



Board of Regents of the University of Wisconsin System
Office of the Secretary

1860 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin 53706
(608)262-2324

DATE: November 28, 2012

TO: Each Regent

FROM: Jane S. Radue *JSR*

PUBLIC MEETING NOTICE

Meetings of the University of Wisconsin System Board of Regents
to be held at UW-Madison, Union South, 1308 W. Dayton Street,
Madison, Wisconsin 53715 on December 6 and 7, 2012

Thursday, December 6, 2012

9:00 a.m. All Regents – Varsity Hall II, 2nd Floor

1. Calling of the roll
2. UW-Madison Presentation by Interim Chancellor David Ward:
Strategic Priorities for UW-Madison
3. *Update:* UW Flexible Option Initiative
4. Next in a Series of Discussions with Chancellors about UW Institutions'
Strategic Goals: UW-Platteville Chancellor Dennis Shields

12:00 p.m. Lunch – Varsity Hall III, 2nd Floor

1:00 p.m. Capital Planning & Budget Committee, Varsity Hall I, 2nd Floor

1:00 p.m. Research, Economic Development, and Innovation Committee,
Varsity Hall II, 2nd Floor

2:30 p.m. Business, Finance & Audit Committee, Varsity Hall I, 2nd Floor

2:30 p.m. Education Committee, Varsity Hall II, 2nd Floor

Friday, December 7, 2012

9:00 a.m. All Regents – Varsity Hall II, 2nd Floor

Persons with disabilities requesting an accommodation to attend are asked to contact Jane Radue in advance of the meeting at (608)262-2324. Information about agenda items can be found the week of the meeting at <http://www.uwsa.edu/bor/meetings.htm>. The meeting will be webcast at <http://www.uwex.edu/ics/stream/regents/meetings/> on Thursday, December 6, 2012, from 9:00 a.m. until approximately 12:00 p.m. and Friday, December 7, 2012, from 9:00 a.m. until approximately 12:00 p.m.

UW FLEX: THE UNIVERSITY OF WISCONSIN FLEXIBLE OPTION TOWARDS DEGREE ATTAINMENT

EXECUTIVE SUMMARY

BACKGROUND

In June 2012, the UW System and Governor Walker announced a competency-based, self-paced flexible degree initiative to make it more possible for working adults across Wisconsin to earn baccalaureate degrees. Renamed the University of Wisconsin Flexible Option—UW Flex for short—the initiative builds upon the UW System’s reputation for quality, its foundation in the *Wisconsin Idea*, and its ongoing commitment to provide affordable and accessible education to a wider and deeper cut of Wisconsin residents. The UW Flexible Option program is a portfolio of degrees, certificates and courses drawn primarily from the UW System’s existing program array that will be offered through formats that are self-paced, competency-based, and built on best-practice educational principles and learning science, including learning-outcomes assessment and instructional design principles. Designed to serve an adult, non-traditional student population whose needs for post-secondary education are not being met—in Wisconsin and beyond—UW Flex programs will emphasize areas of strong student demand and strong need for economic growth and development in Wisconsin and beyond. The UW System’s aspirational *Shared Learning Goals* will be used to direct the development of UW Flex competencies.

The higher education landscape is changing across the globe. Whether public or private, American colleges and universities are working to innovate and meet the evolving needs of more diverse student populations. These efforts are taking place in a context of changing funding models, increased economic and political pressure to improve access and affordability, and demands for greater accountability to provide evidence for the value added by a college degree. In this environment, virtually every post-secondary institution in the country is exploring alternative approaches to deliver higher education, with the Massive Open Online Courses or MOOC phenomenon being one visible example.

With the development of the UW Flexible Option, the UW System is currently the only public higher education system in the country seeking to develop an alternative, competency-based degree model systemwide, where the unit of innovation is the system not an individual college or university.

At its December 6, 2012, meeting, the Board of Regents will hear a status report on the development of the Flexible Option.

REQUESTED ACTION

For discussion only; no action is required.

DISCUSSION

Overview

Dramatically different from traditional campus- or course-based instruction, whether delivered face-to-face or using online formats, the competency-based UW Flex model emphasizes mastery of demonstrated student learning outcomes. For all the attention currently commanded by MOOCs, their primary purpose is to make academic content widely available on the Internet.¹ The UW Flexible Option, in contrast, offers a new way to progress towards a degree. Students in the Flex Option use the knowledge they have acquired through prior coursework, military and on-the-job training, and other learning experiences, and take assessments to demonstrate their mastery over academic content wherever and whenever they are ready.

In the UW Flex Option:

- Students may start and complete assessments (and thus their progress towards their degree) at any time, in contrast to a traditional semester- or term-based schedule.
- Students determine the pace of their learning. Progress through the chosen degree program is based on assessments of essential competencies determined by UW faculty, versus seat time in a classroom. When the student demonstrates mastery of a subject, he or she moves on to new material right away.
- Students get credit for what they know. The Flexible Option helps students to shorten the time required to complete a degree by assessing and crediting knowledge acquired in the workplace, from free open educational resources, or from other experiences.

Much progress has been made since the Flexible Option was announced in June. As the UW System moves into more concrete planning of UW Flex, much work needs to be done to turn the concept into reality, and to meet the System's goals of having flexible options available to the target market of adult students by Fall 2013. Several UW institutions and programs have stepped forward to be a part of the first cohort of Flex programs, with support from UW-Extension and UW System Administration.

First to Flex: Cohort 1 Programs

Led by faculty and deans, six academic programs have emerged to become the first cohort of Flexible Option programs. Planning is underway to make these programs available to students beginning in fall 2013.

1. UW-Milwaukee will offer four degree programs and one certificate program:

¹ Separate from the purpose of MOOCs, which is to make quality course content widely available, several initiatives are underway that provide avenues to students enrolled in MOOCs to receive college credit. Both the American Council on Education (ACE) and the Association of Public Land-grant Universities (APLU) have received funding from the Gates Foundation to develop pathways by which MOOCs will be credit-bearing.

- The College of Nursing will offer **both** a bachelor's degree and a master's degree option for Registered Nurses who seek higher credentials (R.N. to B.S.N. and R.N. to M.N.).
 - The College of Health Sciences will develop a degree completion in Diagnostic Imaging targeted toward bachelor's degree-attainment for certified diagnostic imaging professionals.
 - The School of Information Studies will offer a B.S. in Information Science & Technology, preparing students for a host of jobs in an increasingly digital culture and economy.
 - The College of Letters & Science will offer a Certificate in Professional and Technical Communication, providing students with the essential written and oral communication skills needed in the workplace.
2. The University of Wisconsin Colleges, the UW System's network of 13 freshman/sophomore campuses, will offer a number of liberal arts, general education courses in the flexible degree format. Currently, through traditional instruction and the UW Colleges Online, students can earn an Associate of Arts and Science degree and transfer to any baccalaureate and professional program at a four-year UW campus. For students who wish to be engaged in flexible degree programs, the UW Colleges will provide general education, liberal arts freshman- and sophomore-level offerings available in a competency-based, self-paced format as early as fall 2013. Students will be able to complete competencies and assessments in biology, chemistry, mathematics, computer science, engineering, physics, psychology, health, exercise science and athletics, women's studies, business, political science, English, Spanish, geography, anthropology and sociology, history, art, and music. The UW Colleges will work towards providing the Associate of Arts and Science degree via the UW Flexible Option.

Several other UW System institutions, including UW-Parkside, are working to determine how to develop Flexible Options for their degree programs, and additional offerings should be ready by fall 2014.

UW Flex Planning Process

The development of UW Flex requires planning that is academic, administrative, operational, budgetary, and keeps student learning and success at the center. Three advisory groups have been convened to bring in the appropriate expertise from across the UW System in each of these areas.

1. The UW Flexible Degree Model Faculty and Instructional Academic Staff Committee has been convened with representation from every UW institution, to identify the necessary academic components of the competency-based approach, and develop principles upon which the model should rest in order to ensure quality and rigor. The role of faculty and staff in the development of the model is critical, given statutory faculty oversight of the curriculum, their pedagogical and content expertise, and the System's deep tradition of shared governance. From the outset, it has been clear that each individual degree program offered via this model will be offered by an institution or

institutions in the UW System, and will be approved through the same shared governance and accreditation procedures and policies as all UW degrees. The Faculty/IAS advisory committee will also consider advising models and determine an ongoing oversight role for faculty as the first cohort of UW Flex programs are developed, with additional cohorts to follow.

2. A second, administrative advisory group has been convened, composed of chancellors, provosts, student affairs administrators, and chief business officers, among others. That group is providing advice and assistance in the development of the business model and infrastructure necessary to support the institutions and the students who will enroll in UW Flex programs.
3. A third operational advisory group, comprised of admissions directors, financial aid directors, registrars, bursars, transfer coordinators and others, is also being assembled. This group will focus on the academic and student support critical to ensuring student progress and success in Flex options, with attention to both conceptual and operational components.

Concurrent to the work of these advisory groups, Cohort 1 program faculty and staff are working on developing program competencies, and identifying the range of appropriate and rigorous assessments as well as the levels of mastery by which students will demonstrate their knowledge. These faculty and staff members will also help determine the kinds of advising necessary for students to achieve their educational goals within the Flex model.

Resources

While it is anticipated that the model will become revenue-generating after the first few years, the start-up resources required to develop, implement, and sustain the Flexible Option are significant. Based on conservative projections on growth in programs and enrollments, it is anticipated that the break-even point for UW Flex will occur sometime in 2017-18. The UW System's 2013-15 biennial budget proposal includes a request for funding to support development of UW Flex. Additional funding is also being sought from a variety of other sources. UW Flex requires resources dedicated to: (1) supporting faculty and staff as they develop competencies and assessments, convert existing (and potentially creating new) academic programs into the flexible format; (2) marketing and recruiting potential students; (3) academic support services (advising, enrollment, financial aid counseling, bursar functions, transcription of student progress, transfer activities, etc.); and (4) developing a student information system capable of tracking admissions, enrollment, financial aid, registrar functions (including transcripts), transfer, student progress according to competencies mastered and assessments taken, and other data essential to ensuring success for students and UW institutions with UW Flex programs. The Board of Regents will be asked to approve tuition pricing for UW Flex programs sometime in spring 2013, once the business model is finalized.

RELATED REGENT AND UW SYSTEM POLICIES

None.

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.1. Education Committee - Thursday, December 6, 2012
Union South, Varsity Hall II, 2nd Floor
UW-Madison
Madison, Wisconsin

2:30 p.m. Education Committee–Varsity Hall II, 2nd Floor

- a. The University of Wisconsin School of Medicine and Public Health: The Wisconsin Partnership Program – Acceptance of the 2011 Annual Report.
- b. Consent Agenda:
 - 1. Approval of the Minutes of the October 4, 2012, Meeting of the Education Committee; and
 - 2. Approval of the University of Wisconsin-Madison 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.b.(2)]
- c. Approval of Revision to Non-resident Enrollment Limit in the UW System Freshman Admissions Policy; [Resolution I.1.c.]
- d. Education Committee Priority Discussion: Dual Enrollment.
- e. Report of the Senior Vice President:
 - 1. Biennial Sabbatical Guidelines

**UNIVERSITY OF WISCONSIN SCHOOL OF MEDICINE AND PUBLIC HEALTH
WISCONSIN PARTNERSHIP PROGRAM
2011 ANNUAL REPORT**

EXECUTIVE SUMMARY

BACKGROUND

The Wisconsin Insurance Commissioner's Order (Order) of March 2000 approved the conversion of Blue Cross and 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 (UW SMPH) and the Medical College of Wisconsin. In accordance with the Order, thirty-five percent of the funds were allocated for public health initiatives and sixty-five percent for education and research initiatives to advance population health. The Wisconsin United for Health Foundation, Inc. (WUHF), was created by the Insurance Commissioner to oversee the distribution of the proceeds, to approve the first Five-Year Plan (2004-2009) of each school, and to review subsequent five-year plans, annual reports on expenditures, and financial and program audits.

The Order required the UW System Board of Regents to create an Oversight and Advisory Committee (OAC) consisting of four public members (health advocates) and four UW SMPH representatives appointed by the Regents, and one member appointed by the Insurance Commissioner. In accordance with the Order, the OAC is responsible for directing and approving the use of funds for public health. The committee also reviews, monitors, and reports to the Board of Regents on the funding of education and research initiatives through the Wisconsin Partnership Program's annual reports.

The UW SMPH, in collaboration with the OAC, developed the inaugural Five-Year Plan (2004-2009) describing the uses of the funds. The plan also called for the appointment of the Medical Education and Research Committee (MERC) by the UW SMPH, to be composed of a cross-section of the faculty, representatives of the OAC, and leaders of the UW SMPH, to direct and approve the allocation for education and research initiatives.

Following approval of the Five-Year Plan by the Board of Regents in April 2003, the plan was reviewed and subsequently approved by 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. Since March 2004, the OAC and the MERC, collectively known as the Wisconsin Partnership Program (WPP), have been engaged in seeking proposals from community organizations and faculty, respectively, and in making awards in accordance with the Order; the Five-Year Plan; and the Agreement between the UW Foundation, the Board of Regents, and WUHF. During 2008, the UW SMPH, in collaboration with the OAC and the MERC, developed the second Five-Year Plan (2009-2014), which was presented to and approved by the Board of Regents on December 4, 2008. In May

2011, the MERC changed its name to the Partnership Education and Research committee (PERC) to reflect the broad spectrum of approaches it supports.

As required by the Order and the Agreement, the UW SMPH, in collaboration with the OAC, must develop annual reports on the Wisconsin Partnership Program's activities and expenditures of funds for review by the Board of Regents. At the December 2012 meeting of the Board of Regents, the Education Committee will convene to review the 2011 Annual Report of the Wisconsin Partnership Program.

REQUESTED ACTION

No action required; for information purposes only.

DISCUSSION

In accordance with the Wisconsin Insurance Commissioner's Order and the Agreement, the 2011 Annual Report of the Wisconsin Partnership Program (WPP), covering the activities and expenditures from January 1, 2011 through December 31, 2011, is presented to the UW System Board of Regents. The Annual Report describes the activities leading to the awarding of grants by the Oversight and Advisory Committee (OAC) and by the Partnership Education and Research Committee (PERC) for projects that advance population health in Wisconsin.

2011 In Brief

The Wisconsin Partnership Program represents a far-reaching commitment by the University of Wisconsin School of Medicine and Public Health to improve the health and well-being of Wisconsin residents through investments in research, education, prevention practices and interventions, and policy development. The WPP looks to the power of collaborative relationships – with community leaders, educators and researchers – to advance its mission of improving the health of the people of Wisconsin. The Annual Report includes examples of this productive synergy, including promising new initiatives as well as outstanding work that concluded in 2011.

The WPP invested over \$5.7 million in Wisconsin's health and well-being in 2011. Collaborations among faculty members are investigating new methods for the early identification of Alzheimer's disease, and better screening and interventions of tobacco and alcohol use as well as depression. Faculty, through the WPP's New Investigator Program, are exploring ways to personalize therapy of women with polyploid breast cancers – those in which cancer cells have extra chromosomes. Researchers are also using nano-medicine – a combination of multiple drugs delivered by molecular machines – to combat the poor prognosis of lung cancer.

In addition, community-academic partnerships are creating an obesity prevention network, and working to prevent falls among the elderly and to lower the incidence of sexually transmitted disease. The funded proposals include a mix of urban, rural and statewide projects that combine the unique skills of community groups, non-profits and government agencies with those of university faculty and staff.

Additional highlights from 2011 include improving African American birth outcomes through the OAC's Lifecourse Initiative for Healthy Families (LIHF) established in 2009 to address the high incidence of African American infant mortality and morbidity in the state. Efforts are currently under way in four Wisconsin cities: Beloit, Kenosha, Milwaukee and Racine, which account for 86 percent of African American infant deaths in Wisconsin. In 2011, grants were awarded to the above communities to complete community action plans for eliminating racial disparities in infant mortality. Additionally, the PERC supported the establishment of a senior faculty position to lead maternal and child health activities in research, education, clinical care and community engagement, along with a project exploring whether "medical homes", a one-stop system to coordinate care for high-risk pregnant women, improve birth outcomes.

The OAC continued its support of the Healthy Wisconsin Leadership Institute (HWLI) and the Wisconsin Population Health Service Fellowship, two important public health education and training programs funded by the WPP since its inception. The HWLI holds regional workshops throughout Wisconsin and also administers the Community Teams Program, which provides training in public health and leadership to coalitions around the state. The Fellowship Program offers an invaluable service to community-based organizations and local and state public health agencies by developing the next generation of public health leaders.

The WPP's 2011 Annual Report, the eighth in the history of the program, illustrates the valuable work of its governing bodies, the Oversight and Advisory Committee and the Partnership Education and Research Committee. These committees are responsible for ensuring the best possible stewardship of an endowment dedicated to addressing the state's most pressing health problems.

RELATED REGENT POLICIES

No related Regent policies.

The Wisconsin Partnership Program
2011 Annual Report and Appendix
are available here:

<http://www.uwsa.edu/bor/agenda/2012/WPP-2012-annual-report.pdf>

Wisconsin Partnership Program
University of Wisconsin School of Medicine and Public Health
Oversight and Advisory Committee Appointment

EDUCATION COMMITTEE

Resolution I.1.b.(2):

That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the appointment of Kenneth Taylor to the UW School of Medicine and Public Health Oversight and Advisory Committee of the Wisconsin Partnership Program for a four-year term through October 31, 2016, effective immediately.

**APPOINTMENT TO THE
UW SCHOOL OF MEDICINE AND PUBLIC HEALTH
OVERSIGHT AND ADVISORY COMMITTEE
OF THE
WISCONSIN PARTNERSHIP PROGRAM

EXECUTIVE SUMMARY**

BACKGROUND

The Wisconsin Insurance Commissioner's Order (Order) of March 2000 approved the conversion of Blue Cross and 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 (UW SMPH) and the Medical College of Wisconsin. The Order required the respective governing body of each school to create a public and community health oversight and advisory committee consisting of nine members appointed for four-year terms. The Oversight and Advisory Committee (OAC) consists of four public members (health advocates) and four UW SMPH representatives appointed by the Regents, and one member appointed by the Insurance Commissioner. In accordance with the Order, the OAC is responsible for directing and approving the use of funds for public health. The committee also reviews, monitors, and reports to the Board of Regents on funds committed for education and research as part of the Annual Report of the Wisconsin Partnership Program.

The UW SMPH, in collaboration with the OAC, developed the inaugural Five-Year Plan (2004-2009) describing the uses of the funds, which was subsequently reviewed and approved by both the Board of Regents in April 2003 and 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 and the UW SMPH Partnership Education and Research Committee (PERC), collectively known as the Wisconsin Partnership Program (WPP), have been engaged in seeking proposals from community organizations and faculty, respectively, and in making awards in accordance with the Order, the Five-Year Plan, and the Agreement. The WPP is currently operating under its second Five-Year Plan, which was approved by the Board of Regents and WUHF in 2008.

Information on the awards and related program activities are presented to the Board of Regents annually.

REQUESTED ACTION

Approval of Resolution I.1.b(2), appointment of Kenneth Taylor to the UW School of Medicine and Public Health Oversight and Advisory Committee of the Wisconsin Partnership Program for a four-year term through October 31, 2016, effective immediately.

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 Kenneth Taylor to the OAC as one of the four public members (health advocates).

After a call for nominations from community organizations, the OAC's nominating committee chose to interview three candidates. Following the interviews, the nominating committee reached unanimous agreement to bring the name of Kenneth Taylor to the OAC with the recommendation that it be forwarded to the Board of Regents for consideration. The OAC enthusiastically endorses the nomination of Mr. Taylor, Executive Director of the Wisconsin Council on Children and Families (WCCF), to fill the vacant public member position. Since receiving his master's degree in public policy from the University of Chicago in 1994, Mr. Taylor has dedicated his career to improving health for children and families. Before assuming his leadership position with WCCF, Mr. Taylor was a policy advisor for the Wisconsin Department of Children and Families. He advised the Secretary on systems, policy and practice changes leading to the reorganization of child and family services in Wisconsin to emphasize prevention, early intervention, and child protection.

In 2009, Mr. Taylor became Executive Director of WCCF, a private, non-profit, non-partisan statewide organization focused on improving conditions for families and children. The WCCF, established over 132 years ago, provides research, policy analysis, public education and advocacy in the areas of health, economic security, safety and education, all aimed at improving the well-being of Wisconsin's children.

Based on his perspective as a children's health advocate, Mr. Taylor will be especially valuable as OAC initiates the implementation phase of its targeted initiative, the Lifecourse Initiative for Healthy Families (LIHF). This initiative aims to address the high incidence of African American infant mortality in Milwaukee, Racine, Kenosha, and Beloit. In addition, Mr. Taylor's leadership and experience will be important as the OAC undertakes a number of significant projects, including development of the next Five Year Plan.

