<u>15% - 30%</u>
Opportunistic	<u>0.0%</u>	<u>0% - 10%</u>
	<u>100.0%</u>	

Additional Benchmarks. *(Effective September 7, 2007.)*

<u>Strategy</u>	<u>Benchmark</u>
Global Tactical Asset Allocation	60% MSCI World Index, 20% Citigroup 3-Month T-Bill, 20% Lehman Aggregate Bond Index
Opportunistic	There is no appropriate market index for this strategy; however, performance expectations are discussed in the <i>Evaluation</i> section.

Note: Given a dedicated allocation to GTAA, the strategic asset allocation targets shown in the prior appendix are applicable *only to that portion of the Fund not dedicated to GTAA*. Therefore, incorporating the GTAA component as a targeted allocation for the entire Fund requires that the dedicated Fund allocations to individual asset classes be adjusted proportionally downward. However, the desired allocations for those asset classes *not* represented at all in the portion of the Fund given over to GTAA are *not* adjusted but remain at their strategic allocation levels for the entire portfolio. Asset classes not currently represented in the GTAA component are Private Equity and Real Assets (this is due largely to their illiquidity and/or unusual ownership structure).

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Policy Statement

Appendix 7

STRATEGIC ASSET ALLOCATIONS FOR THE INTERMEDIATE TERM FUND

Asset Allocations. *(Effective September 7, 2007.)*

	<u>Target Strategic Allocations</u>	<u>Allowable Ranges</u>
Growth and High-Yielding Assets		
U.S. Equities	7.5%	6% - 9%
Non-U.S. Equities	7.5%	6% - 9%
Emerging Market Equities	0.0%	0% - 3%
Private Equity	0.0%	0%
High Yield Debt	<u>5.0%</u>	<u>4% - 6%</u>
	<u>20.0%</u>	<u>15% -25%</u>
Event-Risk and Deflation-Hedge Assets		
U.S. Bonds	40.0%	30% - 50%
U.S. Cash	10.0%	5% - 15%
Absolute Return	<u>10.0%</u>	<u>8% - 12%</u>
	<u>60.0%</u>	<u>45% - 75%</u>
Real and Inflation-Hedge Assets		
U.S. TIPS	20.0%	15% - 25%
Real Assets	<u>0.0%</u>	<u>0%</u>
	<u>20.0%</u>	<u>15% - 25%</u>
	<u>100.0%</u>	

Asset Class Benchmarks. *(Effective September 7, 2007.)*

<u>Asset Class</u>	<u>Benchmark</u>
U.S. Equities	S&P 500 Stock Index
Non-U.S. Equities	MSCI EAFE Index
Emerging Market Equities	S&P/IFC Investable Composite
High Yield Debt	Merrill Lynch High Yield BB/B
U.S. Bonds	Lehman Intermediate Aggregate Bond Index
U.S. Cash	1-Month Treasury Bill
Absolute Return	1-Month Treasury Bill + 300 basis points
U.S. TIPS	Lehman TIPS Index

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

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Appendix 8

REBALANCING POLICY

General Policy and Practices. To maintain desired risk tolerance profiles, portfolio rebalancing to at least within allowable asset class exposures will be conducted no less frequently than quarterly. The purpose of rebalancing is to control risk and maintain the policy asset allocations within the ranges approved by the Committee and the Board. Minimizing transaction costs will be the focus when implementing rebalancing activities, and new cash flow will be utilized to the extent possible. Also, to the extent that multiple managers, strategies, styles, or “sub asset classes” are employed within a broad asset class, rebalancing to their target allocations should also take place. Rebalancing activities, or lack thereof, are to be regularly reported to the Committee.

Use of Derivatives. In unusual circumstances, derivatives may be used to affect certain rebalancings, when doing so by buying and selling actual portfolio holdings is deemed impractical, too costly, and/or too time-consuming. However, it is anticipated that such derivative positions would not be long-term in nature but would be unwound upon being able to transact in the underlying physical securities.

Illiquid Asset Classes. It is recognized that withdrawing from or adding to certain illiquid asset classes (e.g., Private Equity, Private Real Estate, Timber, etc.) for regular portfolio rebalancing purposes is generally not possible or practical. Therefore, these asset classes will generally be excluded from the regular rebalancing activities. However, on a longer-term basis, efforts will be made to maintain these asset classes at their targeted, or range-bound, levels.

Tactical Considerations. Maintaining or developing asset allocations *within the permissible ranges* will be at the discretion of the Director of the Office of Trust Funds. Generally, such decisions will be based on perceived relative valuations of asset classes and are expected to be consistent with the views of the Global Tactical Asset Allocation manager(s) and other “strategic partners.”

“Ramping Up” and “Ramping Down” Asset Allocations. It is also recognized that as the Funds need to either add new asset classes or exit existing asset classes as a result of changes to the strategic asset allocation, taking considerable time to accomplish these changes may be required or warranted. This could be due either to the nature of the asset class (e.g., Private Equity) and/or concern about then-current valuation levels. In these cases, the Director of the Trust Funds Office has discretion as to the timing of these shifts and how assets are to be deployed in the interim. This may result in cases where actual asset allocations are not within their permissible ranges; however, such deviations are to be temporary in nature.

University of Wisconsin-Parkside
Food Services Contract Extension

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Parkside and the President of the University of Wisconsin System, the Board of Regents approves a one-year contract extension with Aramark to provide dining services at the University of Wisconsin-Parkside effective May 31, 2008.

UNIVERSITY OF WISCONSIN-PARKSIDE FOOD SERVICES CONTRACT EXTENSION

BACKGROUND

The University of Wisconsin–Parkside is interested in extending the current contract for the operation of Dining Services an additional year from its natural expiration (May 31, 2008). The Parkside Dining Services program provides a student board program as well as retail, summer camps, conferences, and catering programs. Dining Service facilities are located in two buildings, the University Union building, currently under construction and a retail operation in Wyllie Hall. The approximate total revenue generated for the contractor each year is \$2,666,320.

The University Union is currently under a major (\$25 million) remodeling/expansion project, which will have a significant effect on Dining Services. To prepare for this remodeling/expansion project, the University completed an examination of Dining Service operations. This process has resulted in a plan to update and expand kitchen, server, and dining facilities in preparation for expanding the residence hall program in the fall of 2009 and the catering program with the opening of the new union building in January 2009. Significant changes in the programmatic and operational aspects of the food program will be required. In July of 2008, the contractor and the university will have two weeks to set up a new kitchen and dining facility in a portion of the new building. That portion of the new dining facilities will open at the end of July with the remaining portions of the building, including additional dining areas opening in January of 2009.

REQUESTED ACTION

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Parkside, the Board of Regents approves a one-year contract extension with Aramark to continue to provide Dining Services to the University according to existing contract provisions effective May 31, 2008.

DISCUSSION

The current remodeling/expansion project has disrupted operations for the University of Wisconsin-Parkside. It is not reasonable or prudent to issue a Request for Proposals (RFP) during this time when multiple programmatic and operational aspects will change during and after construction. Current financials would not serve as a good benchmark to be utilized in a new RFP for both the Residential and University Union cash dining services contract at the University of Wisconsin-Parkside. Therefore, the University

requests to extend the current contract through the occupancy of the completed University Union project in order to have the ability to have one full year of operations and identify the appropriate dining services benchmarks prior to completing a full RFP for dining services.

The current vendor, Aramark, is willing to honor the current pricing structure and all other contract provisions. Customer satisfaction is high in all aspects of the program. The Parkside Student Government Executive Board is supportive of this contract extension.

Upon completion of the union building remodeling, an RFP process will be used to choose a vendor that best meets the needs of the campus. The University and the current contractor will continue to work cooperatively to complement the mission of the campus and enhance campus life until a new vendor is chosen through a competitive procurement process.

RELATED REGENT POLICIES

Regent Resolution 8875 dated June 2004, Authorization to Sign Documents

Approval of Educational Broadband Service
Excess Capacity Use and Royalty Agreement
between the Board of Regents and
Clearwire Spectrum Holdings II LLC

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution:

That, upon recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves entering into an Educational Broadband Service Excess Capacity Use and Royalty Agreement with Clearwire Spectrum Holdings II LLC, which leases for a term of 30 years four channels in the Educational Broadband Service spectrum operated by the Board under a license issued by the Federal Communications Commission.

APPROVAL OF EDUCATIONAL BROADBAND SERVICE EXCESS CAPACITY USE AND ROYALTY AGREEMENT

EXECUTIVE SUMMARY

BACKGROUND

The Board of Regents owns a Federal Communications Commission (FCC) license for four Milwaukee-area channels in the Educational Broadband Service (EBS) spectrum. The University of Wisconsin – Milwaukee (UWM) has used these channels periodically to deliver instructional television broadcasts on campus and in the surrounding community. However, because other technologies, including the internet, have largely supplanted EBS for distance education, the Board's license, like other EBS licenses, is an underutilized asset. UW System has performed administrative functions in connection with maintenance of the EBS license over its term. UW System and UWM seek approval of a 30- year lease of 95% of the Board's EBS spectrum to Clearwire Corporation, a commercial provider of wireless broadband services, which will make the spectrum available for a range of wireless services including mobile internet access and delivery of video and data via cellular telephone. Under the terms of the lease, Clearwire will pay a substantial royalty to the Board, and will assume *de facto* control of the leased spectrum including FCC compliance responsibilities.

The income from the lease will be used to support UWM's regional campus development projects, its scholarship programs, including the Access to Success initiative, and its Research Growth Initiative.

REQUESTED ACTION

Approval of Regent Resolutions I.2.j.2.

DISCUSSION

In 1972, the Board acquired an FCC license for four television channels in the EBS spectrum. The FCC intended that these channels, formerly known as Instructional Television Fixed Service, would be reserved to educational institutions to deliver instruction to classrooms via television broadcast. The Board's channels are all located in the Milwaukee area, and have been used periodically by UWM to deliver instruction to classrooms on campus, as well as to area businesses and suburban school districts.

In 2005, the FCC issued new rules that will require EBS license holders to incur significant capital costs to continue using their EBS spectrum for educational purposes. At the same time, EBS channels have become an underutilized resource due to increased reliance on other technologies such as the internet for delivery of instruction at a distance. However, the spectrum the channels occupy remains valuable because commercial wireless companies are seeking to use the spectrum for distribution of advanced wireless

services such as mobile internet access, and video and data delivery. As a result, many EBS license holders have entered into long-term leases with wireless companies that allow use of the spectrum for advanced wireless services while relieving the license holders of the capital costs associated with compliance with the FCC rules.

Clearwire Spectrum Holdings II LLC, a subsidiary of Clearwire Corporation, a leading provider of wireless broadband services, has proposed a lease of 95% of the spectrum assigned to the Board under its EBS license for a term of 30 years. In return for authorization to use the spectrum for advanced wireless services, Clearwire would make an initial payment of \$4,166,667 to the Board within 30 days of commencement of the agreement and monthly lease payments thereafter of \$55,000 that will increase annually by 3% over the 30-year term of the lease. Clearwire also would assume all FCC compliance responsibilities for the leased spectrum, although the Board would retain exclusive ownership of the license. The Board would retain 5% of the spectrum for educational uses.

In negotiating with Clearwire, the Board joined the Milwaukee Area Technical College District Board and the Milwaukee Board of School Directors (Milwaukee Public Schools) which together hold eight channels of EBS spectrum.¹ The Board's counsel for FCC-related matters, Todd Gray of the Washington, D.C. firm of Dow, Lohnes & Albertson, who has extensive experience in EBS licensing and leasing, negotiated on behalf of the Board, MATC, and MPS. Together, the 12 channels licensed by the Board, MATC, and MPS comprise the only EBS channels in the Milwaukee area that are not yet leased to a commercial vendor. Aggregating the channels and negotiating as a group resulted in a more favorable valuation of the Board's channels as reflected in the proposed spectrum lease.

Because the lease is an agreement with a private, for-profit organization in excess of \$500,000, it requires formal acceptance by the Board prior to execution, pursuant to Board policy. Resolution I.2.j.2. would approve execution of a 30-year lease to Clearwire Spectrum Holdings II LLC of the Board's license to four channels in the EBS spectrum in the Milwaukee area.

RELATED POLICIES: Regent Policy Document 13-3: Authorization to Sign Documents.

¹ The Educational Communications Board owns 45 EBS licenses in communities around Wisconsin, but not in the Milwaukee area. ECB and its licenses were not involved in the Clearwire negotiations.

Revised 2007-09 Pay Plan Guidelines

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution:

Upon the recommendation of the President of the University of Wisconsin System, the Board of Regents, in order to permit greater flexibility in addressing specific institutional salary needs, revises Regent Resolution 9275 adopted on December 8, 2006 such that, if the 2007-09 pay plan is 2% in any year, the institutions have the option of distributing the pay plan across-the board for solid performance or distributing the pay plan according to the 2003-05 pay plan distribution guidelines (see attached) whereby not less than one-third of total compensation shall be distributed on the basis of merit/market and not less than one-third of the total compensation plan shall be distributed on the basis of solid performance and the remaining one-third pay plan allocation may be used to address these and other compensation needs.