The OAC strongly endorses the nomination of Kenneth Taylor, and recommends him to the Board of Regents for appointment to the committee.

Kenneth Taylor's resume follows.

RELATED REGENT POLICIES

No related Regent policies.

KENNETH I. TAYLOR

525 Clifden Dr. Madison, WI 53711 (608) 236-4637

ktaylor@wccf.org

EXPERIENCE

Wisconsin Council on Children and Families, Madison, WI

December 2009 – Present

Executive Director

- Responsible to the board of directors for all aspects agency operation.
- Research, public education and advocacy for children and families on: early care and education, health care, juvenile justice, economic security, child welfare, tax and budget, and racial disparity reduction.
- Write grants and raise funds to ensure organization's financial stability.

Wisconsin Department of Children and Families, Madison, WI

November 2007 – December 2009

Policy Advisor

- Advised the Secretary on systems, policy and practice changes leading to the reform of child and family services in Wisconsin through prevention, early intervention and child protection.
- Worked with DCF staff to maximize efficiency and effectiveness of program investments.
- Worked with DCF divisions and other state agencies to improve service coordination and increase claiming of federal funds.

Dartington~i, Madison, WI

June 1999 – November 2007

Director

Directed the American operation of an international policy and research organization concerned with improving the lives of children and families in need.

- Implemented new services and programs for children and families after analyzing evidence on need.
- Developed and disseminated evidence-based practice tools.
- Designed, negotiated and implemented performance frameworks and performance-based contracts for substitute care populations to improve outcomes and maximize the receipt of federal funding.
- Evaluated and monitored child and family programs and policies.
- Clients included public child welfare agencies [New York City, Philadelphia, Los Angeles, Massachusetts, Wisconsin, Tennessee, Las Vegas, Ireland, Northern Ireland] and non-profit agencies [The Milton Hershey School (PA); The Youth Campus (IL), The Kamehameha Schools (HI)].

Dartington Social Research Unit, Devon, England

September 1998 – April 1999

Consultant

Consulted with English local authorities on issues relating to the well-being of children in need.

Illinois Department of Children and Family Services, Chicago, IL

April 1995 – September 1998

Special Assistant to the Director

Responsible for planning and implementing system-wide reform efforts.

- Designed and implemented performance contracts for private foster care services, significantly increasing permanency and stability for fostered children. Received Innovations in American Government Award.
- Redesigned private agency monitoring and improved agency oversight.
- Designed and implemented federal waiver creating a new permanency category (subsidized guardianship).

Office of the Governor, Chicago, IL

June 1994 – April 1995

Policy and Issues Analyst: Special Counsel for Child Welfare

United States Navy, Lieutenant, Oakland, CA

May 1988 – May 1992

Command Duty Officer and Communications Officer, USS Wichita

EDUCATION

University of Chicago, Chicago, IL

September 1992 – May 1994

Masters Degree in Public Policy

Duke University, Durham, NC

August 1984 – May 1988

Bachelors Degree in Political Science

University of Wisconsin System Freshman Admissions Policy
Non-Resident Enrollment Limitation
Revision of Regent Policy Document 7-3, Section III

EDUCATION COMMITTEE

Resolution I.1.c.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached revisions to Regent Policy Document 7-3, "University of Wisconsin System Freshman Admissions Policy," Section III, "Non-Resident Enrollment."

**UNIVERSITY OF WISCONSIN FRESHMAN ADMISSIONS POLICY
SECTION III – NON-RESIDENT ENROLLMENT REVISION**

EXECUTIVE SUMMARY

BACKGROUND

The University of Wisconsin System Freshman Admissions Policy (RPD 7-3) allows each institution to “admit students whose academic preparation, background and personal experience suggest that the student will succeed at the institution, benefit from that educational experience and contribute to the educational environment.” Section III of the admissions policy specifies a non-resident undergraduate enrollment limitation not to exceed 25% at any UW institution. Minnesota reciprocity students are in a separate category, and not counted as either residents or non-residents.

The 25% non-resident enrollment limitation has been constant since the merger that created the UW System in the early 1970s. Prior to merger, there was a time period when the non-resident enrollment limit for the University of Wisconsin ranged from 25 to 30%. One of the first resolutions passed by the UW System Board of Regents in May 1972 was to adopt a policy limiting non-resident undergraduate admissions to 25% for each UW System campus. UW-Madison historically has had enrollments closest to the RPD 7-3 enrollment limitation.

REQUESTED ACTION

Approval of Resolution I.1.c., authorizing the modification of section III in the Board of Regents Admissions Policy, RPD 7-3, Non-resident Enrollment, as shown in the attachment.

DISCUSSION

The UW-Madison fall 2012 undergraduate enrollment of 30,500 includes nearly 6,300 new freshmen, the largest freshman class UW-Madison has ever enrolled. This class includes 3,515 Wisconsin residents, the most since fall 2005, and ranks among the highest resident freshman enrollments since the merger that created the UW System. Due to a variety of factors, the freshman class also includes nearly 2,000 non-resident students. The unanticipated and increased number of non-resident freshmen choosing to enroll at UW-Madison contributed to UW-Madison’s non-resident enrollment of 25.8%. This is the first year since merger that UW-Madison has exceeded the limitation of 25% non-resident students. UW-Madison’s historic average population for non-resident undergraduate students is approximately 24.5%.

UW-Madison seeks modification of the UW System Freshman Admissions Policy to provide Wisconsin resident students access to more diverse ideas and cultures by expanding opportunities to interact with international and out-of-state students, while also increasing the institution’s flexibility to manage its enrollment and resources. Employment recruiters indicate that it is important for future employees to have exposure to diverse people, cultures, and ideas in

order for them to be successful in the diverse and global work environment and markets in which they operate. As part of its enrollment management plan, UW-Madison will develop and implement a multi-year plan that will guarantee at least 3,500 enrollments per year for Wisconsin resident students in each fall new-freshman class. That is, UW-Madison will admit to its freshman class each fall at least 200 more Wisconsin resident students over its traditional admissions target. The requested policy revision also represents a modest attempt to generate additional revenue and ease policy restrictions to help strengthen the University's commitment to educational access and quality. UW-Madison will use the additional revenue generated through a slight increase in non-resident enrollment to build on its national and international reputation for educational excellence.

This is an opportune time to revisit this part of the policy and to determine whether or not it needs to be adjusted, given the fundamental changes that have transformed higher education over the past two decades and the impact that would occur to Wisconsin resident admissions if UW-Madison attempted to regain compliance with the 25% threshold from the present position of 25.8%. The following considerations should be weighed in view of the underlying population demographics of Wisconsin and in the context of UW-Madison's basic financial model.

According to UW-Madison:

- The institution must maintain total undergraduate enrollments of approximately 29,000 (current levels) with a non-resident percentage of at least 25% to sustain and support its existing level of base budget funding;
- To maintain a total undergraduate enrollment of 29,000, UW-Madison must enroll approximately 6,000 new students each year in the fall new freshman class;
- Given the parameters above, to return to the 25% threshold (currently 25.8 %) over a three-year period, UW-Madison would have to enroll about 3,700 resident students in the fall new freshman class each year—a number that far exceeds historic levels and that would create additional financial pressures and bottlenecks; and
- Since the number of Wisconsin high school graduates is declining and will continue to decline over the next several years, the proposal to commit to enrolling 3,500 Wisconsin resident new freshmen by admitting 200 more Wisconsin resident students represents an enrollment of a higher fraction of the high school class than in recent years, and a higher number than the average of the past several years.

CONCLUSION

UW-Madison is more competitive nationally and internationally than ever before. However, it is alone among Big 10 institutions in having a policy that formally limits non-resident enrollment. UW-Madison's analysis suggests that increasing the 25 % threshold to 30% would provide the institution with enough flexibility to guarantee unprecedented access to qualified resident students at essentially the highest of historic levels, while at the same time generating the revenue needed for UW-Madison to sustain its base budget commitments.

Assuming modification of the non-resident enrollment limitation, UW-Madison would implement the following multi-year enrollment management plan:

- Guarantee 3,500 enrollments (200 additional resident students admitted in each incoming fall new-freshman class). As stated above, this would guarantee resident enrollments at essentially the highest of historic levels; and
- Enroll freshman non-resident students (beyond the 3,500 residents per year) to maintain total undergraduate enrollments at approximately 29,000—the level necessary to sustain base budget commitments.

Projections indicate that such a plan would result in a non-resident undergraduate population that would vary between 25.8% and 26.9% of overall enrollment over a five-year period, eventually resolving to a steady state of 26.7%. Also, if implemented, the plan might generate marginal revenue growth above the level required to sustain the current base budget. Because annual enrollment numbers are subject to many factors outside of the control of an institution, including but not limited to students applying to multiple institutions and increasing incidence of transfer, it is recommended that the threshold be subject to a three-year rolling average.

RELEVANT POLICIES

- RPD 7-3 University of Wisconsin System Freshman Admissions Policy
- Chapter 36, [Section 36.27](#), Wisconsin Statutes, *Tuition*
- Chapter 35, [Section 36.27\(3\)](#), Wisconsin Statutes, *Tuition Remissions*
- RPD 32-5 Tuition Policy Principles
- Financial Administration Tuition and Fee Policies for Credit Instruction

Attachment

***REGENT POLICY DOCUMENT 7-3, "UNIVERSITY OF WISCONSIN SYSTEM
FRESHMAN ADMISSIONS POLICY," SECTION III, "NON-RESIDENT ENROLLMENT"***

Current:

Non-resident undergraduate enrollment must not exceed 25% at any UW institution. Each institution may limit the admission of non-resident new freshmen to ensure that the total undergraduate non-resident enrollment does not exceed 25%. This limitation does not include Minnesota reciprocity students.

Proposed revisions:

~~Based on a three-year average, the N~~non-resident undergraduate enrollment ~~must~~shall not exceed ~~25~~30% at any UW institution. ~~Each institution may limit the admission of non-resident new freshmen to ensure that the total undergraduate non-resident enrollment does not exceed 25%.~~ This limitation does not include Minnesota reciprocity students.

Proposed final:

Based on a three-year average, the non-resident undergraduate enrollment shall not exceed 30% of the total undergraduate enrollment at any UW institution. This limitation does not include Minnesota reciprocity students.

UNIVERSITY OF WISCONSIN SYSTEM DUAL ENROLLMENT

EXECUTIVE SUMMARY

BACKGROUND

In planning for the current academic year 2012-13, the Education Committee prioritized a list of topics to be discussed at meetings of the Education Committee. Included was a request for information on the opportunities and challenges of dual enrollment practices within the UW System. The presentation on dual enrollment at the December, 2012 meeting of the Education Committee will focus on current and emerging UW System efforts to increase student access to higher education and reduce the time it takes to earn a baccalaureate degree via dual enrollment. Existing dual enrollment practices at UW institutions achieve improved alignment between Wisconsin's secondary school system and higher education by allowing students to earn college credits before they formally enter college.

REQUESTED ACTION

No action is requested at this time.

DISCUSSION

Dual enrollment includes any option for which a student earns both high school and college credit, among them the *Youth Options* program and concurrent enrollment options, including UW-Oshkosh's *Cooperative Academic Partnership Program (CAPP)*, UW-Green Bay's *College Credit in High school Program*, UW-Whitewater's *Partners in Education* program, UW-River Falls' *Dual Credit Partnership*, UW-La Crosse's *Dual Credit program*, and UW Colleges campuses' work with local school districts. Through enrolling in college-level courses either at a college campus taught by college faculty (*Youth Options*) or concurrently at their high school and taught by university-approved high school faculty members with master's degrees (e.g. via *CAPP*, UW Colleges, and other UW System institutions), students earn both concurrent high school and college credits that are fully transcribed and transferable. Courses offered for college credit in high schools must meet the same standards and learning outcomes as other UW System courses, and the number of credits accepted in transfer is subject to the UW System's Undergraduate Transfer Policy.

The advantages of dual and concurrent enrollment for the students may also include:

- Demonstration of academic seriousness to university admissions officials and possible advantage over other college applicants;
- Early completion of general education and major requirements;
- Tuition, fees, and room-and-board savings;
- Early registration for required and popular classes; and
- Pursuit of a double major, study abroad, or internships/practica within four years.

Most of the academically motivated high school students who enroll in college courses within the UW System do so under the terms of the *Youth Options* program, created in 1992 under s. 118.55 Wis. Stats (and under PI 40, Wis. Admin. Code). The program allows qualified high school students to enroll in an institution of higher education for the purpose of taking one or more nonsectarian college course. Since *Youth Options*-eligible courses are predominantly offered on the college campus, participation is mostly limited to students living within an easy commute to a UW institution (however, there is some state financial assistance available through the Department of Public Instruction for transportation costs for low-income students). Further, students may only enroll in post-secondary courses that do not overlap with their high school's course catalog.

A student's participation in the *Youth Options* program must be approved by the school board, and the local school district pays the cost of the student's attendance, including tuition, fees, and books. Tuition is set at the full per-credit resident undergraduate tuition rate (minimum), and UW institutions may deny a student participation in a course for lack of available class seats and on the basis of academic qualification. Typically, high school students do not pay segregated fees. In 2009-10, 3,600 high school students enrolled in Youth Options courses, comprising 2.5 percent of all 11th and 12th graders in the state. College-bound students who meet eligibility requirements are thus empowered to accelerate the completion of their college degrees, reduce the cost and duration of their college education, and enter the work force sooner.

Apart from dual enrollment opportunities, the UW System also offers other ways for high school students to earn college credits: UW institutions accept, among others, credits students earn by demonstrating content knowledge via the *College Level Examination Program* (CLEP), and the *College Board's Advanced Placement* (AP). Students may also earn postsecondary credentials while still in high school via the International Baccalaureate, special contracts with high schools, credit outreach courses through UW-Extension, and retroactive credits for world language competency. Prior learning assessment, freshman placement exams, optional four-year degree contracts, some three-year accelerated degree options, as well as opportunities for individual course test-outs also allow students to move through the educational system at a faster pace. However, availability of the programs to high school students across the state varies by school district.

UW System Financial Administration Policy Document *College Credit in High Schools* (G 36), revised July 13, 1998, specifies the conditions under which the UW System engages with high-school-to-college-transition programs such as dual enrollment. It establishes minimum cost, standard policies, and guidelines for dual enrollment courses to help ensure that college credit is being awarded on the same basis across participating institutions.

All dual enrollments at UW System institutions must be reported in the UW System Central Data Requests (CDR) in a way that they may be uniquely identified. UW System data show that all institutions enroll high school students. During the 2011-12 academic year, a total of 3,887 high school students took classes at one of the UW System institutions. Of those 3,887 students, 64 percent were female and six percent were underrepresented minority students (URM). Within the last ten years, 1,304 students from underrepresented and minority backgrounds earned some credit via dual enrollment, and participation grew from two percent to six percent. Whereas dual

enrollment is intended to provide statewide access to college level learning opportunities, a significant equity gap exists.

Within a five-year framework between 2007-08 and 2011-12, a total of 17,691 high school students were dually enrolled in UW institutions as special students and earned a total of 22,206 credits. Systemwide, dual enrollments increased 19 percent during that five-year time-frame and 23 percent during the 10-year period from 2002-2012.

The UW Colleges and UW-Oshkosh have historically served the most high school students within the UW System. UW-Oshkosh has been offering concurrent enrollment to qualified high school students in its *CAPP* program for 36 years and has seen a 29 percent growth in enrollments within the last ten years. *CAPP* has served approximately 39,000 students since its inception and is accredited by the *National Alliance of Concurrent Enrollment Partnerships (NACEP)*.

The UW Colleges has also historically served thousands of high school students; its dual enrollments have increased by 63 percent over the last ten years. During the academic year 2011-12, UW Colleges served 1,237 high school students at various locations and through a variety of instructional methods. In June 2012, the Wisconsin Department of Public Instruction and the UW Colleges announced a plan to expand dual enrollments via a unique partnership and a new model. The proposed new collaboration will complement existing concurrent and dual enrollment programs by expanding access to UW college courses, starting with the 2013-14 academic year.

Dual Enrollment in Neighboring States

Dual enrollment has been picking up momentum around the country for at least a decade. Minnesota, Michigan, and Iowa offer well-established programs allowing high school students to take college classes at their high schools. Most of the classes available to high school students in Minnesota are part of general education, core-level classes. Some states offer introductory courses for specific college majors, such as introduction to engineering, introduction to elementary education, or first-year accounting.

CONCLUSION

One of the keys to increasing student access and success in higher education and in the workforce is to create pathways for students who are capable of completing college work at an earlier age than usual. Dual enrollment practices that preserve the integrity of the college curriculum and quality of education present an economical way to help people, communities, and the economy grow. Future collaborations between the Department of Public Instruction, Wisconsin, institutions of higher education, and employers will help to improve Wisconsin's workforce development and better address the demand for well-prepared graduates.

RELATED REGENT POLICIES

UW System Financial Administration Policy Document *College Credit in High Schools (G 36)*.

December 6, 2012

Agenda Item I.1.d.

ACIS-5.4 Rev: Programming for the Non-Traditional Market in the UW System

UW System Undergraduate Transfer Policy

12-3-12 REVISED

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business, Finance, and Audit Committee Thursday, December 6, 2012
Union South – Varsity Hall I, 2nd Floor
Madison, Wisconsin

2:30 p.m. Business, Finance, and Audit Committee – Union South – Varsity Hall I

a. Committee Business

1. Approval of the Minutes of the October 4, 2012 and November 8, 2012 Meetings of the Business, Finance, and Audit Committee
2. Review and Approval of Amendments to the UW-Madison Center for Advanced Studies in Business Guidelines for the Operation of the Fluno Center for Executive Education
[Resolution I.2.a.2.]
3. Review and Approval of Updated Salary Ranges for the UW-Madison and UW-Eau Claire (Non-Doctoral) Chancellors
[Resolution I.2.a.3.]
4. Report on Quarterly Gifts, Grants, and Contracts (1st Quarter)

b. University Personnel Systems (UPS): Review and Approval of New University Personnel Systems

1. Review and Approval of Regent Policy Document: Board Authority to Administer New Personnel Systems
[Resolution I.2.b.1.]
2. Review and Approval of Regent Policy Document: University Staff Governance
[Resolution I.2.b.2.]
3. Review and Approval of Regent Policy Document: Code of Ethics for All UW System Employees
[Resolution I.2.b.3.]
4. Endorsement of Technical Statutory Changes Needed to Accomplish the Intent of Wis. Stat. S 36.115
[Resolution I.2.b.4.]
5. HR Design – A Strategic Plan for a New UW-Madison Human Resources System

- c. UW System Trust Funds
 - 1. Review and Approval of Changes to Regent Policy Documents Related to the Investment and Administration of Trust Funds
 - [Resolution I.2.c.1.i.]
 - [Resolution I.2.c.1.ii.]
 - [Resolution I.2.c.1.iii.]
 - 2. Investment Policy Statement Review and Affirmation
 - [Resolution I.2.c.2.]
- d. Review and Approval of Amendments to Regent Policy Document 20-19: University of Wisconsin System Criminal Background Check Policy
 - [Resolution I.2.d.]
- e. UW Travel Program: Discussion of Draft Regent Policy
- f. Operations Review and Audit
 - 1. Quarterly Status Update
 - 2. Discussion of the Proposed 2013 Audit Plan Topics
- g. Report of the Senior Vice President
 - 1. 2013-15 Biennial Budget Update
 - 2. Update on Implementation of Audit Recommendations Related to the Reporting of Crimes Against Children

UW-Madison
Center for Advanced Studies in Business
Guidelines for the Operation of the
Fluno Center for Executive Education

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.a.2.

That, upon the recommendation of the Chancellor the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents adopts revised guidelines for the operation of the Fluno Center for Executive Education as follows:

1. The use of the residence rooms at the Fluno Center shall be restricted to individuals and groups enrolled in education programs at or in connection with the University, and alumni, donors, advisory board members, recruiters, University job candidates and special guests of the University sponsored by University departments and University-affiliated organizations.
2. The Fluno Center shall be operated in a manner consistent with the originally targeted room occupancy rate of 65% - 70% and will actively refer guests it cannot accommodate to other downtown Madison lodging.
3. The Dean of the Wisconsin School of Business shall annually provide a written report to the Chancellor of the University of Wisconsin-Madison on the adherence by the Center for Advanced Studies in Business (CASB) to these guidelines, including the occupancy rate of the Fluno Center's residence rooms, and on the Wisconsin School of Business' and CASB's key strategic initiatives as they relate to the operation of the Fluno Center. Following the Chancellor's acceptance of the annual report, the Dean of the Wisconsin School of Business will provide a copy of such report to the Greater Madison Hotel and Lodging Association (GMH&LA).

**UW-MADISON
CENTER FOR ADVANCED STUDIES IN BUSINESS
GUIDELINES FOR THE OPERATION OF THE
FLUNO CENTER FOR EXECUTIVE EDUCATION**

EXECUTIVE SUMMARY

BACKGROUND.