REVISED 2007-09 PAY PLAN GUIDELINES

EXECUTIVE SUMMARY

BACKGROUND

On December 8, 2006 the Regents adopted Resolution 9275 setting basic principles for distribution of the pay plan including the following:

“Further, the Board of Regents adopts the 2003-05 pay plan distribution guidelines for 2007-09 if the pay plan exceeds 2% each year. However, the Board suspends those pay plan distribution guidelines if the authorized amount for an unclassified pay plan is 2% or less in any year, and directs that in such instance the pay plan percentage be distributed across-the-board to all those who have at least a solid performance rating, with any unused funds distributed by the Chancellor to address critical salary needs.”

REQUESTED ACTION

Approval of Resolution I.2.j.3., Revision to Regent Resolution 9275.

DISCUSSION

This revision is being requested because specific institutional needs to address salary concerns are varied and will provide maximum institutional flexibility to address these needs if only a 2% pay plan is provided in any of the 2007-09 biennium. This revision will permit institutions, if we have only a 2% increase in any year to use either across-the-board increases for those with solid performance or apply the 2003-05 Regent approved pay plan distribution guidelines (attached).

RELATED REGENT POLICIES

Regent Resolution 9275, adopted 12/08/06.

Regent Resolution 8639 adopted 12/06/02, 2003-05 General Compensation Distribution

Plan Guidelines

BUSINESS AND FINANCE COMMITTEE

Resolution:

That upon the recommendation of the President of the University of Wisconsin System, the 2003-05 General Distribution Plan Guidelines for unclassified staff be approved as follows:

- (1) Each chancellor is directed to proceed with faculty and academic staff salary evaluation using a suitable evaluation system, the results of which can be converted to a salary, once the pay plan is known. The salary review should be conducted in accordance with the performance standards outlined in Recommendation #9 of the 1992 Report of the Governor's Commission on University of Wisconsin Compensation. A record of the evaluation judgments shall be made before July 1, as provided in s. 36.09 (1)(j), Wis. Stats.
- (2) The 2003-05 compensation adjustments for faculty, academic staff, and university senior executives shall be provided such that not less than one-third of total compensation shall be distributed on the basis of merit/market and not less than one-third of the total compensation plan shall be distributed on the basis of solid performance. The remaining one-third pay plan allocation may be used to address these and other compensation needs with appropriate attention to pay compression. The President, following consultation with the chancellors, is authorized to earmark up to 10 percent of the total pay plan each year for the chancellors' discretionary use to meet special compensation needs such as: specific market shortfalls by faculty rank; and/or academic staff internal/external pay problems, or to reward faculty and academic staff innovative, and/or collaborative program delivery, and/or exceptional performance in support of institution goals; and/or to correct gender pay inequities in the faculty and academic staff, etc.

Merit/Market determinations for faculty should be based on a systematic performance evaluation program, which identifies positive contributions by the faculty member to teaching, research, public service and/or the support functions inherent in the institution's mission. Assessment of teaching faculty shall include consideration of student evaluations (Regent Policy Document 74-13, October 4, 1974).

Merit/Market determinations for academic, limited and other unclassified staff shall be based on a systematic performance evaluation program which allows supervisory assessment of meritorious performance in their areas of assigned responsibility.

Solid performance adjustments shall be provided to those faculty and academic staff who have demonstrated satisfactory performance.

- (3) Any and all compensation adjustments must be based on performance; across-the-board compensation adjustments not based on merit are prohibited. At a minimum, continuing staff who have performed at a satisfactory level shall be entitled to a compensation adjustment from funds set aside to recognize solid performance, except when an employment contract or administrative practice holds to the contrary.
- (4) Each institution will be required to submit its plans for distribution of the compensation adjustments to System Administration for approval before implementation can be accomplished. System Administration is directed to return any institution's distribution plan not in compliance with the Board guidelines to the involved chancellor for corrective action by the appropriate governance body. Implementation of pay plan adjustments shall be deferred until a distribution plan meets the Board's guidelines.
- (5) Unless otherwise specified by executive/legislative action, the effective dates for the payment of the 2003-05 pay plan rates will be July 1 each year for annual basis employees, the start of the academic year for those on academic year appointments, and other dates as set by the chancellors for persons with appointment periods commencing at times other than July 1 and the beginning of the academic year.
- (6) The President is authorized each year to increase the systemwide faculty salary minima by up to the full amount of the pay plan and rounded to the nearest hundred dollars. For Category B research and instructional academic staff, the Board authorizes the continuation of the current policy linking titles to the faculty salary minima based on percentage relationships approved in the 1994 Gender and Race Equity Study. Salary ranges for Category A academic staff and university senior executives will be established in accordance with the pay plan approved by the Joint Committee on Employment Relations. Unless otherwise provided by law, the Board authorizes the President to adjust the Category A salary ranges by up to the full amount of the pay plan.
- (7) Base salaries shall not be less than the salary minima or pay range minimum. The salary increase shall not move the base salary above the academic staff salary range maximum. Unclassified staff who are currently paid above the maximum shall be eligible for a salary increase of up to half of the amount by which the salary ranges have been adjusted.
- (8) Salary adjustments for promotion in faculty rank shall, on an academic year basis be no less than \$1,000 for promotion to assistant professor, \$1,250 for promotion to associate professor, and \$1,500 for promotion to professor. Institutions may set policies on adjustments for promotions on an annual basis appointment, consistent with these minima.

- (9) The pay plan funding allocation shall be distributed as soon as possible after final approval of the pay plan by executive/legislative action and after the distribution plan is approved by System Administration as being in compliance with these guidelines.
- (10) Each institution shall complete its actions on stipend schedules for non-Represented graduate assistants prior to July 1 and shall establish a factor for adjustments, which can be applied expeditiously to determine stipend increases. Stipend schedules for each graduate assistant category shall be separately established.
- (11) The Board affirms the delegated authority of the President of the System to establish individual salaries at or below 75 percent of the salary of the UW System President within state policy and the funds appropriated for that year. Appropriate annual budget documentation will be reported to the Regents for information.
- (12) If the Regent's meeting schedule does not afford an opportunity for timely action by the full Board on salary adjustments, the Board authorizes the Executive Committee of the Board, in consultation with the System President, to approve any discretionary salary adjustments effective for 2003-04. Appropriate information shall be provided to all members of the Board.
- (13) Compensation actions related to the unclassified pay plan and delegated to the chancellors shall be completed in accordance with statutory requirements, legislative intent, Regent's policy, and shall be reported to System Administration to make possible the preparation of payrolls and reporting to the Board of Regents.

If changes are required to these guidelines as a result of either the Joint Committee on Employment Relations or legislation, the Executive Committee, in consultation with the System President, is authorized to act to modify the guidelines to be consistent with those actions.

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.3. Physical Planning and Funding Committee

Thursday, December 6, 2007
1220 Linden Drive
Madison, Wisconsin

10:00 a.m. All Regents Invited – 1820 Van Hise Hall

- Presentation on Stem Cell Research Breakthrough by Dr. Junying Yu, UW-Madison, and Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation

10:30 a.m. Business, Finance, & Audit Committee - All Regents Invited

- Report of the Committee to Review Allocable Segregated Fee Policies

11:00 a.m. Business, Finance, & Audit Committee - All Regents Invited

- UWSA Office of Policy Analysis and Research: Report on Fall 2007 Enrollment

11:45 a.m. Box Lunch

12:15 p.m. Physical Planning and Funding Committee – Room 1511

- a. Approval of the Minutes of the November 8, 2007 Meeting of the Physical Planning and Funding Committee
- b. Report of the Assistant Vice President
 1. Building Commission Actions
 2. Facilities and Food Contracts
- c. UW-Parkside: Approval of the Design Report and Authority to Construct the Suite Style Residence Hall Project
[Resolution I.3.c.]
- d. UW-Stout: Approval of the Design Report and Authority to Adjust the Project Budget and Construct the Jarvis Hall Science Wing Renovation and Addition Project
[Resolution I.3.d.]
- e. UW System: Criteria for Ranking 2009-11 General Fund Major Projects
[Resolution I.3.e.]
- f. UW System: Authority to Seek Enumeration of Program Revenue Funds for a Residence Hall at UW-LaCrosse, and Gift Funds for a Facility that will House a Tomotherapy Treatment System at the UW-Madison Veterinary School.
[Resolution I.3.f.]
- g. UW System Strategic Framework: Discussion of Operational Excellence
- x. Additional items which may be presented to the Committee with its approval

Approval of the Design Report and Authority
to Construct the Suite Style Residence Hall
Project, UW-Parkside

PHYSICAL PLANNING AND FUNDING COMMITTEE

Resolution:

That, upon the recommendation of the UW-Parkside Chancellor and the President of the University of Wisconsin System, the Design Report be approved and authority be granted to construct the Suite Style Residence Hall project for a total estimated cost of \$17,740,000 Program Revenue Supported Borrowing.

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for Board of Regents Action December 2008

1. Institution: The University of Wisconsin-Parkside
2. Request: Approval of the Design Report and authority to construct the Suite Style Residence Hall project for a total estimated cost of \$17,740,000 Program Revenue Supported Borrowing.
3. Description and Scope of Project: The Suite Style Residence Hall project will construct a 71,345 ASF/93,180 GSF, 250-bed residence hall, the first of two project phases that could eventually total 376 beds. The project is located on a site north of the Student Union and south of the University Apartments to optimize recreational and social interactions for students on campus. The building, which will primarily house freshmen, provides units that are clustered around central lounge and study spaces to form 11 “houses”, each comprised of 17 to 28 students and one resident assistant. A total of 30, four-occupant units will each contain two double-occupancy rooms and 26, five occupant units will each contain two double-occupancy and one single-occupancy room. Each unit will contain one private bathroom with separate lavatory, toilet, and shower spaces.

In addition to the houses, there will be common areas including lounges, study rooms, conference rooms, a computer lab, a game room, a laundry; a full kitchen on the first floor; and a front desk for information and security needs. There will also be an apartment for the residence hall director. A partial basement will house mechanical equipment, trash and recycling space, and general storage for housing operations.

This project is being designed to accommodate a future phase of an additional 126 beds. Utilities, building infrastructure, and support spaces in this project have been sized to accommodate both the current project and the future phase.

4. Justification of the Request: A full justification for this project was provided as part of the 2007-09 capital budget request. In summary, demand for housing has exceeded the current capacity of 725 residents. Temporary conversions of support spaces to resident rooms and single-occupancy rooms to double-occupancy rooms have increased the total occupancy to 825 residents, but more than 100 students had to be turned away from on-campus housing for the 2007-08 school year. Currently, there are still five students on the waiting list. The remaining students found off-campus housing or have chosen to attend another school.

Suite style housing at other UW institutions has proven to be a popular option, offering a desirable mix of privacy, semi-independence, and community. This project was initially proposed as an apartment style suite building similar to others constructed recently in the UW System for upper division students. However, since the housing need is for freshmen, and since UW-Parkside already has traditional style housing (Ranger Hall) and apartment style housing (University Apartments), a decision was made to design this project as a third style of housing especially suited to freshman. The units will offer more privacy than traditional student housing, but more community and supervision than apartment housing. When demand demonstrates sufficient need, a second phase of this type of housing will be constructed as an addition to the proposed project.

UW-Parkside has among the lowest percentages of on-campus residents in the UW system. There is well-documented information that student success is strongly correlated to living on the campus. In addition, a larger core group of on-campus residents would be able to take advantage of student programming and improve the overall quality of campus life. Therefore, it is the goal of UW-Parkside to increase the percentage of on-campus residents.

The use of single-prime bidding is being considered for this project. Authority to waive the state statute to allow single-prime bidding may be requested at a later date.

5. Fee Impact: This project will be funded by an increase in room rates. In order to reduce the impact of debt service, use of 30-year bonds is being requested. A phased increase in room rates is necessary to support this project as shown below. If 20-year bonding were to be used, rates would be approximately 5.7% higher.

	FY07	FY08	FY09	FY10
Ranger Hall	\$3,250	\$3,580	\$3,690	\$3,800
University Apartments	\$3,160	\$3,480	\$3,580	\$3,690
New Hall				\$4,180

6. Budget:

Budget	%	Cost
Construction		\$14,242,300
A/E Fees	9.1%	1,298,100
Plan Review and Testing Fees		85,000
DSF Management Fee	4.0%	611,000
Contingency	5.1%	719,900
Energy Management Systems		186,400
Moveable Equipment		553,300
Percent for Art	0.25%	44,000
Total Project Cost		\$17,740,000

7. Previous Action:

August 17, 2006

Recommended that the Residence Hall project be submitted to the Department of Administration and the state Building Commission as part of the UW System 2007-09 Capital Budget request at an estimated total project cost of \$17,013,000 Program Revenue Supported Borrowing. The project was subsequently enumerated at \$17,740,000 Program Revenue Supported Borrowing.

Approval of the Design Report and Authority
to Adjust the Budget and Construct the Jarvis
Hall Science Wing Renovation and Addition
Project, UW-Stout

PHYSICAL PLANNING AND FUNDING COMMITTEE

Resolution:

That, upon the recommendation of the of the UW-Stout Chancellor and the President of the University of Wisconsin System, the Design Report be approved and authority be granted to:
(a) increase the project budget by \$8,075,000 existing General Fund Supported Borrowing
and (b) construct the Jarvis Hall Science Wing Renovation and Addition project at an
estimated project cost of \$43,171,000 (\$35,096,000 General Fund Supported Borrowing
and \$8,075,000 existing General Fund Supported Borrowing).