The Board of Regents established guidelines for the operation of the Fluno Center for Executive Education by the Center for Advanced Studies in Business (CASB) in Resolution 7479 (June, 1997, Exhibit A). The guidelines are intended to largely restrict use of the Fluno Center to persons who are attending educational programs at the facility. They arose from a recommendation of the UW-Madison Committee on Competition with the Private Sector in response to concerns raised by the Greater Madison Chapter of the Innkeepers Association that the Fluno Center would unfairly compete with Madison-area hotels. However, since Resolution 7479 was adopted, the market for executive education has dramatically changed and strict adherence to the guidelines has resulted in a financial situation for the Fluno Center which threatens its continued viability.

This Executive Summary outlines the efforts of the Wisconsin School of Business to reach out to the Innkeepers Association (now the Greater Madison Hotel and Lodging Association) to build support for revising the Fluno Center guidelines, and describes the requested revisions to the Fluno Center guidelines that the Wisconsin School of Business believes are necessary to ensure the continued viability of the Fluno Center and its executive education programming.

REQUESTED ACTION

Approval of Resolution I.2.a.2., to adopt revised guidelines for the operation of the Fluno Center for Executive Education.

DISCUSSION

Genesis of the Current Guidelines

The Fluno Center for Executive Education was constructed ca. 1998-1999 by the Center for Advanced Studies in Business (CASB), a 501(c)(3) non-profit that exists to support the Wisconsin School of Business. The Fluno Center was constructed on land owned by the University, per an air rights lease from the Board of Regents. The University owns the parking structure under the Fluno Center.

The air rights lease specifies a wide range of permitted uses of the Fluno Center: “uses related to the development and operation of an executive education facility involving professional education seminars, educational classes and related functions, meetings, conferences, lodging rooms, food service, recreational, administrative, service docks and entries, public entrances, offices, pub, other functions of the University of Wisconsin-Madison, administrative uses and support services as deemed appropriate by the lessee [CASB] and required for the operation of the Fluno Center for Executive Education.”

Even though it is not owned by the University, approval of the Board of Regents and the State Building Commission was required for the construction of the Fluno Center because it was built on University property and was cooperatively developed with a University-owned parking garage beneath the Fluno Center. In order to secure Regents and Building Commission approval, and to address concerns that had been raised about the potential competitive effect of the Fluno Center on the local hotel market, the School of Business engaged in a community outreach effort, particularly with the Madison Chapter of the Wisconsin Innkeepers Association. The vehicle for this outreach effort was the UW-Madison Committee on Competition with the Private Sector, per Board of Regents Policy Document 12-1.

The Committee ultimately arrived at a set of specific guidelines for the operation of the Fluno Center, which were included as Exhibit A to the Regents’ Resolution (#7479) that authorized UW-Madison to cooperatively develop the Fluno Center, conveyed the air rights lease, etc. Relevant to this discussion are the following restrictions:

- At least 90% of the use of residence rooms will be by groups enrolled in education programs which pay the room rate through the education tuition price;
- No more than 10% of overnight stays can include special guests of the University, sponsored by University departments which would be billed directly by the Center to the department involved;
- No individuals unaffiliated with educational programs or University department sponsorship will be able to register or stay at the Center.

The University also addressed the operation of the Fluno Center in the UW System’s request to the Building Commission for construction authority. The Building Commission request referenced the competition concerns and the assumptions made by the School of Business with respect to the operation and financial viability of the Fluno Center. The request indicated that the University’s operating assumptions were predicated on a projected 65% occupancy rate for the guest rooms.

Financial Status of the Fluno Center

The Fluno Center is not generating sufficient revenue to meet its debt service because occupancy has averaged around 44%, much lower than the 65% - 70% occupancy projected at the time of construction. The Fluno Center’s financial picture has changed and could worsen when the current debt on the Fluno Center matures on May 19, 2013. The current mortgage balance is \$12.5 million with an interest rate of LIBOR + 1.25 (approximately 1.71815%). CASB must refinance the debt by May 2013 and, given the debt to equity ratio and interest rates currently

available for commercial real estate, the interest rate and debt service obligations are likely to increase substantially going forward without a change in strategy and stronger performance of the lodging component of the facility.

The debt service on the Fluno Center is guaranteed by the UW Foundation. Thus, should a default occur, this would have a material negative financial impact on the Foundation and, by extension, the University. The Wisconsin School of Business believes that the Fluno Center would be financially sustainable if the occupancy rate could be increased to approximate the 65% - 70% initially projected.

Over the past decade, the overall market for executive education has shifted away from campus-based programs in general and has moved towards on-line programs and programs delivered at a client's location. In recent years, this market trend has been greatly exacerbated by the economic downturn. It would have been difficult for the School of Business and CASB to have predicted these trends when the original projections for the Fluno Center were developed in the mid-1990's.

The Wisconsin School of Business believes that modifying the current guidelines on the use of the Fluno Center will have an insignificant competitive impact on the lodging market in Madison given the Fluno Center's very modest percentage of overall Madison-area lodging. The Fluno Center has 100 guest rooms. Increasing occupancy from 44% to 65 - 70% constitutes an increase of 21 - 26 room nights per day. Data as of September, 2012 indicates 8,623 rooms available per day in the Madison area, with 5,106 of these in the Madison downtown/West area. These numbers will rise to 9,017 and 5,500, respectively, with the addition of 394 rooms being added by the Edgewater Hotel and Hampton Inn projects that are under way. Thus, at full capacity, the Fluno Center's 100 guest rooms represent about 2% of the downtown/West market, and about 1% of the overall Madison-area market, percentages that will decrease when the Edgewater and Hampton rooms hit the market. Increasing the actual occupancy of the Fluno Center by 25 room nights, for example, would constitute .005% of the rooms available in the downtown/West area, and .003% of the rooms available in the overall Madison-area market, percentages which again will decrease when the Edgewater and Hampton projects are completed.

Even these percentages overstate the actual competitive impact of the Fluno Center because, in many instances, the Fluno Center does not compete for the same business. The Fluno Center does not have a swimming pool, and does not host weddings or wedding receptions. The price point for the Fluno Center's guest rooms is set higher than the price point for comparative rooms in other Madison-area hotels. And, should the guidelines be relaxed, the Fluno Center's primary business will still remain executive education and related programming, the primary competition for which is other executive education facilities at peer universities.

The GMH&LA does not dispute that the current guidelines are financially challenging to the Fluno Center. However, the GMH&LA understands that the Fluno Center guidelines embodied in Regents Resolution 7479 constitute a legally-binding commitment on the part of the University and CASB which can be modified only by a subsequent Resolution of the Board of Regents.

Outreach to GMH&LA by the Wisconsin School of Business

Over the last nine months, Wisconsin School of Business Dean Ortalo-Magné has engaged in an extensive effort to meet with representatives of the GMH&LA, discuss the financial position of the Fluno Center, and obtain their support for modifying the Fluno Center guidelines. The UW-Madison Competition Committee that developed the guidelines underlying Resolution 7479 is not currently active, but the direct outreach to GMH&LA by Dean Ortalo-Magné provided an equivalent forum to discuss and address concerns regarding competition raised by the affected business community. As a result of these discussions, the School of Business has scaled back its initial proposal for increased operational flexibility for the Fluno Center and has proposed a more modest set of revisions to the guidelines that are reflected in the requested action, above.

In response to the Dean's request for support for revising the guidelines, the President of the GMH&LA wrote a letter acknowledging the difficult financial situation of the Fluno Center and commending the Dean for his efforts to find common ground. However, the GMH&LA was unwilling to endorse his proposal to modify the Fluno Center guidelines.

Nature of Proposed Revisions to Fluno Center Guidelines

The revisions to the guidelines proposed in the requested action above would alter three elements of the existing restrictions: (1) it would eliminate the specific quantitative requirement that 90% of overnight guests be enrolled in educational programs and pay the room rates through the educational tuition price, and no more than 10% could be university guests; (2) it would broaden and clarify the category of persons considered affiliated with the University to include alumni, donors, advisory board members, job recruiters and candidates, and special guests of the University engaging in activities sponsored by University departments or affiliated organizations; and (3) it would eliminate the restriction on billing the University directly for University-affiliated guests so as to allow guests to pay for their room directly.

Steps to Minimize Competitive Effect of New Guidelines

Mindful that full consensus has not been achieved, the School of Business and CASB are prepared to take steps to ensure that the 65% - 70% occupancy rate is not exceeded. Should the occupancy rate exceed this level for any sustained period, the Fluno Center would be prepared to raise the room rates to manage demand.

To ameliorate the potential that relaxing the Fluno Center guidelines will take existing business away from local hotels, the School of Business is in the process of developing a variety of new educational and outreach initiatives aimed in particular at alumni and donors. Thus, it is expected that a significant amount of the increased use of Fluno Center guest rooms permitted under the revised guidelines would be in connection with new programs that bring visitors to campus, and would not divert visitors who would otherwise be coming to campus for existing campus events.

ATTACHMENTS

Letter from GMH&LA President Salus to Dean Ortalo-Magné dated 11/19/12

Letter from Dean Ortalo-Magné to Vice Chancellor Bazzell dated 11/23/12

RELATED REGENTS POLICIES

Regent Policy Document 12-1: Competition with the Private Sector

Regent Resolution 7479

November 19, 2012



Dean François Ortalo-Magné:

I would like to thank you for taking the time to speak with the membership of the Greater Madison Hotel & Lodging Association (GMH&LA) on several occasions recently. Our members expressed gratitude and found these dialogues informative.

As an association of business owners and operators, we understand the operational and financial challenges the Fluno Center present. As the Dean of the School of Business, we realize it is your responsibility to find alternatives to make Fluno Center a sustainable asset to achieve goals set forth by the University of Wisconsin.

When you meet with the Board of Regents on December 6 and 7, 2012, the Fluno Center and how it operates is going to be an important topic of discussion. We understand that the operating agreement exists between CASB and the Board of Regents and not with our association but was put in place to ensure an environment of fairness and respect toward the Madison hotel and tourism community with regard to competition. It is our hope that that environment can be maintained and our opinion that the original agreement should not change.

You have helped foster an unprecedented environment of cooperation that we hope we can continue in the future. We welcome an ongoing relationship to openly discuss and consider ideas to bring overnight visitors to the greater Madison area for the benefit of the University of Wisconsin and the business community.

Thank you again for reaching out to our membership.

Warmest regards,

A handwritten signature in dark ink, appearing to read "Jason Salus", is written over a circular stamp. The stamp contains the text "Jason Salus, CHA" and "President, Greater Madison Hotel & Lodging Association".

Jason Salus, CHA
President, Greater Madison Hotel & Lodging Association



WISCONSIN
SCHOOL OF BUSINESS

11/23/2012

Vice-Chancellor Darrell Bazzell
Bascom Hall
University of Wisconsin-Madison

Dear Darrell,

Over the past several months, I have engaged in numerous conversations with representatives of the Greater Madison Hotel and Lodging Association (Association) with regards to our strategy for ensuring the continued viability of the Fluno Center. At the time it was constructed in 1997, the Regents adopted a number of guidelines on the operation of the Fluno Center. These guidelines were developed in concert with the Association in order to address concerns that the Fluno Center would unfairly compete with private hotels. A key operating assumption underlying the original guidelines was that the Fluno Center would have an occupancy rate of 65%. However, the anticipated occupancy was never achieved and the actual occupancy of the Fluno Center has remained at 44% on average, far below original projections. Under the current operational guidelines, the Fluno Center is not viable. Change is urgent in particular because the \$12.5M of debt currently carried on the Fluno Center must be refinanced in the spring of 2013. We must take steps to move the center toward 65-70% occupancy.

As Dean of the School of Business and Chair of the Board of CASB (the entity that owns the Fluno Center), I am today proposing revised guidelines for the operation of the Fluno Center. The revised guidelines remain consistent with the spirit of the original guidelines and provide needed additional flexibility, mainly with regards to serving our alumni and other key partners. Please see Attachment 1, the text of a proposed Regents Resolution incorporating the proposed new guidelines, as well as the original 1997 guidelines set forth in Regents Resolution 7479, Exhibit A.

Our strategy to boost occupancy from 44% to 65%-70% involves boosting occupancy by 21 to 26 rooms a night (100 rooms in the Fluno Center), a relatively minor number of rooms relative to the approximately 1500 rooms in the downtown Madison hotel market, 5000 rooms in the Madison downtown/west area market, and about 9000 rooms in the overall Madison market.

The proposed guidelines will support a broad school strategy to strengthen our partnership with alumni, friends of the school and corporate partners. For example, we are investing in alumni relations to develop new targeted homecoming experiences and increase campus visits by our alumni. It is our intent that increasing alumni usage of the Fluno Center will not serve to divert significant amounts of existing business from local hotels, because such usage will be generated by new programs designed to bring alumni to campus.

Should our strategy exceed our expectations and bring more demand on the Fluno Center than we anticipate, we would raise room rates to remain at our targeted 65% - 70%. Exceeding the target is in any case likely to be difficult because of the natural empty periods we incur due to the cycle of activity on campus. Success actually entails periods of substantial overbooking and thus substantial referrals to local hotels as currently occurs during homecoming.

We have engaged in many conversations with the Association regarding the current guidelines and our proposed strategy going forward since the spring 2012, recognizing the importance of cooperation with this group. We received a letter from the Association referencing these discussions. Please see Attachment 2, Letter from the President of the Greater Madison Hotel and Lodging Association. The letter represents the Association's acknowledgement of the pressures that force me to pursue a change in strategy and the guidelines, even if the Association cannot as a group specifically endorse the proposed revisions.

Although the Association may be unwilling as a group to specifically endorse the revised guidelines, and there remains at least one individual member of the Association who strongly opposes any changes to the guidelines even if the Fluno Center would go out of business as a result, I have obtained the Association's commitment that they will not formally oppose the revisions to the guidelines as a group.

As Dean of the School of Business and Chair of the Board of the Center for Advanced Studies in Business, I am acutely aware of the importance of maintaining a good relationship with the Association and the business community in Madison. I feel strongly that the modest revisions to the guidelines are consistent with the spirit of the initial guidelines, and are absolutely necessary in order to ensure the continued viability of the Fluno Center and the Executive Education programs at the Wisconsin School of Business. The debt refinancing due in spring 2013 brings urgency to the conversation. This is why I am asking for your support.

Please do not hesitate to contact me should you have any questions.

Yours sincerely,



Date: 2012.11.23

15:06:50 -06'00'

François Ortalo-Magné
Albert O. Nicholas Dean

Proposed New Guidelines for the Fluno Center

1. The use of the residence rooms at the Fluno Center shall be restricted to individuals and groups enrolled in education programs at or in connection with the University, and alumni, donors, advisory board members, recruiters, University job candidates and special guests of the University sponsored by University departments and University-affiliated organizations.
2. The Fluno Center shall be operated in a manner consistent with the originally targeted room occupancy rate of 65% - 70% and will actively refer guests it cannot accommodate to other downtown Madison lodging.
3. The Dean of the Wisconsin School of Business shall annually provide a written report to the Chancellor of the University of Wisconsin-Madison on the adherence by the Center for Advanced Studies in Business (CASB) to these guidelines, including the occupancy rate of the Fluno Center's residence rooms, and on the Wisconsin School of Business' and CASB's key strategic initiatives as they relate to the operation of the Fluno Center. Following the Chancellor's acceptance of the annual report, the Dean of the Wisconsin School of Business will provide a copy of such report to the Greater Madison Hotel and Lodging Association (GMH&LA).

CENTER FOR EXECUTIVE EDUCATION

UW - Madison

Reference: Res. L2.a.(4)(j)

A critical component of the School of Business mission is to provide innovative programs for lifelong education. In keeping with this mission, the proposed Center for Executive Education will provide a unique high technology facility not currently available in Madison to train business executive by immersing them in an educational environment that integrates technology throughout the learning and living areas.

The facility will not compete with educational programs in hotels because the cost of the facility results in a price range which exceeds normal hotel business rates. To assure this noncompetitive result, the Center for Advanced Studies, Inc. (CASB) and the School of Business have agreed to the following operating restrictions:

1. At least 90% of the use of the residence rooms will be for groups enrolled in education programs who will pay the room rates through the educational tuition price.
2. No more than 10% of overnight stays could include special guests of the University sponsored by the University departments which would be billed directly to the departments.
3. No individuals unaffiliated with educational programs or University department sponsorship will not be able to register or stay at the Center.
4. CASB will annually report to the Chancellor on the use of the facility and will copy the Madison Chapter of the Wisconsin Innkeepers Association and the UW Madison Competition Committee.
5. Beginning in the second year of operation, CASB will meet twice annually with the Wisconsin Innkeepers Association to forge an ongoing cooperative relationship.

Approval of Updated Salary Ranges for UW-Madison and
UW-Eau Claire (Non-Doctoral) Chancellors

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.a.3.:

WHEREAS the Board of Regents has two Chancellor searches underway, one at UW-Madison and one at UW-Eau Claire, with salary ranges that were last updated in 2008, and

WHEREAS the current ranges are not reflective of the current market and are, therefore, in need of being updated at this time to ensure competitiveness in these two searches.

NOW, THEREFORE, BE IT RESOLVED:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached updated salary ranges effective July 1, 2013 for the UW-Madison and the UW-Eau Claire (Non-Doctoral) Chancellor positions, for which recruitments are underway.

**UNIVERSITY OF WISCONSIN SYSTEM
APPROVAL OF UPDATED SALARY RANGES FOR THE UW-MADISON
AND UW-EAU CLAIRE (NON-DOCTORAL) CHANCELLORS**

EXECUTIVE SUMMARY

BACKGROUND

The UW System is currently searching for a new UW-Madison Chancellor and a new UW-Eau Claire Chancellor. The salary ranges for these two positions were last updated in 2008, are not reflective of the current market and, therefore, are in need of updating at this time to ensure competitiveness in these two searches.

REQUESTED ACTION

Approval of Resolution I.2.a.3., updating salary ranges effective July 1, 2013 for the UW-Madison and UW-Eau Claire (Non-Doctoral) Chancellor positions.

DISCUSSION

At this time the Board is being asked only to approve updated ranges for the UW-Madison Chancellor and the UW-Eau Claire (Non-Doctoral) Chancellor, given the current searches for these two positions and the need to have market competitive ranges. This updating of salary ranges will not result in anyone receiving a salary increase at this time.

Attachment A shows the updated ranges effective July 1, 2013 for the UW-Madison and the UW-Eau Claire (Non-Doctoral) Chancellors being requested for approval by the Board of Regents.

RELATED REGENT POLICIES

Regent Policy Document 6-5: Executive Salary Structure

PROPOSED JULY 1, 2013 SALARY RANGES
FOR
UW-MADISON AND UW-EAU CLAIRE (NON-DOCTORAL)
CHANCELLORS

UW-MADISON

2011-2012 Peer Median*		Current BOR Range (updated 2008)	Updated July 1, 2013 Salary Range
\$500,000	Minimum	\$369,907	\$427,500
Adjusted Peer Median (95%) \$475,000	Midpoint	\$411,008	\$475,000
	Maximum	\$452,109	\$522,500

UW-EAU CLAIRE (NON-DOCTORAL)

2011-2012 Peer Median*		Current BOR Range (updated 2008)	Updated July 1, 2013 Salary Range
\$250,004	Minimum	\$194,146	\$213,754
Adjusted Peer Median (95%) \$237,504	Midpoint	\$215,718	\$237,504
	Maximum	\$237,290	\$261,254

*Data source: 2012 CUPA Administrative Compensation Survey

QUARTERLY REPORT OF GIFTS, GRANTS, AND CONTRACTS JULY 1, 2012 THROUGH SEPTEMBER 30, 2012

EXECUTIVE SUMMARY

BACKGROUND

Prior to 1993, the Board of Regents had been presented a detailed listing of all gift, grant, and contract awards received in the previous month. This reporting protocol was deemed overly labor intensive and information presented was easily misinterpreted. Very few gifts are given directly to the University; the vast majority of gift items listed in these reports represented a pass-through of funds raised by UW Foundations. In addition, reported grant and contract awards frequently span several years, making the monthly figures reported somewhat misleading to the uninformed reader.

In February 1993, the Board adopted a plan for summary reporting on a monthly basis, delegating to the UW System Vice President for Finance acceptance of contracts with for-profit entities where the consideration involved was less than \$200,000. Contracts in excess of \$200,000 were required to come to the Board prior to execution. This \$200,000 threshold was increased to \$500,000 at the Board's September 4, 1997 meeting.

At this same September 4, 1997 meeting, it was noted that, while the monthly summary reporting from UW institutions will continue, the Vice President for Finance will present the information to the Board on a quarterly, rather than monthly, basis. These quarterly summary reports have been presented to the Business, Finance, and Audit Committee since that time and have generally been accompanied by a brief explanation of significant changes.

REQUESTED ACTION

No action is required; this item is for information only.