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for Board of Regents Action December 2007

1. Institution: The University of Wisconsin–Stout
2. Request: Approval of the Design Report and authority to: (a) increase the project budget by \$8,075,000 existing General Fund Supported Borrowing and (b) construct the Jarvis Hall Science Wing Renovation and Addition project at an estimated project cost of \$43,171,000 (\$35,096,000 General Fund Supported Borrowing and \$8,075,000 existing General Fund Supported Borrowing).
3. Description and Scope of Project: This project completely remodels 66,400 GSF of the three-story Jarvis Hall Science Wing and constructs a three-story 90,900 GSF addition. The project includes space for science instruction, related research, general assignment classrooms, the relocation of the Mathematics, Statistics and Computer Science (MSCS) department into the building,. An 11,400 GSF one-story wing that contains obsolete classrooms will be demolished. The project completely renews the plumbing, ventilation, electrical, and telecommunications infrastructure in the existing building, abates hazardous materials, updates life safety systems, and provides accessibility for those with disabilities.
4. Justification of the Request: A full justification for this project was included in the 2001-03, 2003-05, and 2005-07 capital budget requests. In general, this project is necessary in order to replace obsolete science laboratories in Jarvis Hall, which was constructed in the late 1960s. This project will provide space to relocate the MSCS department from Harvey Hall, in order to foster collaboration between that department and the sciences. This project, which will construct 13 new classrooms will correct deficiencies in the existing classroom stock that include poor quality and an imbalance between existing and required classrooms sizes.

The project was originally in the 2005-07 capital budget with a budget of \$45,215,000, but was reduced in scope and enumerated at \$40,637,000. However, the total UW System capital budget that was enumerated was \$10 million less than the amount necessary to fund the enumerated projects. Therefore, the project scope and budget for this project was again reduced to \$35,096,000. During design it became apparent that the reduced budget would not be adequate to meet the programmatic requirements of the project. Although an alternative was developed that met the approved budget, that alternative reduced the number of classrooms, eliminated some laboratory space, and constructed unfinished shell space for some laboratories. However, since such a project would not be functionally adequate to serve existing instructional program needs, there would be an immediate need for a future project to complete missing portions of the original project. Such an approach would not only be more costly, but would be more disruptive than constructing a complete project now.

Use of single –prime bidding is being considered for this project. The authority to waive the state statute to allow for single-prime bidding may be requested at later date.

5. Budget:

	%	Cost
Construction		\$33,186,000
Contingency	7.0%	2,324,000
A/E Design Fees		2,655,000
Other Fees		262,000
DSF Management	4.0%	1,421,000
Special Equipment	4.9%	1,620,000
Moveable Equipment	4.8%	1,594,000
Percent for Art	0.25%	109,000
Estimated Total Project Cost		\$43,171,000

6. Previous Action:

August 20, 1998
Resolution 7740

Recommended that the Jarvis Hall Science Wing Renewal project be submitted to the Department of Administration and the Building Commission as part of the UW System 1999-2001 Capital Budget request at an estimated cost of \$4,200,000 General Fund Supported Borrowing–WISTAR. The project was subsequently enumerated at that level and funding source. However, that project was not implemented.

August 25, 2000
Resolution 8175

Recommended that the Jarvis Science Wing Renovation and Addition project be submitted for planning to the Department of Administration and the Building Commission as part of the UW System 2001-03 Capital Budget request at an estimated cost of \$33,651,000 General Fund Supported Borrowing. The Department of Administration's final recommendations did not support advancing this project for planning in 2001-03.

August 22, 2002
Resolution 8582

Recommended that the Jarvis Science Wing Renovation and Addition project be submitted for planning to the Department of Administration and the Building Commission as part of the UW System 2003-05 Capital Budget request at an estimated cost of \$39,942,000 General Fund Supported Borrowing. The Department of Administration's final recommendations did not support advancing this project for planning in 2003-05.

August 19, 2004
Resolution 8888

Recommended that the Jarvis Science Wing Renovation and Addition project be submitted to the Department of Administration and the Building Commission as part of the UW System 2005-07 Capital Budget request at an estimated cost of \$45,215,000 General Fund Supported Borrowing. The project was subsequently enumerated at \$40,637,000. In response to an overall capital funding level, the project budget was later reduced to \$35,096,000.

2009-11 Major Capital Projects Evaluation
Criteria, UW System

PHYSICAL PLANNING AND FUNDING COMMITTEE

Resolution:

That, upon the recommendation of the of the President of the University of Wisconsin System, the 2009-11 Major Capital Projects Evaluation Criteria be adopted as the basis for prioritizing major capital projects funded by General Fund Supported Borrowing (GFSB) for inclusion in UW System capital budget requests.

2009-11 CRITERIA FOR EVALUATING MAJOR CAPITAL PROJECTS FUNDED BY GENERAL FUND SUPPORTED BORROWING

BACKGROUND

Wisconsin statutes require that projects constructing new space and exceeding \$500,000 must be passed by the full Legislature regardless of the source of funds. Generally, such projects are presented and adopted in the biennial capital budget. Maintenance and remodeling projects exceeding \$500,000 may be constructed through the All Agency program within the total amount approved by the Legislature for such purposes.

The two primary sources of funding for UW System capital projects are state support through General Fund Supported Borrowing (GFSB) for academic facilities and university support through Program Revenue Supported Borrowing (PRSB), or Program Revenue cash reserves for student life facilities. Gifts may also be used for any capital projects, though gifts are not required.

The need for academic facility improvements at UW institutions far exceeds the amount of available state support each biennium. Therefore, the UW System and the Board of Regents must prioritize the capital projects requested by UW System institutions. Only projects that require enumeration with GFSB are scored and ranked through this prioritization process. There is not a restriction on PRSB, therefore, all program revenue projects that meet long-range plan guidelines are submitted for enumeration. Other maintenance or remodeling projects may be constructed through the statewide All Agency fund. Such projects are also screened and prioritized before submission to the Division of State Facilities and the State Building Commission.

Each biennium, the Board of Regents approves the criteria to be used by System Administration staff in ranking proposed major projects funded by GFSB that require enumeration in the capital budget. Using approved criteria in preparing capital budget submissions was established in 1999-2001 and the criteria have been updated biennially to reflect current systemwide initiatives, priorities, and goals of the Board of Regents. The intended use of these criteria is to create a priority list that addresses the greatest needs, highest academic priorities, and most cost-effective solutions to established facility deficiencies.

REQUESTED ACTION

That the Board of Regents adopt Resolution I.3.e., authorizing the use of criteria as defined in Appendix A for ranking major projects funded by General Fund Supported Borrowing for enumerated planning or construction.

DISCUSSION

The proposed criteria for ranking major capital projects emphasize extending the useful life of existing facilities and functionality. They also support goals of improving the quality of education by providing effective teaching and learning environments with appropriate technology. Strong consideration is given to projects offering operating efficiencies. Consideration is also given to the institutional priority of each project as established by the respective Chancellor. All general fund projects requiring enumeration must be supported by a completed Campus Space Use Plan.