DISCUSSION

Attached is a summary report of gifts, grants, and contracts awarded to University of Wisconsin System institutions in the three-month period July 1, 2012 through September 30, 2012. Total gifts, grants, and contracts for the period were approximately \$489 million; this is a decrease of \$82.4 million from the same period in the prior year. Federal awards decreased \$70.1 million while non-federal awards decreased by \$12.3 million.

RELATED REGENT POLICIES

Regent Resolution Number 7548, dated September 4, 1997

UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS, AND CONTRACTS AWARDED
QUARTERLY REPORT & PRIOR-YEAR COMPARISON
FISCAL YEAR 2012-2013 (1st Quarter)

FISCAL YEAR 2012-2013	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
Total	23,402,906	34,337,652	3,897,596	37,573,013	1,260,256	323,895,660	64,582,397	488,949,481
Federal	16,003,259	25,256,905	0	4,521,464	0	206,135,398	59,875,043	311,792,069
Nonfederal	7,399,648	9,080,746	3,897,596	33,051,551	1,260,256	117,760,263	4,707,354	177,157,412
FISCAL YEAR 2011-2012								
Total	41,412,303	27,078,412	1,546,567	32,032,350	13,000,277	365,669,701	90,685,678	571,425,288
Federal	26,826,189	19,584,548	0	5,484,031	0	244,710,747	85,326,221	381,931,736
Nonfederal	14,586,113	7,493,864	1,546,567	26,548,319	13,000,277	120,958,955	5,359,457	189,493,552
INCREASE(DECREASE)								
Total	(18,009,396)	7,259,240	2,351,029	5,540,663	(11,740,021)	(41,774,041)	(26,103,281)	(82,475,807)
Federal	(10,822,931)	5,672,357	0	(962,567)	0	(38,575,348)	(25,451,179)	(70,139,668)
Nonfederal	(7,186,466)	1,586,883	2,351,029	6,503,230	(11,740,021)	(3,198,693)	(652,102)	(12,336,139)

UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS, AND CONTRACTS AWARDED - BY INSTITUTION
QUARTERLY REPORT & PRIOR-YEAR COMPARISON
FISCAL YEAR 2012-2013 (1st Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2012-2013								
Madison	9,854,237	21,182,580	3,896,528	31,563,479	1,215,397	302,993,520	9,931,257	380,636,998
Milwaukee	2,586,922	3,252,667	700	1,061,179	0	11,900,041	113,700	18,915,209
Eau Claire	112,215	1,173,541	0	0	0	253,137	7,226,116	8,765,009
Green Bay	37,102	1,203,022	0	204,850	0	72,480	19,600	1,537,054
La Crosse	496,159	0	0	128,855	0	587,182	4,904,817	6,117,013
Oshkosh	730,104	6,089,446	0	0	0	1,734,287	7,464,102	16,017,939
Parkside	0	634,250	0	18,120	8,430	65,370	1,485	727,655
Platteville	200,873	4,358	0	750	0	4,988,065	690,415	5,884,461
River Falls	417,212	2,149	368	1,032,085	0	267,263	2,500	1,721,577
Stevens Point	722,328	107,954	0	765,301	0	624,224	8,536,082	10,755,889
Stout	1,035,401	107,582	0	1,384,706	0	7,583	6,236,601	8,771,873
Superior	106,800	0	0	782,443	0	92,144	2,498,615	3,480,002
Whitewater	1,906,834	26,896	0	251,132	36,428	91,614	7,407,480	9,720,385
Colleges	1,500	553,207	0	371,084	0	218,750	9,549,627	10,694,168
Extension	5,195,220	0	0	0	0	0	0	5,195,220
System-Wide	0	0	0	9,030	0	0	0	9,030
Totals	23,402,906	34,337,652	3,897,596	37,573,013	1,260,256	323,895,660	64,582,397	488,949,481
Madison	8,976,786	13,569,618	0	740,623	0	188,013,607	5,902,467	217,203,100
Milwaukee	1,761,631	3,046,906	0	536,229	0	10,330,082	68,500	15,743,347
Eau Claire	86,944	977,525	0	0	0	180,160	7,225,089	8,469,718
Green Bay	35,502	882,287	0	0	0	51,900	15,000	984,689
La Crosse	347,730	0	0	24,437	0	370,770	4,904,817	5,647,754
Oshkosh	730,104	5,552,446	0	0	0	1,432,787	7,464,102	15,179,439
Parkside	0	581,474	0	0	0	0	0	581,474
Platteville	179,832	0	0	0	0	4,926,739	690,415	5,796,986
River Falls	415,264	0	0	895,480	0	260,961	0	1,571,705
Stevens Point	5,000	0	0	423,915	0	272,029	8,448,124	9,149,068
Stout	814,354	93,442	0	848,107	0	0	6,234,201	7,990,104
Superior	106,800	0	0	762,340	0	0	2,498,615	3,367,755
Whitewater	1,888,356	0	0	18,073	0	77,614	7,212,430	9,196,473
Colleges	0	553,207	0	272,260	0	218,750	9,211,283	10,255,500
Extension	654,957	0	0	0	0	0	0	654,957
System-Wide	0	0	0	0	0	0	0	0
Federal Totals	16,003,259	25,256,905	0	4,521,464	0	206,135,398	59,875,043	311,792,069
Madison	877,451	7,612,962	3,896,528	30,822,856	1,215,397	114,979,914	4,028,790	163,433,899
Milwaukee	825,291	205,761	700	524,950	0	1,569,959	45,200	3,171,861
Eau Claire	25,271	196,016	0	0	0	72,977	1,027	295,291
Green Bay	1,600	320,735	0	204,850	0	20,580	4,600	552,365
La Crosse	148,429	0	0	104,418	0	216,412	0	469,259
Oshkosh	0	537,000	0	0	0	301,500	0	838,500
Parkside	0	52,776	0	18,120	8,430	65,370	1,485	146,181
Platteville	21,041	4,358	0	750	0	61,326	0	87,475
River Falls	1,948	2,149	368	136,605	0	6,302	2,500	149,872
Stevens Point	717,328	107,954	0	341,386	0	352,195	87,958	1,606,821
Stout	221,047	14,140	0	536,599	0	7,583	2,400	781,769
Superior	0	0	0	20,103	0	92,144	0	112,247
Whitewater	18,478	26,896	0	233,059	36,428	14,000	195,050	523,912
Colleges	1,500	0	0	98,824	0	0	338,344	438,668
Extension	4,540,263	0	0	0	0	0	0	4,540,263
System-Wide	0	0	0	9,030	0	0	0	9,030
Nonfederal Totals	7,399,648	9,080,747	3,897,596	33,051,550	1,260,256	117,760,262	4,707,354	177,157,412

UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS, AND CONTRACTS AWARDED - BY INSTITUTION
QUARTERLY REPORT & PRIOR-YEAR COMPARISON
FISCAL YEAR 2012-2013 (1st Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2011-2012								
Madison	13,772,020	17,214,999	1,533,098	25,329,110	12,962,425	347,429,313	14,379,549	432,620,513
Milwaukee	4,164,594	2,443,170	9,311	1,521,046	0	12,746,513	18,464,482	39,349,115
Eau Claire	969,110	1,312,506	0	0	0	496,370	7,002,101	9,780,087
Green Bay	0	19,525	4,159	25,735	0	260,407	448,032	757,858
La Crosse	75,183	0	0	44,896	0	350,404	4,020,191	4,490,674
Oshkosh	1,130,420	5,338,019	0	0	0	1,669,273	7,873,329	16,011,041
Parkside	31,792	3,000	0	11,450	0	305,153	200,400	551,795
Platteville	289,263	0	0	366,105	0	184,773	4,416,970	5,257,111
River Falls	0	0	0	282,620	0	0	0	282,620
Stevens Point	320,355	251,113	0	49,895	0	571,504	8,010,077	9,202,945
Stout	695,055	149,770	0	1,372,918	0	696,184	6,287,321	9,201,248
Superior	0	0	0	798,260	0	864,025	2,558,647	4,220,932
Whitewater	2,507,476	31,012	0	976,687	37,852	45,098	7,072,991	10,671,116
Colleges	2,250	0	0	1,203,428	0	0	9,951,588	11,157,266
Extension	17,454,785	0	0	0	0	0	0	17,454,785
System-Wide	0	315,298	0	50,200	0	50,686	0	416,184
Totals	41,412,303	27,078,412	1,546,567	32,032,350	13,000,277	365,669,701	90,685,678	571,425,288
Madison	13,045,417	10,644,091	0	352,778	0	228,907,645	9,654,581	262,604,511
Milwaukee	2,770,877	1,872,134	0	958,346	0	11,285,157	18,412,557	35,299,071
Eau Claire	425,264	1,308,385	0	0	0	484,670	7,001,184	9,219,503
Green Bay	0	(6,000)	0	235	0	67,656	422,232	484,123
La Crosse	0	0	0	0	0	171,631	4,011,275	4,182,906
Oshkosh	858,318	5,338,019	0	0	0	1,630,533	7,873,329	15,700,199
Parkside	0	0	0	0	0	289,203	0	289,203
Platteville	279,915	0	0	366,105	0	9,773	4,416,970	5,072,763
River Falls	0	0	0	282,620	0	0	0	282,620
Stevens Point	9,092	0	0	0	0	312,978	8,010,077	8,332,147
Stout	621,123	102,632	0	1,073,463	0	660,670	6,287,321	8,745,209
Superior	0	0	0	752,615	0	855,575	2,558,647	4,166,837
Whitewater	2,472,046	9,989	0	553,401	0	35,256	7,073,101	10,143,793
Colleges	0	0	0	1,144,468	0	0	9,604,947	10,749,416
Extension	6,344,137	0	0	0	0	0	0	6,344,137
System-Wide	0	315,298	0	0	0	0	0	315,298
Federal Totals	26,826,189	19,584,548	0	5,484,031	0	244,710,747	85,326,221	381,931,736
Madison	726,603	6,570,908	1,533,098	24,976,333	12,962,425	118,521,669	4,724,968	170,016,002
Milwaukee	1,393,717	571,036	9,311	562,700	0	1,461,356	51,926	4,050,043
Eau Claire	543,846	4,121	0	0	0	11,700	917	560,584
Green Bay	0	25,525	4,159	25,500	0	192,751	25,800	273,735
La Crosse	75,183	0	0	44,896	0	178,773	8,916	307,768
Oshkosh	272,102	0	0	0	0	38,740	0	310,841
Parkside	31,792	3,000	0	11,450	0	15,950	200,400	262,592
Platteville	9,348	0	0	0	0	175,000	0	184,348
River Falls	0	0	0	0	0	0	0	0
Stevens Point	311,263	251,113	0	49,895	0	258,526	0	870,798
Stout	73,932	47,138	0	299,455	0	35,514	0	456,038
Superior	0	0	0	45,645	0	8,450	0	54,095
Whitewater	35,430	21,023	0	423,287	37,852	9,842	(110)	527,324
Colleges	2,250	0	0	58,959	0	0	346,641	407,850
Extension	11,110,648	0	0	0	0	0	0	11,110,648
System-Wide	0	0	0	50,200	0	50,686	0	100,886
Nonfederal Totals	14,586,113	7,493,864	1,546,567	26,548,319	13,000,277	120,958,955	5,359,457	189,493,552

UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS, AND CONTRACTS AWARDED - BY INSTITUTION
QUARTERLY REPORT & PRIOR-YEAR COMPARISON
FISCAL YEAR 2012-2013 (1st Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
INCREASE (DECREASE)								
Madison	(3,917,783)	3,967,581	2,363,430	6,234,368	(11,747,027)	(44,435,793)	(4,448,292)	(51,983,515)
Milwaukee	(1,577,672)	809,497	(8,611)	(459,867)	0	(846,472)	(18,350,782)	(20,433,906)
Eau Claire	(856,895)	(138,965)	0	0	0	(243,233)	224,015	(1,015,078)
Green Bay	37,102	1,183,497	(4,159)	179,115	0	(187,926)	(428,432)	779,197
La Crosse	420,976	0	0	83,959	0	236,778	884,626	1,626,339
Oshkosh	(400,316)	751,427	0	0	0	65,015	(409,227)	6,898
Parkside	(31,792)	631,250	0	6,670	8,430	(239,783)	(198,915)	175,860
Platteville	(88,390)	4,358	0	(365,355)	0	4,803,292	(3,726,555)	627,350
River Falls	417,212	2,149	368	749,465	0	267,263	2,500	1,438,957
Stevens Point	401,972	(143,159)	0	715,406	0	52,720	526,005	1,552,944
Stout	340,345	(42,188)	0	11,788	0	(688,601)	(50,720)	(429,375)
Superior	106,800	0	0	(15,818)	0	(771,881)	(60,032)	(740,931)
Whitewater	(600,642)	(4,116)	0	(725,555)	(1,424)	46,516	334,489	(950,732)
Colleges	(750)	553,207	0	(832,344)	0	218,750	(401,961)	(463,098)
Extension	(12,259,565)	0	0	0	0	0	0	(12,259,565)
System-Wide	0	(315,298)	0	(41,170)	0	(50,686)	0	(407,154)
Totals	(18,009,396)	7,259,240	2,351,029	5,540,663	(11,740,021)	(41,774,041)	(26,103,281)	(82,475,807)
Madison	(4,068,632)	2,925,527	0	387,845	0	(40,894,038)	(3,752,114)	(45,401,411)
Milwaukee	(1,009,247)	1,174,772	0	(422,117)	0	(955,076)	(18,344,057)	(19,555,724)
Eau Claire	(338,320)	(330,860)	0	0	0	(304,510)	223,905	(749,785)
Green Bay	35,502	888,287	0	(235)	0	(15,756)	(407,232)	500,566
La Crosse	347,730	0	0	24,437	0	199,139	893,542	1,464,848
Oshkosh	(128,214)	214,427	0	0	0	(197,746)	(409,227)	(520,760)
Parkside	0	581,474	0	0	0	(289,203)	0	292,271
Platteville	(100,083)	0	0	(366,105)	0	4,916,966	(3,726,555)	724,223
River Falls	415,264	0	0	612,860	0	260,961	0	1,289,085
Stevens Point	(4,092)	0	0	423,915	0	(40,949)	438,047	816,921
Stout	193,231	(9,190)	0	(225,356)	0	(660,670)	(53,120)	(755,105)
Superior	106,800	0	0	9,725	0	(855,575)	(60,032)	(799,082)
Whitewater	(583,690)	(9,989)	0	(535,327)	0	42,358	139,329	(947,320)
Colleges	0	553,207	0	(872,208)	0	218,750	(393,665)	(493,916)
Extension	(5,689,180)	0	0	0	0	0	0	(5,689,180)
System-Wide	0	(315,298)	0	0	0	0	0	(315,298)
Federal Totals	(10,822,931)	5,672,357	0	(962,567)	0	(38,575,348)	(25,451,179)	(70,139,668)
Madison	150,849	1,042,054	2,363,430	5,846,523	(11,747,027)	(3,541,755)	(696,178)	(6,582,104)
Milwaukee	(568,426)	(365,275)	(8,611)	(37,750)	0	108,603	(6,726)	(878,182)
Eau Claire	(518,575)	191,895	0	0	0	61,277	110	(265,293)
Green Bay	1,600	295,210	(4,159)	179,350	0	(172,171)	(21,200)	278,631
La Crosse	73,246	0	0	59,522	0	37,639	(8,916)	161,491
Oshkosh	(272,102)	537,000	0	0	0	262,761	0	527,659
Parkside	(31,792)	49,776	0	6,670	8,430	49,420	(198,915)	(116,411)
Platteville	11,693	4,358	0	750	0	(113,674)	0	(96,873)
River Falls	1,948	2,149	368	136,605	0	6,302	2,500	149,872
Stevens Point	406,064	(143,159)	0	291,491	0	93,669	87,958	736,023
Stout	147,115	(32,998)	0	237,144	0	(27,931)	2,400	325,730
Superior	0	0	0	(25,543)	0	83,694	0	58,151
Whitewater	(16,952)	5,873	0	(190,228)	(1,424)	4,158	195,160	(3,412)
Colleges	(750)	0	0	39,865	0	0	(8,297)	30,818
Extension	(6,570,385)	0	0	0	0	0	0	(6,570,385)
System-Wide	0	0	0	(41,170)	0	(50,686)	0	(91,856)
Nonfederal Totals	(7,186,466)	1,586,883	2,351,029	6,503,230	(11,740,021)	(3,198,693)	(652,103)	(12,336,140)

UNIVERSITY OF WISCONSIN SYSTEM UNIVERSITY PERSONNEL SYSTEMS

EXECUTIVE SUMMARY

BACKGROUND

The 2011-13 biennial budget (2011 Wisconsin Act 32) created Wis. Stat. § 36.115 (see [Attachment 1](#)), authorizing and directing the development of university personnel systems separate and distinct from the personnel system under Chapter 230 of the Wisconsin Statutes. The statutes authorize a personnel system for all University of Wisconsin-Madison employees and a separate personnel system for the balance of University of Wisconsin System employees. The policies for authorizing and implementing these two new personnel systems require Board of Regents and then Joint Committee on Employment Relations (JCOER) approval before being implemented. The statutes direct that the new personnel systems be implemented on July 1, 2013.

At the October Board of Regents' meeting, the Business Finance and Audit Committee received an update on the progress of the new personnel systems and also reviewed and discussed draft Regent Policy Documents. Since that meeting, briefings have been held with Regents wishing to have additional background and discussion of the policies that are being brought forward for Regent approval at the December 2012 Board of Regents meeting.

REQUESTED ACTION

Approval of resolutions I.2.b.1, I.2.b.2, I.2.b.3, and I.2.b.4.

DISCUSSION

The establishment of personnel systems separate and distinct from the state personnel system presents a great opportunity to address human resources issues that are unique to higher education, to establish strategic human resources structures for fulfilling System and institutional missions, and to consider all UW System employees under unified personnel systems. Classified staff currently under the authority of the Office of State Employment Relations will be included in a new employee category of "university staff" under the authority of the Board of Regents. The "university staff" are members of the university workforce who contribute to a wide array of positions in support of the universities' missions and are not exempt (hourly) from the overtime provisions of the Fair Labor Standard Act. For the first time, the opportunity exists to establish personnel systems that recognize the value and importance that each member of the workforce

contributes to the furtherance of the individual missions at each institution and the overall mission of the University of Wisconsin System.

The UW System has approximately 44,700 employees (see [Attachment 2](#)), which include both unclassified and classified employees. Since the creation of the UW System, the Board of Regents has had authority and administrative responsibility for the unclassified personnel system under Chapter 36 of the Wisconsin Statutes. The unclassified personnel system includes approximately 32,000 unclassified employees across the University of Wisconsin System (approximately 15,800 academic staff, 1,200 limited appointees, 8,600 graduate assistants, and 6,400 faculty). The more than 12,000 classified employees across the University of Wisconsin System are currently part of the state's classified personnel system authorized by Chapter 230 of the Wisconsin Statutes and administered by the Office of State Employment Relations (OSER). Effective July 1, 2013, the Board of Regents will have administrative authority for all of its employees.

Act 32 also provides specific direction in Wis. Stat. § 36.115(6) on the protections and rights of classified employees with permanent status on June 30, 2013 and those who have not yet achieved permanent status as of June 30, 2013. These protections specifically relate to demotion, suspension, discharge, layoff or reduction in base pay, as well as reinstatement privileges to the state classified personnel system. Act 32 did not make any changes to the protections available to unclassified staff through Chapter 36 and the resulting administrative code.

The development of the two personnel systems was done in a collaborative manner. The personnel systems for UW-Madison and for the balance of the UW System are being developed such that they can be served by the extant enterprise resource planning computer support system, are compatible one with the other, and provide the protections and privileges to employees as of June 30, 2013, as directed by Wis. Stat. § 36.115.

The statutes require that JCOER approve the personnel systems before they may be implemented. The four resolutions being offered for Board approval will be submitted to JCOER at a yet to be scheduled meeting as part of the JCOER review and approval of the personnel systems. If JCOER approval can be obtained as early as February 2013, necessary preparations for implementation of the new personnel systems can be completed by July 1, 2013.

Attached for Board of Regents approval are:

- A draft Regent Policy Document on University Personnel Systems, which applies to all UW System institutions and their employees subject to university personnel systems under Wis. Stat. § 36.115 ([Attachment 3](#));
- A draft Regent Policy Document on University Staff Governance, which authorizes the University Staff of each UW System institution to structure themselves in a manner they determine and to select representatives to participate in institutional governance ([Attachment 4](#));

- A draft Regent Policy Document on Code of Ethics, which adds coverage of university staff in a Code of Ethics adapted from Wis. Admin. Code Chapter ER-MRS 24 for Classified Staff in state agencies and confirms the continued application of Wis. Admin. Code Chapter UWS 8, Unclassified Staff Code of Ethics for faculty, academic staff, and limited appointees, except those who are “state public officials” subject to Subchapter III of Wis. Stat. Chapter 19 ([Attachment 5](#)); and
- Technical statutory changes needed to accomplish the intent of Wis. Stat. § 36.115 (Attachments 6a, 6b, and 6c).