Significant evaluation factors include a strong emphasis on facility reuse, innovation, and the impact on infrastructure and maintenance. Preference is given to projects that improve space utilization, reduce maintenance costs, promote facility reuse, and improve program functionality.

Given the magnitude of capital budget needs, each major project proposal will be ranked using the recommended criteria. The ranking will determine which projects are recommended to the Board of Regents for inclusion in the 2009-11 Capital Budget.

System Administration has not yet received capital budget instructions from the Department of Administration. It is expected that additional guidelines, which may be established by the Department of Administration, will be addressed in the context of this framework.

THE UNIVERSITY OF WISCONSIN SYSTEM ADMINISTRATION MAJOR CAPITAL PROJECTS EVALUATION CRITERIA

PHYSICAL DEVELOPMENT CONSIDERATIONS		Score Method	Potential Points	Total Points
Codes and Standards	A key project purpose is resolution of code and/or standard non-compliance	Yes or No	5	5
Facility Reuse	Existing space is adequate and appropriate for renovation; no new assignable space required (formula based on percent of space renovated)	Range	0-10	10
Health, Safety & Environmental Impact	A key project purpose in correction of health, safety, and/or environmental issues	Yes or No	0 or 5	5
Infrastructure Impact	Existing site improvements and utilities are adequate' no significant expansions/extensions/relocations required	Yes or No	0 or 5	5
Maintenance Impact	Project targets and eliminates capital maintenance and/or avoids future capital maintenance expenditures	Range	0-15	15

PROGRAM CONSIDERATIONS		Score Method	Potential Points	Total Points
Collaboration	Project provides new and/or improved interinstitutional and/or interdisciplinary space or technology	Yes or No	0 or 2	2
Functionality	Project provides new and/or improved functionality through configuration, relocation, or technology	Range	0-10	10
Innovation	Project provides innovative program delivery space, technology, and/or opportunities	Yes or No	0 or 2	2
Operational Impact	Project improves operational efficiencies through consolidation, reorganization, and/or relocation and supports sustainability	Range	0-5	5
Outreach/Regional Development	Project provides new and/or improved community outreach/regional development space or technology	Yes or No	0 or 2	2
Core Facilities	Project provides new and/or improved academic, research, or student support space and/or technology	Yes or No	0 or 2	2
Space Need	Project targets and resolves demonstrated space shortages	Range	0-10	10
Space Utilization	Project demonstrates improved space utilization and/or makes use of underutilized space	Range	0-2	2

PLANNING CONSIDERATIONS		Score Method	Potential Points	Total Points
#1 Rank for Current Biennium	Project ranked as highest institutional priority for current biennium	Yes or No	0 or 10	10
#1 Rank for 1 Past Biennium	Project ranked as highest institutional priority for 1 past biennium	Yes or No	0 or 4	4
#1 Rank for 2 Past Biennia	Project ranked as highest institutional priority for 2 past biennia	Yes or No	0 or 2	2
Project Development	Project scope includes full scope of planning considerations (utilities, relocations, etc.)	Yes or No	0 or 7	7
Project Sequence	Project must be completed prior to other projects identified in development plan	Yes or No	0 or 2	2

Authority to Seek Enumeration of a
UW-La Crosse New Residence Hall Project,
and a UW-Madison School of Veterinary
Medicine TomoTherapy Addition Project, UW
System

PHYSICAL PLANNING AND FUNDING COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to seek enumeration of two additional major capital projects which are:

- (1) UW-La Crosse: New Residence Hall Project at an estimated cost of \$28,000,000 Program Revenue Supported Borrowing, and
- (2) UW-Madison: School of Veterinary Medicine TomoTherapy Addition Project at an estimated total cost of \$2,546,000 Gift Funds.

THE UNIVERSITY OF WISCONSIN SYSTEM 2007-09 CAPITAL BUDGET ADDITIONAL REQUESTS

SUMMARY

Since the 2007-09 Capital Budget recommendations were considered by the Board of Regents in August 2006, two additional projects, funded with program revenue supported borrowing and gifts, have been brought forward. The projects have received an appropriate level of campus review and are now ready to proceed for enumeration.

- a. UW-La Crosse: New Residence Hall Phase I
- b. UW-Madison: School of Veterinary Medicine TomoTherapy Addition

Project Summaries

1. UW-La Crosse New Residence Hall Phase I \$28,000,000 PRSB 120,000 GSF New Space

This project will construct an approximately 120,000 GSF residence hall facility that will house about 250 students and a residence life office complex. It will also include planning for a second phase for which enumeration will be sought in the 2009-11 Capital Budget. The residence hall will provide double occupancy dwelling units clustered around shared bathrooms with common study, general use, and living areas.

At the time of the 2007-09 enumeration process the campus was pursuing private partnerships with local developers, landlords, and property owners to potentially provide the additional housing needed. It was later determined that it would not be feasible to provide privately owned residence hall beds to UW-La Crosse students, managed under the UW-La Crosse Residence Life Program, and still maintain acceptable fee rates. Thus, the campus needs to pursue enumeration at this time.

UW-La Crosse currently provides on-campus housing for 3,089 students distributed in eleven residence halls across campus. This includes 380 beds in suite style units in the new Reuter Hall, which was completed in 2006. Prior to the demolition of the old Reuter Hall and the construction of new Reuter Hall, the campus housed 2,889 students. Those included approximately 105 students who were housed as roommates to resident assistants and approximately 92 students who were housed in overflow spaces in the buildings.

Year	Occupancy
2004 (Prior to Reuter Construction)	2,889
2007 (Current)	3,089
2009 (Fall)	2,689
Phase I (250 Beds +/-)	2,939
Phase II (250 Beds +/-)	3,189

The location established for the new academic building requires the removal of two residence halls, Baird Hall (constructed in 1963) and Trowbridge Hall (constructed in 1960), as well as Wilder Hall (constructed in 1953) which formerly was a residence hall but is currently used as an administrative building for the Office of Residence Life as well as other offices.

In anticipation of the demolition of Baird and Trowbridge halls, which will eliminate 400 residence hall beds, the campus constructed the new Reuter Hall. The campus also looked for a number of alternatives that would both bring the number back to 2004 levels and add more for the future enrollment growth such as private development. The campus has grown by more than 400 FTE since 2004 and has plans to add at least 500 FTE by 2012.

Fee Impact:

This project will be financed by and operated through room rental rates charged to students. The cost of this hall will be spread across all university housing. This will result in an increase of approximately \$450 on suites and \$450 on double occupancy rooms, including this facility.