Act 32 of 2011 also created a Special Task Force on UW Restructuring and Operational Flexibilities and identified six topics for the Task Force to consider. [Attachment 7](#) of this Executive Summary includes the recommendations of the Task Force on the two topics related to the UW System personnel systems: “how System employees and those System employees assigned to the University of Wisconsin-Madison would transition from the state personnel system to the new personnel systems,” and “how compensation plans for System employees should be determined in future biennia.”

University Personnel Systems

The framework for the new personnel systems is addressed in the draft Regent Policy Document on University Personnel Systems ([Attachment 3](#)). This new Regent policy would provide for two new personnel systems that meet the diverse and unique needs of UW System universities, colleges, and extension.

The new personnel systems will simplify titling structures, protect existing employee rights, and establish a compensation structure(s) that will allow each institution to recruit and retain a highly qualified and diverse workforce.

The purpose of the Regent policy will be to provide guidance to all UW System institutions regarding the implementation of the Board’s statutory authority and resulting responsibility to administer the university personnel systems. Both personnel systems must include a civil service system, a grievance procedure that addresses employee terminations, and provisions that address employee discipline and workplace safety. Wis. Stat. § 227.01(13)(Lm) exempts the Board from promulgating administrative rules to administer the university personnel systems. Therefore, Regent policies will provide for the administration of the university personnel systems. It is proposed that the President and the UW-Madison Chancellor, or his or her designees, formulate operating policies to administer each personnel system. Operational policies that address Wis. Stat. §36.115 requirements for all institutions except UW-Madison are included in Attachment 3 for endorsement by the Board. UW-Madison operating policies will be brought to the Board for review at a later date. Provided in [Attachment 8](#) is the Executive Summary of the HR Design Strategic Plan for a New UW-Madison Human Resources System for your consideration and comment. The complete plan is available on line at <http://www.hrdesign.wisc.edu/wp-content/uploads/2012/11/HRD-Plan-Revised-11-19-2012-.pdf>. Final action on the HR Design Strategic Plan is expected on December 3, 2012. UW-Madison will transmit the final plan to UW System President Kevin Reilly by December 4, 2012.

The resolution approving the draft Regent Policy Document on University Personnel Systems ([Attachment 3](#)) also authorizes the Secretary of the Board to remove from the Regent Policy Documents several existing policies that primarily address titling, compensation, and leave options for Unclassified staff within UW System. While these policies will be removed from the Regent Policy Documents, relevant underlying resolutions will be incorporated into the UPS Operating Policies for all UW System institutions except UW-Madison, effective July 1, 2013.

“University Staff” Governance

The statutes currently provide governance rights to UW System faculty and academic staff, giving them primary responsibility for the formulation and review of policies and procedures that concern them. No such statutory provision exists for classified staff employed in the UW System. The newly created draft Regent Policy Document ([Attachment 4](#)) furthers the principle that all university employees should have a voice in the policies and procedures that directly affect their work lives. Adherence to this principle suggests that the ability to participate in this dialogue, and help find solutions that meet both staff and university needs, should not be limited based on employee category.

The project teams for both of the new personnel systems, one for UW-Madison and one for the balance of the UW System institutions, recommended the establishment of formal governance rights for classified staff, who are called “university staff” under the new personnel systems. Preference was also expressed by the work teams from both projects for pursuing statutory governance, but secondarily the teams supported the establishment of such rights through Regent policy. Establishment of “university staff” governance through Regent policy would provide the university and employees in the new “university staff” category with greater certainty that governance would be effective July 1, 2013. It was also recommended that further consideration be given to this decision and that a later assessment be made as to whether incorporating governance into statutes would better serve employees and the university.

The project teams recognize that governance is different from union representation, because the governance relationship with the university does not result in a labor contract or agreement. Instead, governance provides a formal way for employees to participate in developing university policy, including personnel policy. Through governance, it is recommended that “university staff” be able to make recommendations, consider proposals, and raise concerns to UW System institutional leadership, primarily related to personnel matters, similar to current faculty and academic staff involvement. The project teams believe that establishing this formal governance structure will contribute to the success of both of the new personnel systems because it will enable “university staff” to formally participate in the design and implementation of the longer-term components of each new personnel system. “University staff” governance, along with faculty, academic staff, and student governance, will also provide guidance on any job title and compensation analysis that might be recommended and on any future proposed changes to benefits.

The policy being proposed parallels the current language for academic staff in Wis. Stat. Chapter 36.

Each UW System institution is to:

1. Provide for its “university staff” members, subject to the responsibilities and powers of the board, the president, and the chancellor and faculty of the institution, to be active participants in the immediate governance of and policy development for the institution;
2. Provide for its “university staff” members to have the primary responsibility for the formulation and review, and be represented in the development, of all policies and procedures concerning “university staff” members, primarily “university staff” personnel matters; and
3. Provide for its “university staff” members the right to structure themselves in a manner “university staff” members determine, and to select their representatives to participate in institutional governance.

Code of Ethics

The establishment of a single code of ethics for UW System employees was directed by Wis. Stat. § 19.45(11)(b), for the guidance of all UW System employees. The recommendation is to establish a Regent Policy Document on Code of Ethics which confirms the continued application of Wis. Admin. Code Chapter UWS 8, Unclassified Staff Code of Ethics for faculty, academic staff, and limited appointees, except those who are “state public officials” subject to Subchapter III of Wis. Stat. Chapter 19, and adds a university staff Code of Ethics ([Attachment 5](#)) closely modeled after Wis. Admin. Code Chapter ER-MRS 24 that applies to Classified Staff in state agencies.

Technical Statutory Language

The following technical statutory changes are needed to accomplish the intent of Wis. Stat. § 36.115:

- References to UW System “classified” and “unclassified” staff need to be changed because beginning July 1, 2013 there will no longer be UW System employees designated as “classified” or “unclassified” staff. The Wis. Stat. Chapter 36 definition of “classified staff” and three other statutory references to UW System classified staff need to be modified, and three references to “unclassified” UW System employees need to be changed. ([Attachment 6a](#))
- A new subchapter of Wis. Stat. Chapter 111 should be created under which University Staff (current classified staff) would no longer be covered under the State Employment Labor Relations Act (SELRA). The development of new personnel systems that are “separate and distinct” from Chapter 230 requires the creation of a new labor relations law under which the Board of Regents and the UW-Madison Chancellor will have complete administrative responsibility for labor relations. ([Attachment 6b](#))

- The intent of a suggested revision to Wis. Stat. § 230.08 is to identify UW System employees as employees of the State of Wisconsin, subject to the personnel systems required by § 36.115 that are ‘separate and distinct’ from chapter 230. ([Attachment 6c](#)). This revision will enable UW employees to accept positions with state agencies and employees of state agencies to accept UW positions without loss of creditable Wisconsin State Retirement service and accrued sick leave benefits.

RELATED REGENT POLICIES AND APPLICABLE LAWS

Chapter 36 of the Wisconsin Statutes and various human resources-related Regent Policy Documents are proposed to be eliminated or replaced.

§36.115 Personnel systems.

- (1) In this section, "chancellor" means the chancellor of the University of Wisconsin-Madison.
- (2) The board shall develop a personnel system that is separate and distinct from the personnel system under ch. [230](#) for all system employees except system employees assigned to the University of Wisconsin-Madison.
- (3) The chancellor shall develop a personnel system that is separate and distinct from the personnel system under ch. [230](#) for all system employees assigned to the University of Wisconsin-Madison.
- (3m) The board shall set the salary ranges for all of the following positions:
 - (ae) Each of the vice chancellors who is serving as deputy at the University of Wisconsin System campuses at Eau Claire, Green Bay, La Crosse, Oshkosh, Parkside, Platteville, River Falls, Stevens Point, Stout, Superior, and Whitewater and each of the vice chancellors who is serving as deputy at the University of Wisconsin Colleges and the University of Wisconsin-Extension.
 - (am) The vice presidents of the University of Wisconsin System.
 - (ar) The chancellors at the University of Wisconsin System campuses at Eau Claire, Green Bay, La Crosse, Oshkosh, Parkside, Platteville, River Falls, Stevens Point, Stout, Superior, and Whitewater and the chancellors of the University of Wisconsin Colleges and the University of Wisconsin-Extension.
 - (b) The vice chancellor who is serving as deputy at the University of Wisconsin-Milwaukee.
 - (bm) The senior vice presidents of the University of Wisconsin System.
 - (c) The vice chancellor who is serving as deputy at the University of Wisconsin-Madison.
 - (d) The chancellor at the University of Wisconsin-Milwaukee.
 - (e) The chancellor at the University of Wisconsin-Madison.
 - (f) The president of the University of Wisconsin System.
 - (g) The associate and assistant vice presidents, vice chancellors not identified in pars. [\(ae\)](#), [\(b\)](#), or [\(c\)](#), assistant chancellors, associate and assistant vice chancellors, and administrative directors and associate directors of physical plant, general operations and services, and auxiliary enterprises activities or their equivalent, of each University of Wisconsin institution, the University of Wisconsin-Extension, and the University of Wisconsin System administration.
- (4) The personnel systems developed under subs. [\(2\)](#) and [\(3\)](#) shall include a civil service system, a grievance procedure that addresses employee terminations, and provisions that address employee discipline and workplace safety. The grievance procedure shall include all of the following elements:
 - (a) A written document specifying the process that a grievant and an employer must follow.

(b) A hearing before an impartial hearing officer.

(c) An appeal process in which the highest level of appeal is the board.

(5)

(a) The personnel systems developed under subs. [\(2\)](#) and [\(3\)](#) shall be implemented on July 1, 2013.

(b) The board may not implement the personnel system developed under sub. [\(2\)](#) unless it has been approved by the joint committee on employment relations.

(c) The chancellor may not implement the personnel system developed under sub. [\(3\)](#) unless it has been approved by the joint committee on employment relations.

(6) All system employees holding positions in the classified or unclassified service of the civil service system under ch. [230](#) on June 30, 2013, shall be included in the personnel systems developed under subs. [\(2\)](#) and [\(3\)](#). System employees holding positions in the classified service on June 30, 2013, who have achieved permanent status in class on that date, shall retain, while serving in the positions in the system, those protections afforded employees in the classified service under ss. [230.34 \(1\) \(a\)](#) and [230.44 \(1\) \(c\)](#) relating to demotion, suspension, discharge, layoff, or reduction in base pay. Such employees shall also have reinstatement privileges to the classified service as provided under s. [230.31 \(1\)](#). System employees holding positions in the classified service on June 30, 2013, who have not achieved permanent status in class on that date are eligible to receive the protections, privileges, and rights preserved under this subsection if they successfully complete service equivalent to the probationary period required in the classified service for the positions which they hold on that date.

History: [2011 a. 32](#).

**UNIVERSITY OF WISCONSIN SYSTEM
JULY 1, 2013 WORKFORCE – AN OVERVIEW**

On July 1, 2013, the Board of Regents will expand its personnel statutory authority to include the management of the University Staff currently known as classified staff. The July 1, 2013 workforce will consist of the categories identified in the following table:

Employee Category*	UW-Madison	All other UW Institutions	Total	Percent of Total
Faculty	2,082	4,307	6,389	14.28%
Academic Staff	8,409	7,448	15,857	35.45%
University Staff	6,288	6,408	12,696	28.39%
Limited Appointees	495	694	1,189	2.66%
Employees-in-Training and Student Assistant	6,747	1,848	8,595	19.22%
TOTAL	24,021	20,705	44,726	100.00%

*Headcount Data based on 2011 Management and Staff Report

The breadth and depth of the work performed by more than 44,700 staff include positions in 1,024 titles. Faculty titles include Professor, Associate Professor, Assistant Professor and Instructor. Academic Staff include both instructional and non-instructional titles such as Lecturer, Researcher, Advisor, Academic Librarian, Coach to name but just a few. Limited appointees “at will” titles include statutorily defined limited titles such as President, Chancellor, Dean and those designated as limited by the Chancellors such as Registrar, Admissions Director and other administrative directors. The Employees-in-Training and Student Assistant category includes titles such as postdoctoral fellows, graduate assistants, and teaching assistants. A group of employees not listed are many student hourly employees who perform a very wide range of jobs at all institutions across the UW System.

As with other employee categories, the University Staff perform a wide variety of work in close to 500 job titles, both Fair Labor Standards Act (FLSA) exempt and FLSA non-exempt:

University Staff	UW-Madison	All other UW Institutions	Total	Percent of Total
FLSA Exempt	1,571	1,131	2,702	21.28%
FLSA Non-Exempt	4,717	5,277	9,994	78.72%
TOTAL	6,288	6,408	12,696	100.00%

University Staff titles are both supervisory and non-supervisory and include administrative and business affairs positions such as Auditor, Accountant, HR Specialist, Payroll and Benefits Specialist; Research positions such as Chemist, Microbiologist, Veterinary Technician, Research Technician; Healthcare positions such as Nurse Clinician, Medical Assistant, Licensed Practical Nurse; Information Technology positions such as IS Network Services, IS Technology Services, Library positions such as Library Services Assistant; Facilities Operations such as Engineering Specialist, Facilities Repair Worker, Electrician; and Protective Services such as Police Officer, Security Officer.

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.b.1.:

WHEREAS the 2011-13 biennial budget (2011 Wisconsin Act 32) created Wis. Stat. § 36.115, authorizing the Board of Regents and the Chancellor of UW-Madison to establish and implement two personnel systems separate and distinct from the State personnel system under Chapter 230; and

WHEREAS the University Personnel System Project Team in UW System Administration and the HR Design Project Team in UW-Madison have worked collaboratively on the development of these two systems, one for UW-Madison and one for the balance of the UW-System, for over a year; and

WHEREAS the University Personnel Systems (UPS) Task Force appointed by the UW System President and the UPS Steering Group comprised of human resources professionals from across the UW System have guided and supported this collaborative development effort over the past year; and

WHEREAS pursuant to Wis. Stat. § 36.09(1), the Board of Regents is vested with the primary responsibility for the governance of the University of Wisconsin System,

NOW, THEREFORE, BE IT RESOLVED:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents:

- (1) approves the attached Regent Policy Document on University Personnel Systems, which applies to all UW System institutions and their employees, effective July 1, 2013;
- (2) endorses the attached draft UPS Operating Policies for all UW System institutions except UW-Madison, effective July 1, 2013; and
- (3) authorizes the UW System President to submit this Regent Policy Document and attachments to the Joint Committee on Employment Relations for its consideration pursuant to Wis. Stat. § 36.115. ([Attachment 3](#))

BE IT FURTHER RESOLVED that the Board of Regents authorizes the Secretary of the Board of Regents to remove from the Regent Policy Documents, effective July 1, 2013, the following policies:

- 6-1, Administrative Titles;*
- 6-2, Administrative Salary Range;*
- 20-1, System Sick Leave Policy for Faculty and Academic Staff;*
- 20-3, Academic Staff Appointments;*
- 20-4, Tuition Reimbursement to Unclassified Staff Members;*
- 20-6, Policy on Non-Medical Leaves of Absence for Unclassified Staff;*
- 20-8, Academic Staff Title and Compensation Plan;*
- 20-10, Establishment of Annual leave Reserve Accounts for Unclassified Staff Earning Vacation;*
- 20-11, Establishment of Personal Holidays for Faculty, Academic Staff and Limited Appointees;*
- 20-12, Distinguished Prefix for Certain Category B Titles;*
- 20-13, Paid Annual Leave Options for Unclassified Staff;*
- 20-15, Catastrophic Leave for Faculty and Academic Staff;*
- 20-17, Selection, Training, and Evaluation of Teaching Assistants; and*
- 20-18, Review of University Personnel Policies and Practices.*

The resolutions that created each of these policies will remain in effect and will be incorporated into the UPS Operating Policies for all UW System institutions except UW-Madison, effective July 1, 2013.

Regent Policy Document University Personnel Systems

Scope

This policy applies to all UW institutions and their employees subject to university personnel systems under Wis. Stat. § 36.115.

Purpose

Wis. Stat. § 36.115(2) directs the Board of Regents to develop a personnel system for all system employees except system employees assigned to the University of Wisconsin at Madison (UW-Madison), and Wis. Stat. § 36.115(3) directs the Chancellor of UW-Madison to develop a personnel system for all system employees assigned to UW-Madison. The purpose of this policy is to implement the Board of Regents' statutory authority {§ 36.09(1)} to create and administer both university personnel systems.

Both personnel systems must include a civil service system, a grievance procedure that addresses employee terminations, and provisions that address employee discipline and workplace safety. These and other elements of the personnel systems will be administered through operational policies for each personnel system.

Policy Statement

Under Wis. Stat. § 36.09(1), the Board of Regents is vested with the primary responsibility for the governance of the University of Wisconsin System. In discharging this responsibility, it is the Board's policy to promote the development of university personnel systems that allow UW institutions to attract, develop, and retain a diverse and highly qualified workforce that will effectively and efficiently pursue the missions of the UW System and each UW institution. The university personnel systems shall include:

1. merit-based recruitment and assessment policies, practices, and performance goals that promote the development of a productive, accountable, and trusted workforce;
2. equal employment opportunity by ensuring that all personnel actions, including hiring decisions, length of tenure or term, and condition or privilege of employment, are based on an individual's ability to perform the duties and responsibilities of the particular position without regard to race, sex, gender identity or expression, color, creed or religion, political affiliation, disability, sexual orientation, national origin, ancestry, age, or any other prohibited basis of consideration; and
3. compensation structures and tools that reflect the following factors: market, performance, internal equity, and cost of living.

The Board's authority over the personnel systems of the UW System includes but is not limited to the following:

1. designation of positions to appointment types, to include faculty appointments, academic staff appointments, limited appointments, university staff appointments, and other appointments such as employees-in-training and students;
2. position titling systems;
3. recruitment and appointment of employees;
4. pay plans;
5. workplace safety programs;
6. a leave system (i.e., sick leave, vacation, personal holiday, and other leaves of absence);
7. employer and employee paid benefits;
8. a standard work week and legal holidays;
9. support for ongoing education of supervisors and for employee education and career development;
10. a program for employee performance evaluation;
11. just cause and due process protection as applicable;
12. workplace expectations;
13. employee discipline and grievance procedures; and
14. layoff procedures.

Oversight, Roles & Responsibilities

The Board of Regents delegates to the President of the UW System or his or her designees the authority to implement and maintain a personnel system for all UW System employees except employees assigned to UW-Madison. The Board of Regents authorizes the President or his or her designees to formulate operating policies to administer this personnel system. The Board of Regents delegates to the Chancellor of UW-Madison or his or her designees the authority to implement and maintain a personnel system for all System employees assigned to UW-Madison. The Board of Regents authorizes the UW-Madison Chancellor or his or her designees to formulate operating policies to administer the personnel system for all System employees assigned to UW-Madison. Prior to initial implementation, the policies related to the 14 areas enumerated above are subject to review by the Board of Regents. The Board further authorizes the President to delegate to individual Chancellors of institutions other than UW-Madison the

administration and oversight of the personnel system for all system employees except system employees assigned to UW-Madison.

Related RPDs and Applicable Laws

Chapter 36 of the Wisconsin Statutes

Sec. 227.01(13)(Lm), Wisconsin Statutes

Chapters UWS 1-13, Wisconsin Administrative Code

RPD 6-3, Delegation of Authority to President for Personnel Actions

RPD 6-4, Search and Screen Procedures for chancellors, Senior Vice Presidents or Vice Presidents

RPD 6-5, Executive Salary Structure

RPD 6-6, Delegation to System President

Etc.

History

To eventually include the following resolutions ...

6-1: Res. 58, adopted 01/07/1972.

6-2: Res. 1678, adopted 06/09/1978.

20-1: Res. 506, adopted 06/08/1973; amended by 75-9. (See also Policy 20-6 and Unclassified Personnel Guideline 10.)

20-3: Res. 984, adopted 04/11/1975.

20-4: Res. 1386, adopted 02/11/1977.

20-6: Res. 5364, adopted 11/10/1989; replaces 74-9, 78-3; amended by Res. 8457, 10/05/2001; repealed and recreated by Res. 9704, 12/11/2009; amended by Res. 9938, 06/10/2011.

20-8: Res. 5980, adopted 12/06/1991; portions delegated by Res. 9910, 04/08/2011.

20-10: Res. 6698, adopted 6/94, amended by 98-5 adopted 11/06/1998, amended by Res. 8745, adopted 10/10/2003.

20-11: Res. 7178, adopted 04/12/96; amended by Res. 7803, adopted 11/06/1998; amended by Res. 8817, adopted 04/02/2004.

20-12: Res. 7651, adopted 03/06/1998.

20-13: Res. 7802, adopted 11/06/1998; amended by Res. 8745, adopted 10/10/2003.

20-15: Res. 8227, adopted 10/06/2000.

20-17: Res. 5977, adopted 12/06/1991.

20-18: Res. 9091, adopted 11/11/2005; amended by Res. 9908, 04/08/2011.

The University of Wisconsin System

UPS OPERATIONAL POLICY: Transition



SUBJECT: Transition of Classified Staff to University Staff

Original Issuance Date: July 1, 2013

Last Revision Date:

1. POLICY PURPOSE:

The purpose of this policy is to provide for the transition of classified staff under the authority of the Office of State Employment Relations pursuant to [Wis. Stat. Chapter 230](#) (State Employment Relations) to University staff under the authority of the Board of Regents of the University of Wisconsin System as required by [Wis. Stat. § 36.115](#).

2. POLICY BACKGROUND:

[Wis. Stat. § 36.115\(6\)](#) requires that all UW System employees holding positions in the classified service of the civil service system under [Wis. Stat. Chapter 230](#) on June 30, 2013 to be included in the university personnel system. ”

3. POLICY DEFINITIONS:

“University Staff” are members of the university workforce who contribute in a broad array of positions in support of the University’s mission and are not exempt (hourly¹) from the overtime provisions of the Fair Labor Standards Act (FLSA).

[¹Note: All FLSA exempt employees holding positions in the State of Wisconsin “classified” service as of June 30, 2013 are given the choice to remain in the University Staff for as long as they retain their existing positions, or to voluntarily be reassigned to a position that the institution has designated as either an Academic Staff or Limited Appointment position - see UPS Operational Policy #36 LINK]

4. POLICY:

This policy applies to those classified staff who are employed on June 30, 2013, and become University Staff on July 1, 2013. As set forth in [Wis. Stat. § 36.115\(6\)](#), employees holding positions in the classified service on June 30, 2013, who have achieved permanent status on that date, shall retain, while serving in the position as a University Staff member, those protections afforded employees in the classified service under [Wis. Stat. §§ 230.34\(1\)\(a\)](#) and [230.44\(1\)\(c\)](#) relating to

demotion, suspension, discharge, layoff, or reduction in base pay (see UPS Operational Policy #4 and link). Such employees shall also have reinstatement privileges to the classified service provided under [Wis. Stat. § 230.31\(1\)](#) (see UPS Operational Policy #09 and link). Employees holding positions in the classified service on June 30, 2013, who have not achieved permanent status on that date are eligible to receive the protections, privileges, and rights preserved as noted above for permanent staff if they successfully complete service equivalent to the probationary period required for the position held on June 30, 2013.

An employee holding a classified position on June 30, 2013, will hold a University Staff position with the same title, base salary, and benefits on July 1, 2013.

5. RELATED DOCUMENTS:

[Wis. Stat. § 36.115](#)

[Wis. Stat. Chapter 230](#)

6. POLICY HISTORY:

The University of Wisconsin System

UPS OPERATIONAL POLICY: #01



SUBJECT: Title Definitions

Original Issuance Date: July 1, 2013

Last Revision Date:

1. POLICY PURPOSE:

The purpose of this policy is to provide UW System institutions with a titling structure within the framework of employee categories that covers all System employees as required by [Wis. Stat. § 36.115\(2\) and \(3\)](#).

2. POLICY BACKGROUND:

Employment categories within the UW System have historically been defined by two personnel structures: classified and unclassified. These structures are authorized by laws contained in [Wis. Stat. Chapter 36](#) (University Of Wisconsin System), [Wis. Stat. Chapter 111](#) (Employment Relations) and [Wis. Stat. Chapter 230](#) (State Employment Relations). [Wis. Stat. Chapter 36](#) defines the unclassified personnel structure, while [Wis. Stat. Chapter 230](#) defines the classified personnel structure. Each structure has its own set of titles to describe positions.

[Wis. Stat. § 36.115\(6\)](#) states: “All system employees holding positions in the classified or unclassified service of the civil service system under ch. 230 on June 30, 2013, shall be included in the personnel system developed under subs. (2) and (3).”

3. POLICY DEFINITIONS:

“Faculty” means persons who hold the rank of professor, associate professor, assistant professor, or instructor in an academic department or its functional equivalent in an institution, persons described under Wis. Stat. § 36.13(4)(c) and such academic staff as may be designated by the chancellor and faculty of the institution.

“Academic Staff” means professional and administrative personnel with duties, and subject to types of appointments, that are primarily associated with higher education institutions or their administration but does not include faculty and staff provided under [Wis. Stat. § 16.57](#).

“University Staff” means the university workforce who contribute in a broad array of positions in support of the University’s mission and are not exempt (hourly¹) from the overtime provisions of the Fair Labor Standards Act (FLSA).

[¹Note: All FLSA exempt employees holding positions in the State of Wisconsin “classified” service as of June 30, 2013 are given the choice to remain in the University Staff for as long as they retain their existing positions, or to voluntarily be reassigned to a position that the institution has designated

as either an Academic Staff or Limited Appointment position - see UPS Operational Policy #36 LINK].

“Limited Appointment” means an appointment to a designated administrative position, the holder of which serves at the pleasure of the authorized official who made the appointment. Certain positions must be designated as limited appointments under [Wis. Stat. § 36.17\(2\)](#), while others may be designated by the appointing authority as limited appointments at the time of the appointment.

4. POLICY:

The University Personnel System is comprised of five (5) employee categories: Faculty, Academic Staff, University Staff, Limited Appointees, and Student Assistants/Employees-in-Training. Within this framework of employee categories, salary ranges are established and job titles defined. Each salary range shall include titles that are consistent with the level of authority/responsibility and job requirements. Each title shall include positions that are comparable with respect to the nature of work, responsibilities, and job duties. Assignment of positions to titles will be based on a “best fit” concept.

The titling framework will be as follows:

- 4.1 Faculty Titles
- 4.2 Academic Staff Titles
- 4.3 University Staff Titles
- 4.4 Limited Appointee Titles
- 4.5 Student Assistants/Employees-in Training Titles
 - a. Student Assistant Titles
 - b. Employees-in-Training Titles
 - c. Student Hourly Titles

5. RELATED DOCUMENTS:

[Regent Policy 6-1](#) Administrative Titles

[Regent Policy 20-8](#) Academic Staff Title and Compensation Plan

[Regent Policy 20-12](#) Distinguished Prefix for Certain Category B Titles

6. POLICY HISTORY:

The University of Wisconsin System

UPS OPERATIONAL POLICY: #02



SUBJECT: Recruitment Policies and Procedures

Original Issuance Date: July 1, 2013

Last Revision Date:

1. POLICY PURPOSE:

The purpose of this policy is to provide a framework for UW System institutions to use in development of recruitment processes that will attract, hire, develop, and retain the talent necessary for a successful workforce for UW System institutions.

2. POLICY BACKGROUND:

Under [Wis. Stat. § 36.115\(4\)](#) the University of Wisconsin System personnel systems must include certain provisions previously contained in [Chapter 230](#) of Wisconsin State Statutes, including a civil service system. A civil service system includes merit-based recruitment procedures. This policy provides necessary guidance for establishment of merit selection principles for University Staff.

University of Wisconsin System Faculty recruitments are subject to Chapter [UWS 3](#) of the Wisconsin Administrative Code. University of Wisconsin System Academic Staff recruitments are subject to Chapter [UWS 10](#) of the Wisconsin Administrative Code.

Probationary Periods for University Staff: A probationary period is mandatory for all hires. The length is governed by the nature of the duties and responsibilities of the job. At a minimum, all probationary periods are six months. Supervisory positions and positions that have duties and responsibilities which are 'cyclical' in nature are twelve months (i.e. Power Plant Operators, Police Detectives, Police Officers, Budget and Policy Analysts, Accountants, etc.). Supervisors have the authority to end an employee's probationary period prior to the scheduled end date only if approved by the UW institution's Human Resource office. Individual UW-institutions may establish the criteria on which to base such decisions. For UW System employees who do not pass probation, there are no rights back to their previous position. However, on a permissive basis, the UW institution's appointing authority may allow for an internal hire to return to a former position at the employer's option. Candidates should be clearly informed of the terms and conditions of the probationary period at the time of offer.

NOTE – An Appendix with best practices and models for assessment, advertisement, appointment letters and other recruitment processes will be developed.

3. POLICY DEFINITIONS:

"Academic Staff" means professional and administrative personnel with duties, and subject to types of appointments, that are primarily associated with higher education institutions or their administration, but does not include Faculty, University Staff and staff provided under s. [16.57](#).

"Civil service system" means employment in government with such positions filled on merit as a result of competitive examinations or screening.

"Equal Opportunity and Affirmative Action" means "an active effort to improve the educational and employment opportunities of members of minority groups and women."

"Faculty" means persons who hold the rank of professor, associate professor, assistant professor or instructor in an academic department or its functional equivalent in an institution, persons described under s. [36.13 \(4\) \(c\)](#) and such Academic Staff as may be designated by the Chancellor and Faculty of the UW institution.

"Institution" means any of the following: UW-Eau Claire; UW-Green Bay; UW-La Crosse; UW-Milwaukee; UW-Oshkosh; UW-Parkside; UW-Platteville; UW-River Falls; UW-Stevens Point; UW-Stout; UW-Superior; UW-Whitewater; UW Colleges; UW-Extension; and UW System Administration.

"Merit" means the qualifications, experience, standard of work performance, and capabilities of those persons that are relevant to the performance of those duties.

"Temporary employment" means any short term employment that is not held by a student.

"University Staff" are members of the university workforce who contribute in a broad array of positions in support of the University's mission and are not exempt (hourly¹) from the overtime provisions of the Fair Labor Standards Act (FLSA).

[¹Note: All FLSA exempt employees holding positions in the State of Wisconsin "classified" service as of June 30, 2013 are given the choice to remain in the University Staff for as long as they retain their existing positions, or to voluntarily be reassigned to a position that the institution has designated as either an Academic Staff or Limited Appointment position – see UPS Operational Policy #36 LINK]

4. POLICY:

It is the policy of the University of Wisconsin System to maintain a personnel system that fills all positions through methods which apply the merit principle, with adequate civil service safeguards. Recruitment for all positions shall be an active continuous process conducted in a manner that assures a diverse, highly qualified group of applicants. The procedure shall also be consistent with Board of Regents policy and state and federal laws with respect to nondiscriminatory and affirmative action recruitment. The procedures shall allow maximum flexibility at the institutional, departmental, school, and college levels to meet particular needs.

It is the policy of the University of Wisconsin System to provide for equal employment opportunity by ensuring that all personnel actions including hire, tenure or term, and condition or privilege of employment be based on the ability to perform the duties and responsibilities assigned to the

particular position without regard to age, race, creed or religion, color, disability, sex, national origin, ancestry, sexual orientation, or political affiliation.

5. RELATED DOCUMENTS:

6. POLICY HISTORY:

[Wis. Stat. 230.01](#)

[UWS 3](#)

[UWS 10](#)

[ER-8](#)

[ER-10](#)

[ER-30](#)

[ER-34](#)

[ER-MRS 1](#)

[ER-MRS 6](#)

[ER-MRS 7](#)

[ER-MRS 8](#)

[ER-MRS 10](#)

[ER-MRS 11](#)

[ER-MRS 12](#)

[ER-MRS 13](#)

[ER-MRS 14](#)

[ER-MRS 15](#)

[ER-MRS 16](#)

[ER-MRS 17](#)

[ER-MRS 27](#)

[ER-MRS 30](#)

[ER-MRS 32](#)

[ER-MRS 34](#)

The University of Wisconsin System

UPS OPERATIONAL POLICY: #03



SUBJECT: Layoff for Reasons of Budget or Program

Original Issuance Date: July 1, 2013
Last Revision Date:

1. POLICY PURPOSE:

The purpose of this policy is to provide an operational framework to be used by UW System institutions in the development of layoff procedures for University Staff (formerly classified staff).

2. POLICY BACKGROUND:

Wis. Stat. [§ 36.115\(2\)](#) requires the Board of Regents and the UW-Madison chancellor to develop personnel systems that are separate and distinct from the personnel system under Wis. Stat. Chapter 230. Effective July 1, 2013, the layoff procedures contained in Chapter [ER-MRS 22](#) of the Wisconsin Administrative Code and the procedures established by the Office of State Employment Relations are no longer applicable to current UW System classified employees. Therefore, this operational policy provides the framework for layoff procedures for University Staff at UW System institutions. Layoff procedures for Faculty and Academic staff are set forth in Wis. Admin. Code Chapters [UWS 5](#) and [UWS 12](#) and continue to apply to layoffs of those employees.

3. POLICY DEFINITIONS:

“Employer” means a UW System institution that engages the services of University Staff, and the term includes a person acting on behalf of an employer within the scope of his or her authority, express or implied.

“Institution” means any of the following: UW-Eau Claire; UW-Green Bay; UW-La Crosse; UW-Milwaukee; UW-Oshkosh; UW-Parkside; UW-Platteville; UW-River Falls; UW-Stevens Point; UW-Stout; UW-Superior; UW-Whitewater; UW Colleges; UW-Extension; and UW System Administration.

“Layoff” means the suspension of a University Staff member’s employment for reasons of budget or due to the discontinuance, curtailment, modification, or redirection of a program.

“Layoff group” means a combined group of employees in related positions from which the layoff will be made. The layoff group will generally include all employees employed in a particular operational area that are similarly, although not necessarily identically, situated by title, pay range and/or function.

“Operational area” means an area of focus or function in a school, college, division, department or office. An operational area will generally be a subset of a school, college, division, department or office, and need not encompass the whole unit.

“Probationary employment” means employment that is not temporary, but where the incumbent has not yet completed the probationary period.

“Temporary employment” means any short-term employment that is not held by a student.

“Temporary layoff” means a layoff for a period not to exceed 20 working days.

4. POLICY:

Institutional layoff procedures shall include the following elements:

Temporary and Probationary Employment

Whenever practicable, temporary positions in the operational area shall be reduced or discontinued before invoking the layoff procedures.

Employees on probationary appointments may be dismissed prior to laying off non-probationary employees, providing that those remaining employees have the necessary skills, knowledge, and ability to perform the work.

Notice

A full or part-time staff member who is designated for layoff must be given written notice as soon as practicable, but not less than 30 calendar days prior to the effective date of the layoff. A lateral movement to a different position or a demotion may be made any time during the notification of layoff period with mutual agreement of the employee and appointing authority.

Layoff Selection and Plan

Prior to providing layoff notice to any employees, the employer shall develop a plan under which a layoff will occur. The plan will document the justification for the layoff, the effective date of the layoff, identification of eliminated functions, and the position(s) to be eliminated, known as the layoff group. The plan will identify the operational area(s), position title(s) and the number of employees that are expected to be laid off.

Temporary layoffs are not subject to layoff procedures within this policy.

Employees subject to layoff will be determined and evaluated by using the following criteria:

- Needs of institution to deliver services;
- Relative skills, knowledge, or expertise of employees;
- Length of service of employees; and
- Other appropriate criteria.

Upon an employer's layoff notification to an employee, the employee may appeal the layoff decision through the appropriate grievance procedure (see Operational Policy #4 – LINK).

Once the layoff group has been determined, any employee from within the affected layoff group may elect to retire or voluntarily be laid off to avoid involuntary layoffs.

The employer reserves the right to rescind a layoff notice and/or postpone the layoff date. However, once the employee has been officially notified of the intended layoff date, the employer may not make the layoff date any earlier.

Alternatives to Layoff

Employees may be assigned to another position for which they are qualified to perform the work within the operational area or institution as determined by the employer. The employee does not need to be designated as being in layoff status, but the employee shall receive written justification as to why he or she is being moved. The movement may be lateral or downward. The employee's rate of pay and benefits will not decrease with an involuntary lateral movement but pay may be adjusted with a downward movement. This method is not meant to circumvent the recruitment process and should only to be used to avoid a reduction in force. The employee may choose not to accept the reassignment and as a result be laid off.

Consideration for Vacant Positions within UW System

Upon request, an employee who is or will be affected by a layoff may be considered for other vacancies within the UW System. Consideration does not mean an interview or a mandatory job offer. The hiring authority will determine what, if anything, the employee would need to submit for consideration.

Every effort will be made to keep the employee employed so long as this effort does not adversely affect the operational area's budget or impede the area's ability to fulfill its mission.

After the employee has been laid off, he or she will be able to apply for vacant positions as if he or she were a current employee for a period of three (3) years from the date of layoff.

Three Year Restriction on Rehiring for Duties of Laid Off Employee

For three years from the anniversary of the layoff, no person may be employed in a permanent position in that operational area to perform duties reasonably comparable to the duties of the laid off employee, without first making an offer of return to the laid off employee.

5. RELATED DOCUMENTS:

Wis. Admin. Code Chapter [UWS 5](#)

Wis. Admin. Code Chapter [UWS 12](#)

6. POLICY HISTORY:

Wis. Stat. § 230.34

Wis. Stat. § 230.44(1)(c)

Wis. Admin. Code Chapter [ER-MRS 22](#)

**The University of Wisconsin System
UPS OPERATIONAL POLICY: #04**



SUBJECT: Grievance Procedures
(Includes Protections of sec. 36.115(6),
Wis. Stats.)

Original Issuance Date: July 1, 2013
Last Revision Date:

1. POLICY PURPOSE:

To establish grievance procedure parameters for University Staff that include the elements required by Wis. Stat. § 36.115(4).

2. POLICY BACKGROUND:

This policy establishes grievance procedures for University Staff who were formerly members of the classified staff (subject to Wis. Stats. Ch. 230) as of June 30, 2013, and to University Staff hired on or after July 1, 2013 who, by the terms of their appointment, have an expectation of continued employment.

Dismissal

Under [Wis. Stat. § 36.115\(4\)](#) the new University of Wisconsin System personnel systems must include a grievance procedure applicable to dismissals that include the following elements:

- (a) A written document specifying the process that a grievant and an employer must follow [\[36.115\(4\)\(a\)\]](#).
- (b) A hearing before an impartial hearing officer [\[36.115\(4\)\(b\)\]](#).
- (c) An appeal process in which the highest level of appeal is the Board of Regents [\[36.115\(4\)\(c\)\]](#).

All UW System institutions will need to develop and administer, through University Staff shared governance, grievance procedures for dismissals of University Staff consistent with the elements outlined in this policy.

University of Wisconsin System Faculty are subject to Chapters [UWS 4](#) and [7](#) of the Wisconsin Administrative Code. University of Wisconsin System Academic Staff are subject to [UWS 11](#) of the Wisconsin Administrative Code. Institution faculty and academic governance bodies will need to make the necessary changes to incorporate the impartial hearing officer concept into their respective rules. Academic staff governance bodies will need to incorporate appeal to the Board for fixed term and probationary academic staff. Indefinite academic staff are currently provided with appeal to the Board.

Discipline

[Wis. Stat. § 36.115\(4\)](#) requires the Board and the UW-Madison Chancellor to establish personnel systems that include provisions relating to employee discipline. Chapters [UWS 6](#) and [13](#) of the Wisconsin Administrative Code require UW System institutions to establish grievance procedures for Faculty and Academic Staff in cases involving discipline other than dismissal. Institutional policies adopted pursuant to those provisions satisfy the requirements of [Wis. Stat. § 36.115\(4\)](#). All UW System institutions will need to develop and administer, through University Staff shared governance, grievance procedures for discipline of University Staff consistent with the elements outlined in this policy.

Working Conditions

University of Wisconsin System University Staff may file grievances regarding some matters that affect working conditions. Grievances may not be filed on issues pertaining to:

- a) Utilizing personnel, methods and means to carry out the mission of the University of Wisconsin System or institution;
- b) Determining the size and composition of the work force;
- c) Managing and directing the employees of the University of Wisconsin System;
- d) Hiring, promoting, assigning or retaining employees;
- e) Establishing reasonable workplace expectations.

All UW System institutions will need to develop and administer, through University Staff shared governance grievance, procedures for University Staff regarding working conditions consistent with the elements outlined in this policy.

Chapters [UWS 6](#) and [13](#) of the Wisconsin Administrative Code require UW System institutions to establish complaint procedures for Faculty and Academic Staff in cases involving discipline other than dismissal.

3. POLICY DEFINITIONS:

“Dismissal” means separation from employment for disciplinary or performance reasons.

“Discipline” means any action taken by a University of Wisconsin institution with respect to a University Staff member with an expectation of continued employment which has the effect, in whole or in part, of a penalty.

“Grievance procedure” means the process through which certain working conditions, discipline, or dismissal of a UW System University Staff member with an expectation of continued employment can be appealed.

“Impartial Hearing Officer” means an arbitrator employed by the Wisconsin Employment Relations Commission (WERC), an arbitrator from the WERC roster of neutral decision-makers not employed by the WERC, an arbitrator from a roster developed by UW System Administration of arbitrators with a set fee for resolving a discharge case, or a grievance review committee established through shared governance.