2. UW-Madison School of Veterinary Medicine \$2,546,000 Gift Funds **TomoTherapy Addition** 3,570 ASF/5,200 GSF

This project will construct a 3,570 ASF/5,200 GSF addition to the School of Veterinary Medicine to house a veterinary TomoTherapy unit. The addition will be located on the northeast side of the current School of Veterinary Medicine (SVM) building. The facility will include space for the TomoTherapy unit, a control area where veterinarians and technicians manage the operation of the unit, an area to prepare animals for the procedures, a conference room, and mechanical space. TomoTherapy integrates CT imaging and helical intensity-modulated radiation therapy. The process was developed by two UW-Madison researchers. This approach improves the effectiveness and efficiency of radiation treatment for the full range of cancer tumors.

The campus originally planned to install the TomoTherapy machine into an existing structure, therefore, enumeration was not sought during the 2007-09 capital budget process. It was later discovered that the existing structure could not accommodate all the lead shielding required for such a unit so a new structure needed to be built, necessitating a request for special enumeration at this time.

The SVM has one of the top veterinary oncology programs in the nation. Since 1996, small animal oncology cases have doubled from 1,884 to 3,785 a year. In 2006, oncology care represented 21% of all small animal cases. This will be the first TomoTherapy unit in use for veterinary medicine in the world. Without access to modern equipment, the school cannot continue to develop new and better treatment options for small animals with cancer. Funding agencies are increasingly reluctant to support clinical trials involving aged and unreliable equipment such as the schools existing cobalt 60 unit.

A typical TomoTherapy unit costs more than \$3 million. Because the SVM has participated in initial treatment trials, TomoTherapy, Inc., which is located in Madison, Wisconsin, is donating a new TomoTherapy unit, reengineered for animal use, to the School of Veterinary Medicine.

UW System Strategic Framework: Discussion of Operational Excellence

EXECUTIVE SUMMARY

BACKGROUND

The University of Wisconsin System has begun a far reaching strategic planning process entitled the *UW System's Strategic Framework to **Advantage Wisconsin***. This exercise is expected to culminate in significant themes which may give direction to the preparation of the 2009-11 University of Wisconsin System biennial budget. The framework will be developed through the work of seven *Think Tank Teams* comprised of individuals from UW System institutions, UW System Administration and various private business enterprises.

REQUESTED ACTION

This item is for informational purposes only.

DISCUSSION

The committee will discuss and share its thoughts on the work of one of ***Advantage Wisconsin's*** think tank teams. The think tank will consider how the University might advance operational excellence by becoming more flexible, nimble, responsive, and cost efficient. Today's discussion will provide the Committee with the opportunity to offer its input into the work of these teams.

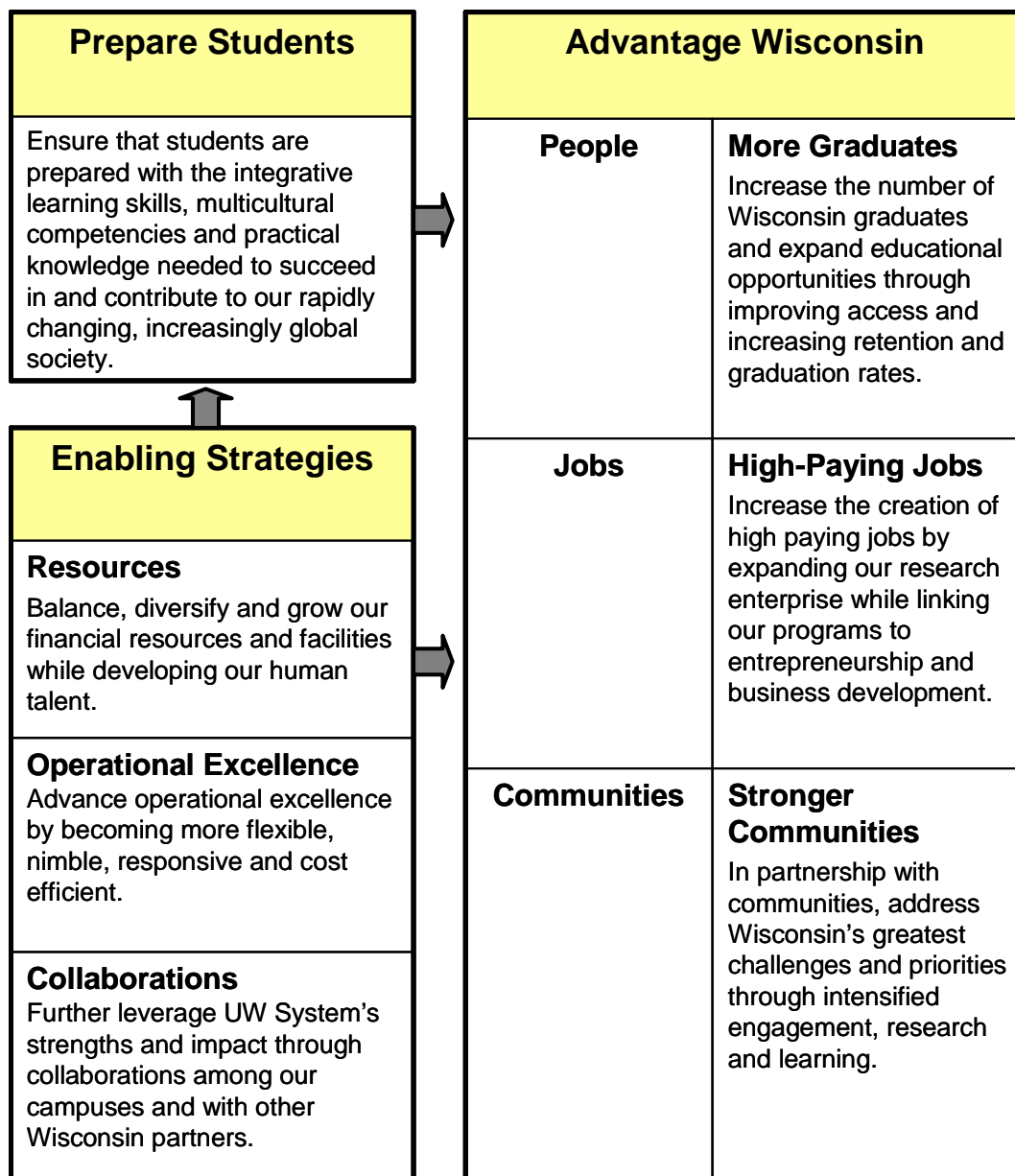
Attached for your information and reference are copies of documents outlining the overall structure of the ***Advantage Wisconsin*** strategic planning exercise and some of the issues to be addressed by the group.

This month, the Business, Finance and Audit committee will also discuss the work of the Operational Excellence Think Tank Group, while the Education Committee will discuss the work of the Collaborations Think Tank. The Collaborations Think Tank is charged with considering how the UW System can further leverage its strengths and impact through increased collaborations among its institutions and with other Wisconsin partners.