“Just Cause” means a standard that is applied to determine the appropriateness of a disciplinary action. The necessary elements of determining whether just cause exists are:

- Whether the employee had notice of workplace expectations and potential consequences if those expectations were not met;
- Whether the workplace expectations were reasonably related to business efficiency and performance the employer might reasonably expect from the employee;
- Whether a fair and objective investigation was undertaken by the employer before discipline or discharge to determine whether the employee violated expectations;
- Whether the investigation was conducted fairly and objectively;
- Whether the employer obtained substantial evidence of the employee's guilt;
- Whether workplace expectations were applied fairly and without discrimination; and
- Whether the degree of discipline imposed reasonably related to the seriousness of the employee's offense and the employee's past record.

“Layoff” means separation from employment for reasons of budget or due to the discontinuance, curtailment, modification, or redirection of a program.

“University Staff” are members of the university workforce who contribute in a broad array of positions in support of the University’s mission and are not exempt (hourly¹) from the overtime provisions of the Fair Labor Standards Act (FLSA).

[¹Note: All FLSA exempt employees holding positions in the State of Wisconsin “classified” service as of June 30, 2013 are given the choice to remain in the University Staff for as long as they retain their existing positions, or to voluntarily be reassigned to a position that the institution has designated as either an Academic Staff or Limited Appointment position – see UPS Operational Policy #36 LINK]

4. POLICY:

This policy provides UW institutions with a guide for the establishment of new grievance procedures for University Staff with an expectation of continued employment appealing certain working conditions, discipline, layoff or dismissal from a UW System institution. University Staff serving a probationary period will not have the right to file grievances on dismissal, discipline or layoff.

Discipline and dismissal of a University Staff member with an expectation of continued employment may be imposed only for just cause.

Grievances shall be submitted on a form provided by the employer, and each grievance shall describe the facts upon which the grievance is based and the relief sought by the employee. The employee and a management designee may agree in writing to extend the time limits in any step of the grievance procedure. Parties are strongly encouraged to resolve situations prior to a grievance being filed, but upon filing, parties are encouraged to resolve grievances at early stages of grievance procedures.

Grievances shall be pursued in accordance with the following steps and time limits.

- Dismissal appeals will begin at Step Two, as outlined below, and may proceed to Step Three.
- Layoff and discipline grievances will begin at Step One and may proceed no further than Step Two.
- Working condition grievances may be processed through Step One only.

	STEP ONE	STEP TWO		STEP THREE
		STEP 2A	STEP 2B (employed on June 30, 2013)	
DISMISSAL		X	X	X
LAYOFF	X	X	X	
DISCIPLINE	X	X	X	
WORKING CONDITIONS	X			

Step One: If attempts to resolve a matter through discussion between an employee and supervisor are not successful, a grievance may be filed. Grievances shall be filed with the employee's department head, director, dean, or equivalent administrator no later than 30 calendar days from the date the grievant first became aware, or should have become aware (with the exercise of reasonable diligence), of the matter grieved. Within 30 calendar days of receipt of the written grievance, the department head, director, dean, or equivalent administrator (or designee) shall meet with the grievant to hear the grievance. The grievant shall receive a written decision no later than seven (7) calendar days after this meeting. If the subject of the grievance is not discipline or layoff, there will be no further opportunity for appeal.

Step Two A: When an employee has filed a grievance alleging that a discipline decision was not based on just cause and is dissatisfied with the Step One decision, the employee may appeal the decision to an impartial hearing officer. In order to file such an appeal, the grievant must inform the Chancellor or Chancellor's designee of his or her desire to appeal the Step One decision within ten (10) calendar days from receipt of the answer in Step One. An appeal of dismissal of a University Staff member will begin at Step Two and must be filed within twenty (20) days of the date of written notice of dismissal.

At issue before the impartial hearing officer will be whether just cause for the discipline or discharge exists. If the subject of the appeal is layoff, the issue before the hearing officer will be whether the applicable layoff procedure was followed. The hearing officer will be charged with hearing the case and making a report and recommendations to the Chancellor or Chancellor's designee. Impartial hearing officers should be selected in accordance with processes established by each institution. Such a hearing for a University Staff employee shall include a right to representation, a right to offer witnesses, and a right to a written decision. The hearing shall be closed unless the grievant requests an open hearing. Within twenty (20) days of receipt of the report and recommendations, the Chancellor or Chancellor's designee shall release a statement accepting or rejecting the findings of the impartial hearing officer and how the decision will be implemented.

Step Two B - Direct Appeal to WERC for Certain University Staff: An employee who held permanent status in employment prior to July 1, 2013 and according to the provisions of Wis. Stat. § [36.115\(6\)](#), therefore retains Chapter 230 appeal rights may instead appeal a disciplinary action (suspension, demotion, or reduction in base pay), layoff or discharge using a different procedure. Such a grievance may be appealed directly from Step One to the Chancellor or Chancellor's designee. Thereafter, if the employee is still dissatisfied with the decision as issued by the Chancellor or Chancellor's designee, the employee may appeal the decision to the WERC under Wis. Stat. § [230.44\(1\)\(c\)](#) within thirty (30) calendar days from the date of the decision being appealed. If an appeal to WERC is filed, no further steps in the grievance process will apply and there will be no opportunity to appeal the WERC decision except as provided in Wis. Stat. § [230.44](#). Appeal to the Board of Regents is not available using this procedure.

Step Three - Board of Regents Review: For matters that involve dismissal only, a grievant who is dissatisfied with a Chancellor's or Chancellor's designee's Step Two decision may appeal the decision to the Board of Regents. If the matter is not appealed to the Board of Regents within 30 calendar days, the grievance will be considered ineligible for Board review. Upon receiving an appeal, the President of the Board shall refer the appeal to the Board of Regents Personnel Matters Review Committee. In accordance with Board of Regents Bylaws, the Committee shall conduct a review based on the record of the matter created by the impartial hearing officer, and it shall prepare recommended findings and a decision, and shall transmit them to the full Board for final action. The full Board may confirm the Committee's decision, or it may direct a different decision. No further appeal shall be available to the parties.

5. RELATED DOCUMENTS:

Chapter [UWS 4](#), Wisconsin Administrative Code
Chapter [UWS 6](#), Wisconsin Administrative Code
Chapter [UWS 11](#), Wisconsin Administrative Code
Chapter [UWS 13](#), Wisconsin Administrative Code
Chapter [ER 46](#), Wisconsin Administrative Code
Section [36.115](#), Wisconsin Statutes
Section [36.05](#), Wisconsin Statutes
Section [230.44\(1\)\(c\)](#), Wisconsin Statutes

6. POLICY HISTORY:

See Chapter [ER 46](#), Wisconsin Administrative Code

The University of Wisconsin System
UPS OPERATIONAL POLICY: #05



SUBJECT: Effect on Certain Benefits
When Accepting Positions
At Different Institutions or Agencies

Original Issuance Date: July 1, 2013
Last Revision Date:

1. POLICY PURPOSE:

The purpose of this policy is to establish that employees of UW System institutions retain their accrued sick leave balances and WRS service credits when they accept a new position at another UW institution or State agency.

2. POLICY BACKGROUND:

Effective July 1, 2013, the recruitment procedures contained in Wis. Stat. Chapter 230; ER-MRS 13, 14, 15, 16, 17 will no longer be applicable to current UW System classified employees; therefore, new employee movement procedures for University Staff must be created.

3. POLICY DEFINITIONS:

“Institution” means any of the following: UW-Eau Claire; UW-Green Bay; UW-La Crosse; UW-Milwaukee; UW-Oshkosh; UW-Parkside; UW-Platteville; UW-River Falls; UW-Stevens Point; UW-Stout; UW-Superior; UW-Whitewater; UW Colleges; UW-Extension; and UW System Administration.

4. POLICY:

All current University employees may be considered for positions both within and between UW System institutions. Upon accepting a new position within or between UW System institutions, University employees will retain accrued sick leave balances and WRS service credit.

UW System employees who accept positions at State agencies and employees from State agencies who accept UW System positions, shall retain accrued sick leave balances and WRS service credit authorized by Wis. Stat. § 230.08 (cm) (this technical statutory change is pending).

5. RELATED DOCUMENTS:

[UWS § 3.04, Wis. Admin. Code](#)

6. POLICY HISTORY:

[Wis. Stat. 230.01](#)

[ER-MRS 13](#)

[ER-MRS 14](#)

[ER-MRS 15](#)

[ER-MRS 16](#)

[ER-MRS 17](#)

The University of Wisconsin System

UPS OPERATIONAL POLICY: #06



SUBJECT: Workplace Safety

Original Issuance Date: July 1, 2013

Last Revision Date:

1. POLICY PURPOSE:

To establish workplace health and safety procedure parameters for all University employees which include the elements required by Wis. Stat. [§ 36.115\(4\)](#).

2. POLICY BACKGROUND:

Under Wis. Stat. [§ 36.115\(4\)](#) the new University of Wisconsin System personnel systems must include a workplace safety policy.

Under Wis. Stat. [§ 101.055](#) all state employees, including UW System employees, are granted rights and protections relating to occupational safety and health equivalent to those granted to employees in the private sector under the Occupational Safety and Health Act of 1970. The Wisconsin Department of Safety and Professional Services has adopted and enforces virtually all OSHA regulations at state government workplaces, including at UW System institutions.

Under Wis. Stat. [§ 101.11](#) (the safe-place statute) an employer has a duty to provide safe employment.

There are other agencies with regulatory authority over specific subjects affecting employee safety and health. These subjects may be most efficiently covered under this workplace safety policy.

3. POLICY DEFINITIONS:

“Employer” means a UW System institution that engages the services of university employees, and the term includes a person acting on behalf of an employer within the scope of his or her authority, express or implied.

“Institution” means any of the following: UW-Eau Claire; UW-Green Bay; UW-La Crosse; UW-Milwaukee; UW-Oshkosh; UW-Parkside; UW-Platteville; UW-River Falls; UW-Stevens Point; UW-Stout; UW-Superior; UW-Whitewater; UW Colleges; UW-Extension; UW-System Administration.

4. POLICY:

Under state law, employers have a duty to provide safe employment, which includes having a safe place to work. UW System institutions are responsible for the maintenance of occupational health and safety standards and for the promotion of workplace health and safety.

The purpose of this policy is to ensure each UW institution attains the following objectives:

Management Commitment and Employee Involvement

- Establish written performance/accountability standards and objectives for upper level administration, directors, managers, and supervisors to prevent and control occupational injuries and illnesses and enhance workplace health and safety.
- Establish written performance/accountability standards for employees in following workplace health and safety rules.
- Establish occupational health and safety committees consisting of representatives from all levels and areas of the organization.
- Designate an individual to serve as the institution's Occupational Health and Safety Coordinator to assist in coordinating its occupational injury/illness prevention program.
- Provide adequate authority and resources so that everyone can meet their assigned responsibilities.
- Establish adequate reporting systems for periodic management review of the institutional occupational health and safety program, and provide to UW System Administration an annual summary of the campus occupational health and safety program.

Worksite Analysis

- Establish a procedure for conducting periodic occupational health and safety inspections/surveys so that potential hazards are detected and corrected or controlled in a timely manner.
- Establish a means for employees to notify management about potentially hazardous conditions or work practices, and provide timely responses.
- Establish a timely process of investigation and analysis of workplace accidents, incidents, “near misses”, and reported hazards to determine their causes and to create prevention strategies.

Hazard Prevention and Control

- Minimize the risk of occupational injuries and illnesses by the use of loss prevention and control techniques.
- Elimination or control of hazards in a timely manner.
- Planning and preparing for emergencies and conducting emergency training and drills.

Safety and Health Training

- Provide adequate occupational health and safety training and education for managers, supervisors and employees.
- Promote occupational health and safety awareness and safe work practices.

5. RELATED DOCUMENTS:

Occupational Safety and Health Administration (OSHA) - <http://www.osha.gov/>

Occupational Health and Safety Program Review - <http://www.wisconsin.edu/audit/occhealth.pdf>

State of WI Executive Order #194 - <http://web.uwsa.edu/oslp/ehs/occupational-safety/misc-safety/policies/>

6. POLICY HISTORY:

In July 1993, Governor Tommy Thompson issued an executive order recognizing the importance of protecting the health and safety of state employees. Executive Order #194 required all state agencies to develop a comprehensive written occupational health and safety program that included a range of activities designed to improve worker safety in government agencies. Among the required components of the safety program was to “provide adequate health and safety training and education for managers, supervisors and employees.”

This policy will replace an outdated written occupational health and safety program adopted by the Board of Regents in October 1994.

The University of Wisconsin System
UPS OPERATIONAL POLICY: #07



SUBJECT: Voluntary Reassignment of Formerly
Classified FLSA-Exempt Employees to Academic
Staff/Limited Appointment Positions

Original Issuance Date: July 1, 2013
Last Revision Date:

1. POLICY PURPOSE:

The purpose of this policy is to provide the necessary information formerly classified Fair Labor Standards Act (FLSA)-exempt staff need to make an informed decision to accept a voluntary reassignment to a position that the institution has designated as either an Academic Staff or Limited Appointment position.

2. POLICY BACKGROUND:

The University Personnel System (UPS) created under Section [36.115](#) of the Wisconsin Statutes is comprised of five (5) employee categories: Faculty, Academic Staff, University Staff, Limited Appointees, and Student Assistants/Employees-in-Training. With UPS, the former categories of classified and unclassified staff are no longer used. Faculty, Limited, and Academic Staff positions are exempt from the overtime provisions of the Fair Labor Standards Act (FLSA) and University Staff positions are FLSA nonexempt positions. Incumbents holding FLSA exempt classified positions as of June 30, 2013, will be given the opportunity to choose to have their positions voluntarily reassigned a position designated as either an Academic Staff or a Limited Appointment position, or remain in University Staff in an FLSA exempt position for as long as he or she holds the position. Benefits and leave accruals will be based on the employee category for the chosen position. After a position incumbent accepts a voluntary reassignment as defined in this policy, there will not be an opportunity to return to University Staff service in the same position.

POLICY DEFINITIONS:

“Fair Labor Standards Act (FLSA)” is the Federal law that, among other things, requires premium payment, or overtime, to employees of an organization who work in excess of forty hours a week. The FLSA provides the necessary characteristics of a position exempted from overtime requirements.

“Incumbent employee,” as referred to in this Policy, means any employee holding a Classified FLSA-exempt position on June 30, 2013.

“Academic Staff” means professional and administrative personnel with duties, and subject to types of appointments, that are primarily associated with higher education institutions or their administration, but does not include faculty and staff provided under [Wis. Stat. § 16.57](#).

“University Staff” are members of the university workforce who contribute in a broad array of positions in support of the University’s mission and are not exempt (hourly¹) from the overtime provisions of the Fair Labor Standards Act (FLSA).

[¹Note: All FLSA exempt employees holding positions in the State of Wisconsin “classified” service as of June 30, 2013, are given the choice to remain in the University Staff for as long as they retain their existing positions, or to voluntarily be reassigned to a position that the institution has designated as either an Academic Staff or Limited Appointment position - see UPS Operational Policy #36 LINK]

“Limited Appointment” means an appointment to a designated administrative position, the holder of which serves at the pleasure of the authorized official who made the appointment. Certain positions must be designated as limited appointments under [Wis. Stat. § 36.17\(2\)](#), while others may be designated by the appointing authority as limited appointments at the time of the appointment.

“Position” means a group of duties and responsibilities which require the services of an employee on a part-time or full-time basis.

3. POLICY:

The UPS has established that all University Staff titles are non-exempt from the FLSA and all Academic Staff/Limited Appointee titles are FLSA exempt. Employees in University Staff (formerly classified staff) positions that are designated as exempt from the FLSA will have the choice to remain in University Staff FLSA-exempt positions for as long as they hold those positions, or to have their positions voluntarily reassigned to Academic Staff or Limited appointments. Appointment terms for an Academic Staff or Limited appointment will be determined by each institution’s policies.

Each incumbent employee must receive all necessary information from the employing UW institution in order to be fully educated on all potential ramifications of choosing to have the position voluntarily reassigned to an Academic Staff or Limited appointment. The information given to each affected employee must include at a minimum:

- Compensation ramifications, including eligibility for overtime payment;
- Differences in paid leave accruals, including vacation and sick leave accrual;
- Differences in ability to bank and accumulate any paid leave;
- Differences in Wisconsin Retirement System (WRS) designations;
- Differences in employee paid benefit programs (e.g., income continuation, life insurance);
- Differences in appointment terms and job security; and
- Differences in eligibility to participate in collective bargaining.

An incumbent employee choosing to have his/her position voluntarily reassigned to the Academic Staff or to a Limited Appointment must declare his/her intention to do so in writing. The effective date of the voluntary reassignment will be the first of the month following the choice. The type of appointment to which the position will be voluntarily reassigned will be at the discretion of the employing UW System institution. After a position incumbent accepts a voluntary reassignment as defined in this policy, there will not be an opportunity to return to University Staff service in the same position.

4. RELATED DOCUMENTS:

Section [36.115](#) of the Wisconsin Statutes

5. POLICY HISTORY:

**The University of Wisconsin System
UPS OPERATIONAL POLICY: #08**



SUBJECT: Standard Office Hours and Legal Holidays
and Other UW System Institution Closures

Original Issuance Date: July 1, 2013

Last Revision Date:

1. POLICY PURPOSE:

The purpose of this policy is to establish standard office hours, legal holiday and other institutional closure procedures for UW System institutions.

2. POLICY BACKGROUND:

Chapter 230 of Wisconsin State Statutes contains specific information about standard office hours, legal holiday closures and other instances in which institutions may be closed. This policy will provide these same specifics effective July 1, 2013 for UW institutions.

3. POLICY DEFINITIONS:

"Chancellor" means the chief executive of an institution.

"Institution" means any of the following: UW-Eau Claire; UW-Green Bay; UW-La Crosse; UW-Milwaukee; UW-Oshkosh; UW-Parkside; UW-Platteville; UW-River Falls; UW-Stevens Point; UW-Stout; UW-Superior; UW-Whitewater; UW Colleges; UW-Extension; and UW System Administration.

"Standard office hours" means the hours during the day that an institution must be open to the public.

"Standard work week" means days of the week, Monday through Friday, during which institutions must be open to the public.

4. POLICY:

Standard Office Hours

Institutions will be open Monday to Friday from 7:45 a.m. to 4:30 p.m., with intermissions from 11:45 a.m. to 12:30 p.m. The chancellor may adjust opening and closing hours and intermission periods as the University's needs otherwise require.

Legal Holiday Institution Closures

Institutions shall be open on all days of the year except Saturdays, Sundays and the following holidays:

- January 1 (New Year's Day)
- The 3rd Monday in January (Martin Luther King Jr. Day)
- The last Monday in May (Memorial Day)
- July 4 (Independence Day)
- The first Monday in September (Labor Day)
- The 4th Thursday in November (Thanksgiving)
- December 24 (Christmas Eve)
- December 25 (Christmas Day)
- December 31 (New Year's Eve)

If a legal holiday falls on Sunday, institutions will be closed the following Monday. Therefore, employees working the standard workweek observe the holiday by not reporting for work on the Monday following the respective holiday.

If a legal holiday falls on a Saturday, employees will be granted a floating holiday that must be used by the end of the applicable calendar year by University Staff and by the end of the applicable fiscal year by Faculty, Academic Staff and those holding a Limited appointment.

Inclement Weather or Emergency Institution Closures

When inclement weather or emergency conditions exist, every effort will be made to keep affected institutions operating as normal. However, where the health and safety of staff or students would be placed at risk, or conditions or events prevent the normal operation of institutions, the chancellor will determine the nature and extent of any action to be taken.

The chancellor has the authority to cancel classes, close all or part of the institution to the public, or completely close all or part of an institution to the public and employees. The chancellor may specify how any time off or other deviation occasioned by the closure may be covered for the institution's employees.

While the decision rests with the chancellor, the effect of a complete closing makes it preferable to ensure that institutions remain open to employees, even when cancellation of classes or public events is necessary.

5. RELATED DOCUMENTS:

Chapter UWS 18
UPS Operational Policy #10
[Chapter 36, Wisconsin Statutes](#)

6. POLICY HISTORY:

[University Personnel Guideline Section 9.07](#)
[Section 230.35, Wisconsin Statutes](#)
[Section ER 18.04, Wisconsin Administrative Code](#)

The University of Wisconsin System

UPS OPERATIONAL POLICY: #09



SUBJECT: Reinstatement Privileges Under
Wis. Stat. §36.115(6)

Original Issuance Date: July 1, 2013

Last Revision Date:

1. POLICY PURPOSE:

The purpose of this policy is to establish a procedure that provides UW System employees holding positions in the classified service on June 30, 2013, with the reinstatement privileges that they had under Wis. Stats., Section 230.31(1) to classified service positions in state agencies prior to the establishment of the current personnel systems.