RELATED REGENT POLICIES

N/A

UW System's Strategic Framework to **Advantage Wisconsin**



Strategic Challenge Questions – Think Tank Team
Questions and background material to consider

Think Tank Number Six:
Operational Excellence

Question: How can we advance operational excellence by becoming more flexible, nimble, responsive and cost efficient?

- What are the campus, system, and state regulatory barriers to flexibility, nimbleness, responsiveness and cost efficiency beyond those that the “Charting a New Course” identified?
- How do we advance effectiveness in an environment of limited resources, when greater productivity is being demanded of us in all three facets of our mission – teaching, research, and public service?
- What changes should we make internally to become more flexible and responsive?
- How can we convince state government to accept “Charting a New Course” recommendations for management flexibility?
- How can we reduce credit and time to degree for the average student? What about for the part-time, adult non-residential student?
- How do we improve responsiveness to regional and state occupational and continuing education needs?

Possible background material

- Cost per student trends
- Charting new course recommendations and other pertinent sections of UW Regent Reports-UW System reports
- How UW Hospitals gained freedom: A Case Study
- Comparison UWS regulatory structure to other state systems

Members invited:

Darrell Bazzell, Vice Chancellor for Administration (UWMad)*
Tom Sonnleitner, Vice Chancellor for Administrative Services(UWO)
Tom Dock, Dean, College of Business (UWEC)
Lisa Wheeler, Executive Director, Information Technology Services (UWRF)
Steve Wildeck, Vice Chancellor for Administrative Services (UWCol)
Tim Sewall, Associate Provost for Academic Affairs (UWGB)
Dale Cattanach, State Auditor, Retired
Frank Byrne, President, St. Mary’s Hospital
Resource: Debbie Durcan, Ed Meachen and David Miller

Revised 12/04/07

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

December 7, 2007
9:00 a.m.
Room 1820 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin

II.

1. Calling of the roll
2. Approval of the minutes of the November 8 and 9, 2007 meetings
3. Report of the President of the Board
 - a. Report on November 13, 2007 meeting of the Wisconsin Technical College System Board
 - b. Additional items that the President of the Board may report or present to the Board
4. Report of the President of the System
 - a. UW-Madison Presentation: "Challenges and Opportunities for UW-Madison as a Public Research University"
 - b. Advantage Wisconsin Strategic Framework update
 - c. Additional items that the President of the System may report or present to the Board
5. Report of the Education Committee
6. Report of the Business, Finance, and Audit Committee
7. Report of the Physical Planning and Funding Committee
8. Additional resolutions
 - a. Resolution of appreciation to UW-Madison
9. Communications, petitions, and memorials
10. Unfinished or additional business
11. Move into closed session to consider UW-Milwaukee honorary degree nominations, as permitted by s.19.85(1)(f), *Wis. Stats.*; to confer with legal counsel regarding pending or potential litigation, as permitted by s.19.85(1)(g), *Wis. Stats.*; to consider a UW-Madison personnel matter, as permitted by s.19.85(1)(c), *Wis. Stats.*; and to consider merit-based salary adjustments for senior executives and salaries above 75% of the President's salary to reflect the 2007-08 pay plan approved by the Legislature's Joint Committee on Employment Relations, as permitted by s.19.85(1)(c), *Wis. Stats.*

The closed session may be moved up for consideration during any recess in the regular meeting agenda. The regular meeting will reconvene in open session following completion of the closed session.

Agenda December 7, 2007 BOR

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

President - Mark J. Bradley
Vice President - Charles Pruitt

STANDING COMMITTEES

Executive Committee

Mark J. Bradley (Chair)
Charles Pruitt (Vice Chair)
Elizabeth Burmaster
Danae D. Davis
Milton McPike
Brent Smith
Michael J. Spector
David G. Walsh

Business, Finance, and Audit Committee

Brent Smith (Chair)
Eileen Connolly-Keesler (Vice Chair) (Audit Liaison)
Elizabeth Burmaster
Peggy Rosenzweig
Thomas P. Shields

Education Committee

Danae D. Davis (Chair)
Michael J. Spector (Vice Chair)
Judith V. Crain
Mary Quinnette Cuene
Thomas A. Loftus
Colleene P. Thomas

Physical Planning and Funding Committee

Jeffrey B. Bartell (Chair)
Milton McPike (Vice Chair)
Michael J. Falbo
David G. Walsh

Personnel Matters Review Committee

Michael J. Spector (Chair)
Jeffrey B. Bartell
Judith V. Crain
Danae D. Davis
Peggy Rosenzweig

Committee on Student Discipline and Other Student Appeals

Brent Smith (Chair)
Milton McPike
Thomas P. Shields
Michael J. Spector

OTHER COMMITTEES

Liaison to Association of Governing Boards

Eileen Connolly-Keesler

Hospital Authority Board - Regent Members

Milton McPike
Peggy Rosenzweig
David G. Walsh

Wisconsin Technical College System Board

Peggy Rosenzweig, Regent Member

Wisconsin Educational Communications Board

Judith V. Crain, Regent Member

Higher Educational Aids Board

Milton McPike, Regent Member

Research Park Board

David G. Walsh, Regent Member

Teaching Excellence Awards

Danae D. Davis (Chair)
Jeffrey B. Bartell
Milton McPike
Colleene P. Thomas

Academic Staff Excellence Awards Committee

Eileen Connolly-Keesler (Chair)
Danae D. Davis
Milton McPike
Brent Smith

Committee on Regent Response to the Legislative Audit Bureau Audit on Personnel Policies and Practices

Thomas A. Loftus (Chair)
Jeffrey B. Bartell
Eileen Connolly-Keesler
Judith V. Crain
Professor Chris Sadler
Interim Chancellor Richard Telfer
Academic Staff Representative Dennis Shaw

UW-Whitewater Chancellor Search Committee

Danae D. Davis (Chair)
Colleene P. Thomas
Peggy Rosenzweig
Michael J. Spector

The Regents President and Vice President serve as ex-officio voting members of all Committees.

**Board of Regents of
The University of Wisconsin System**

Meeting Schedule 2007-08

2007

February 8th and 9th

March 8th and 9th (at UW-Parkside)

April 12th and 13th (at UW-Oshkosh)

May 10th and 11th

June 7th and 8th (at UW-Milwaukee)

July 12th and 13th

September 6th and 7th

October 4th and 5th (at UW-River Falls)

November 8th and 9th

December 6th and 7th (hosted by UW-Madison)

2008

February 7th and 8th, in Madison

March 6th, in Madison

April 10th and 11th, at UW-Extension, Pyle Center

June 5th and 6th, at UW-Milwaukee

August 21st and 22nd, in Madison

October 2nd and 3rd, at UW-Stevens Point

November 6th, in Madison

December 4th and 5th, at UW-La Crosse