2. POLICY BACKGROUND:

Under [Wis. Stat. § 36.115\(6\)](#), employees holding positions in the classified service on June 30, 2013, who have achieved permanent status on that date, shall retain reinstatement privileges to the classified service. Employees holding positions in the classified service on June 30, 2013, who have not achieved permanent status on that date are eligible to receive the reinstatement privileges under Wis. Stats., 230.31(1) for a five-year period from July 1, 2013, if they successfully complete service equivalent to the probationary period required for the position held on June 30, 2013.

3. POLICY DEFINITIONS:

“University Staff” are members of the university workforce who contribute in a broad array of positions in support of the University’s mission and are not exempt (hourly¹) from the overtime provisions of the Fair Labor Standards Act (FLSA)

[¹Note: All FLSA exempt employees holding positions in the State of Wisconsin “classified” service as of June 30, 2013 are given the choice to remain in the University Staff for as long as they retain their existing positions, or to voluntarily be reassigned to a position that the institution has designated as either an Academic Staff or Limited Appointment position - see UPS Operational Policy #36 LINK]

4. POLICY:

This policy applies to former classified staff who were employed by a UW System Institution on June 30, 2013 and became University Staff on July 1, 2013. Under [Wis. Stat. § 36.115\(6\)](#), employees holding positions in the classified service on June 30, 2013, who have achieved permanent status on

that date, retain reinstatement privileges to the classified service as provided under [Wis. Stat. § 230.31\(1\)](#). Under § 230.31(1), for a five-year period from July 1, 2013, employees who have separated from state service shall be eligible for reinstatement in a position in the classified service having a comparable or lower pay rate or range for which those employees are qualified.

Employees holding positions in the classified service on June 30, 2013, who have not achieved permanent status on that date are eligible to receive the reinstatement privileges under Wis. Stats., 230.31(1) for a five-year period from July 1, 2013, if they successfully complete service equivalent to the probationary period required for the position held on June 30, 2013.

5. RELATED DOCUMENTS:

[Wis. Stat. § 36.115.](#)
[Wis. Stat. Chapter 230](#)

6. POLICY HISTORY:

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.b.2.:

WHEREAS the 2011-13 biennial budget (2011 Wisconsin Act 32) created Wis. Stat. § 36.115, authorizing the Board of Regents and the Chancellor of UW-Madison to establish and implement two personnel systems, separate and distinct from the State personnel system under Chapter 230; and

WHEREAS “University Staff” are valued members of the university workforce who contribute in a broad array of positions in support of the University’s mission; and

WHEREAS for the first time the opportunity exists to establish personnel systems that recognize the value and importance that each member of the workforce contributes to the furtherance of the individual missions at each institution; and

WHEREAS faculty and academic staff have established governance rights; and

WHEREAS most of the UW System institutions have for years provided classified staff -- soon will all be “University Staff” -- with an active voice in institutional decision making over matters which impact them; and

WHEREAS pursuant to Wis. Stat. § 36.09(1), the Board of Regents is vested with the primary responsibility for the governance of the University of Wisconsin System,

NOW, THEREFORE, BE IT RESOLVED:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves, effective July 1, 2013, the attached Regent Policy Document on University Staff Governance, which authorizes the “University Staff” of each UW System institution to structure themselves in such manner as they determine and to select representatives to participate in institutional governance. ([Attachment 4](#))

Regent Policy Document University Staff Governance

Scope

This policy authorizes the University Staff of each University of Wisconsin System institution to structure themselves in a manner they determine and to select representatives to participate in institutional governance.

Definitions

“**University Staff**” are members of the university workforce who contribute in a broad array of positions in support of the University’s mission and are not exempt (hourly¹) from the overtime provisions of the Fair Labor Standards Act.

[¹Note: All FLSA exempt employees holding positions in the State of Wisconsin “classified” service as of June 30, 2013 are given the choice to remain in the University Staff for as long as they retain their existing positions, or to voluntarily be reassigned to a position that the institution has designated as either an Academic Staff or Limited Appointment position]

Purpose

The purpose of this policy is to provide to University Staff the opportunity to participate in institutional governance. Students, faculty and academic staff have governance rights granted by Wis. Stat. Chapter 36. This policy enables active participation in the immediate decision-making and policy development of the institution. Active participation in governance for University Staff under this policy is not collective bargaining and will not result in a labor agreement or contract. University Staff may make recommendations, consider proposals, and raise concerns to institutional leadership.

Policy Statement

The Board of Regents is vested with the primary responsibility for governance of the University of Wisconsin System [sec. 36.09(1), Wis. Stats.]. In discharging this responsibility, the Board has an interest in providing University Staff the opportunity to participate in institutional decision-making. Each UW System institution shall:

1. Provide its University Staff members, subject to the responsibilities and powers of the board, the president, and the chancellor and faculty of the institution, the opportunity to be active participants in the immediate governance of and policy development for the institution;
2. Provide its University Staff members the primary responsibility for the formulation and review, and representation in the development, of all policies and procedures concerning University Staff members, including University Staff personnel matters; and

3. Provide its University Staff members the right to structure themselves in a manner University Staff members determine, and to select their representatives to participate in institutional governance.

Oversight, Roles and Responsibilities

The Board of Regents delegates to the President of the UW System or his or her designee the authority to issue operational policies to implement and administer this policy. The Board further authorizes the President to delegate to individual Chancellors the authority to implement this policy at their respective institutions within the parameters established by RPDs and University of Wisconsin System policies.

Related RPDs and Applicable Laws

Chapter 36 of the Wisconsin Statutes
Sec. 227.01(13)(Lm), Wisconsin Statutes

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.b.3.:

WHEREAS the 2011-13 biennial budget (2011 Wisconsin Act 32) created Wis. Stat. § 36.115, authorizing the Board of Regents and the Chancellor of UW-Madison to establish and implement two personnel systems separate and distinct from the State personnel system under Chapter 230; and

WHEREAS a single code of ethics for UW System employees is required by Wis. Stat. § 19.45(11)(b), for the guidance of all UW System employees, and

WHEREAS pursuant to Wis. Stat. § 36.09(1), the Board of Regents is vested with the primary responsibility for the governance of the University of Wisconsin System,

NOW, THEREFORE, BE IT RESOLVED:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves, effective July 1, 2013, the attached Regent Policy Document on Code of Ethics, which confirms the continued application of Chapter UWS 8 Wis. Admin. Code, “Unclassified Staff Code of Ethics” for faculty, academic staff, and limited appointees, except those who are “state public officials” subject to Subchapter III of Wis. Stat. Chapter 19, and adds a university staff Code of Ethics closely modeled after ER-MRS 24, Wis. Admin. Code, which applies to Classified Staff in state agencies. ([Attachment 5](#))

Regent Policy Document Code of Ethics

Scope

This Board of Regents Code of Ethics policy applies to all University of Wisconsin System (UW System) employees. The policy recognizes that faculty, academic staff, and limited appointees (other than state public officials) are subject to Chapter UWS 8 of the Wisconsin Administrative Code, and that university employees who are state public officials will remain subject to Subchapter III of Wis. Stat. Chapter 19. University Staff are subject to the University Staff Code of Ethics set forth in section III below which was closely modeled after Chapter ER-MRS 24 of the Wisconsin Administrative Code, the Code of Ethics for classified state employees.

Purpose

This code of ethics policy is created under the directive of Wis. Stat. § 19.45(11)(b), for the guidance of all UW System employees, to avoid activities which cause, or tend to cause, conflicts between their personal interests and their public responsibilities, and to improve standards of public service. Under 2011 Wisconsin Act 32, the Board of Regents was required to establish a code of ethics for UW System personnel who are not state public officials subject to Wis. Stat. Chapter 19.

Policy Statement

- I.** Faculty, academic staff, and limited appointees (other than state public officials) are subject to Chapter UWS 8.
- II.** State public officials will remain subject to subchapter III of Wis. Stat. Chapter 19. Individuals holding the following positions are state public officials: chancellors, vice chancellors, UWSA president, senior vice presidents, vice presidents, associate vice presidents, and assistant vice presidents.
- III.** University Staff Code of Ethics

A. Introduction

This code of ethics is created for the guidance of employees designated as University Staff to avoid activities which cause, or tend to cause, conflicts between their personal interests and their public responsibilities as UW System employees.

The observance of high moral and ethical standards by University Staff employees is essential. Each employee holds his or her position as a public trust, and any effort to realize personal gain through official conduct is a violation of that trust.

The Board of Regents policy recognizes that:

- 1. University Staff have personal and economic interests in the decisions and policies of national, state and local government.

2. University Staff retain their rights as citizens to interests of a personal or economic nature.
3. The standards of ethical conduct for University Staff must distinguish between those minor and inconsequential conflicts which are unavoidable in a free society and those conflicts which are substantial and material.
4. University Staff may need to engage in employment other than official duties, or may need to maintain investments, but no employee shall engage in any employment or maintain any investment if the employment or investment conflicts with the specific provisions of this code of ethics.

In adopting the standards of conduct set forth in the University Staff code of ethics, it is the Board's purpose to prohibit only those activities which will result in a conflict between the personal interests of a University Staff member and that employee's public responsibilities to the UW System. It is not the Board's purpose to prohibit University Staff from freely pursuing activities that will not result in such a conflict.

B. Definitions

1. "Anything of value" means any money or property, favor, service, payment, advance, forbearance, loan, or promise of future employment, but does not include:
 - a. Any salary, expenses or other compensation paid by the state;
 - b. Any compensation or expenses derived from outside activities permitted under this code of ethics;
 - c. Political contributions which are reported under Wis. Stat. Chapter 11; or
 - d. Hospitality (e.g., meals or lodging) extended for a purpose unrelated to university business. When it could be concluded that the hospitality would be extended if the guest or a member of the guest's immediate family was not a UW System employee, that hospitality is extended for a purpose unrelated to university business.
2. "Associated," when used with reference to an organization, means that a person or a member of a person's immediate family is a director, officer or trustee or owns or controls, directly or indirectly, and severally or in the aggregate, at least 10% of the outstanding equity.
3. "Board" means the Board of Regents of the University of Wisconsin System.
4. "Chancellor" means the chief executive officer of a university, the University of Wisconsin Colleges or University of Wisconsin -Extension.
5. "Domestic partner" is a person with whom a University Staff member has a domestic partnership.

6. “Domestic partnership” means a relationship between two individuals that satisfies all of the following:
 - a. Each individual is at least 18 years old and otherwise competent to enter into a contract.
 - b. Neither individual is married to, or in a domestic partnership with, another individual.
 - c. The two individuals are not related by blood in any way that would prohibit marriage under Wis. Stat. § 765.03.
 - d. The two individuals consider themselves to be members of each other's immediate family.
 - e. The two individuals agree to be responsible for each other's basic living expenses.
 - f. The two individuals share a common residence. Two individuals may share a common residence even if any of the following applies:
 - i. Only one of the individuals has legal ownership of the residence.
 - ii. One or both of the individuals have one or more additional residences not shared with the other individual.
 - iii. One of the individuals leaves the common residence with the intent to return.

7. “University Staff” means members of the university workforce who contribute in a broad array of positions in support of the University’s mission and are not exempt (hourly¹) from the overtime provisions of the Fair Labor Standards Act.

[¹Note: All FLSA exempt employees holding positions in the State of Wisconsin “classified” service as of June 30, 2013 are given the choice to remain in the University Staff for as long as they retain their existing positions, or to move to Academic Staff or Limited Appointment positions].

8. “Hospitality” includes, but is not limited to, meals, beverages, and lodging which a host other than an organization offers a guest on premises owned or occupied by the host or his or her immediate family as the host’s principal or seasonal residence.

9. “Immediate family” means an employee’s spouse or domestic partner; an employee’s relatives by marriage, consanguinity or adoption; and any other person who receives, directly or indirectly, more than one half of his or her support from an employee or from whom an employee receives, directly or indirectly, more than one half his or her support.

10. “Institution” means any university or organizational equivalent designated by the Board of Regents.

11. “Organization” means any corporation, partnership, proprietorship, firm, enterprise, franchise, association, self-employed individual, trust or any other legal entity other than an individual or body politic.

12. “President” means the President of the University of Wisconsin System.

13. "University property" includes, but is not limited to, facilities, vehicles, supplies, equipment, communications equipment and services, information technology equipment and services, stenographic assistance, reproduction services, and research.

C. Standards of Conduct

This code of ethics shall not prevent a University Staff member from accepting outside employment or following a pursuit which in no way interferes with the full and faithful discharge of his or her duties to the UW System, subject to the following:

1. A conflict of interest on the part of the University Staff member exists whenever the University Staff member's action or failure to act propitiously could reasonably be expected to directly or indirectly produce or assist in producing a private benefit for the University Staff member or the University Staff member's immediate family or an organization with which the University Staff member is associated.
2. It is the policy of the Board of Regents to prohibit those activities that will cause a conflict of interest. Therefore:
 - a. No University Staff member may use or attempt to use his or her position or University property, or use the prestige or influence of his or her position for financial gain or other benefits, advantages or privileges for the private benefit of the University Staff member, the University Staff member's immediate family or an organization with which the University Staff member is associated.
 - i. Any UW System salary or other compensation received by the University Staff member from the state for his or her services does not constitute "financial gain" as the term is used in this rule.
 - ii. Incidental personal Use of University property within the limits prescribed by UW System and institutional policies and use of University issued or purchased parking permits for non-work events or activities does not constitute a "private benefit" as the term is used in this policy.
 - b. No University Staff member may solicit or accept from any person or organization, directly or indirectly, anything of value if it could reasonably be expected to influence such University Staff member's official actions or judgment, or could reasonably be considered as a reward for any official action or inaction on the part of such University Staff member.
 - i. No University Staff member who is assigned or acts as an official representative of a UW System institution in the presentation of papers, talks, demonstrations or making appearances shall solicit or accept fees, honoraria or reimbursement of expenses for personal gain. Any fees, honoraria, or reimbursement of expenses which may be offered in connection therewith shall be paid to the University Staff member's institution.
 - ii. Acceptance of fees and honoraria paid for papers, talks, demonstrations or appearances made by a University Staff member on

the University Staff member's own time, and not directly part of official duties, shall not be a violation of this rule. University Staff members shall notify their supervisor or other appropriate administrator prior to accepting fees and honoraria for papers, talks, demonstrations, or appearances to ensure that no conflict of interest exists.

- iii. When a University Staff member is offered an unsolicited award or reward for an exceptional accomplishment or outstanding performance, the appropriate administrator shall determine whether or not it may be accepted by the University Staff member after considering whether acceptance of the award or reward would conflict with the purposes of this policy. University Staff members shall notify their supervisor or other appropriate administrator prior to accepting unsolicited awards or rewards, who in turn shall seek a determination regarding whether acceptance or refusal of the award or reward is appropriate.
- c. No University Staff member may intentionally use or disclose information gained in the course of or by reason of the University Staff member's official position or activities in any way that could result in the receipt of anything of value for himself or herself, for his or her immediate family, or for any other person or organization, if the information has not been communicated to the public or is not public information. However, no reprisal may be taken against a University Staff member for the lawful disclosure of information which the University Staff member reasonably believes evidences:
 - i. A violation of any law, rule, or regulation, or
 - ii. Mismanagement, a gross waste of funds, an abuse of authority, enforcement of unreasonable university work rules, or a substantial and specific danger to public health or safety.
- d. No University Staff member, member of the University Staff's immediate family, nor any organization with which the University Staff member or a member of his or her immediate family is associated may enter into any contract or lease involving payment or payments of more than \$3,000 within a 12-month period, in whole or in part derived from University or state funds unless the University Staff member has first made written disclosure of the nature and extent of such relationship or interest to his or her supervisor or other appropriate administrator and obtained the supervisor's or other administrator's written approval. The University Staff member's supervisor or other appropriate administrator shall approve a University Staff member's interest in a lease or contract unless he or she determines that the University Staff member's personal interest in the agreement will conflict substantially and materially with the University Staff member's discharge of his or her public responsibilities. This paragraph does not affect the application of [Wis. Stat. § 946.13](#), which prohibits private interests in public contracts.
- e. No University Staff member may participate, formally or informally, in the decision to hire, retain, promote or determine the salary of a member of his or her immediate family. No University Staff member may, in the supervision or

management of another employee who is a member of his or her immediate family, give preferential or favored treatment.

3. The President or a Chancellor may, upon written request and by action within a reasonable time of receipt thereof, waive any provision of this section whenever its literal application would be adverse to the best interests of the institution or would work an unreasonable hardship on an employee.
4. Nothing in this section prohibits a University Staff member from making decisions concerning salaries, salary-related benefits or reimbursement of actual and necessary expenses when the action does not result in preferential or favored treatment of a member of the University Staff member's immediate family.

D. Action to Avoid Possible Conflict

When it appears that a material conflict may arise between the personal interests of a University Staff member and his or her public responsibilities, the University Staff member shall notify his or her supervisor or other appropriate administrator by submitting a written statement describing the nature of the possible conflict. Within 15 days after receipt of the statement, the supervisor or other appropriate administrator shall advise the University Staff member in writing that:

1. There is no conflict prohibited by this code of ethics, and the University Staff member may proceed; or
2. There may be a conflict, and further consultation is necessary prior to reaching a determination; or
3. There is a conflict which must be resolved.

If the University Staff member is advised that he or she cannot proceed with institutional duties or with personal interests, the employee, within 15 days after notice of the decision of the supervisor or other appropriate administrator, may appeal the decision under the applicable grievance procedures.

E. Sanctions

The President or appropriate Chancellor may investigate possible code of ethics violations whenever the circumstances warrant.

Oversight, Roles & Responsibilities

In addition to oversight by the President and the appropriate Chancellor's Office, compliance with this code of ethics will be monitored periodically.

Related RPDs and Applicable Laws and Policies

Wis. Stat. § 19.41, et seq., Code of Ethics for Public Officials and Employees

Wis. Stat. § 36.23, Conflict of Interest
Wis. Admin. Code Chapter UWS 8, Code of Ethics
RPD13-4, University of Wisconsin System Policy on Institutional and Employee Relationships
with Educational Loan Lenders
RPD 20-7, Outside Activity Reporting
RPD 25-3, Use of University Information Technology Resources
U.S. Department of Health and Human Services requirements on reporting conflicts of interest.

History

[OTHER REFERENCES TO BE ADDED]

Endorsement of Technical Statutory Changes
Needed to Accomplish the
Intent of Wis. Stat. § 36.115

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.b.4.:

WHEREAS the 2011-13 biennial budget (2011 Wisconsin Act 32) created Wis. Stat. § 36.115, authorizing the Board of Regents and the Chancellor of UW-Madison to establish and implement two personnel systems separate and distinct from the State personnel system under Chapter 230; and

WHEREAS pursuant to Wis. Stat. § 36.09(1), the Board of Regents is vested with the primary responsibility for the governance of the University of Wisconsin System,

NOW, THEREFORE, BE IT RESOLVED:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached technical statutory changes, needed by July 1, 2013 to accomplish the intent of Wis. Stat. § 36.115, including:

- (1) changes that acknowledge that, beginning July 1, 2013, there no longer will be UW System employees designated as “classified” or “unclassified” staff;
- (2) creation of a new subchapter of Wis. Stat. Chapter 111, under which and the Board of Regents and the UW-Madison Chancellor will have administrative responsibility for labor relations for University Staff who no longer would be covered under the State Employment Labor Relations Act (SELRA); and
- (3) revisions to Wis. Stat. § 230.08, to identify UW System employees as employees of the State of Wisconsin, subject to the personnel systems required by Wis. Stat. § 36.115.

(Attachments 6a, 6b, and 6c)

SUGGESTED CHANGES THAT WOULD ELIMINATE STATUTORY REFERENCES TO CLASSIFIED AND UNCLASSIFIED UW SYSTEM EMPLOYEES

The following statutory changes are needed because on July 1, 2013, UW System employees will no longer be categorized as classified or unclassified employees.

Chapter 36 References to Classified Staff

Wis. Stat. Chapter 36 contains four references to classified UW System employees. Effective July 1, 2013, most classified staff will be categorized as university staff unless they are voluntarily reassigned to positions that institutions designate as academic staff or limited appointment positions. Statutory changes are needed to reflect this new designation. Following are suggested changes that modify the statutory language:

36.05 – Definitions.

Wis. Stat. § 36.05(6) – Definitions. “~~Classified~~ University staff” means members of a university workforce who contribute in a broad array of positions in support of the University’s mission and who are not all employees of the system other than faculty, academic staff, persons whose employment is a necessary part of their training, student assistants ~~and~~ or student hourly help.

36.11 – Powers and duties of the board of Regents.

Wis. Stat. § 36.11(8e) -- Parking fees. The board shall direct each institution within the system to charge a parking fee for the parking of motor vehicles by students, faculty, academic and ~~classified~~ university staff and visitors at campus. The board shall require the fee to be sufficient to recover the costs of the construction and maintenance necessary for the parking facilities. Nothing in this paragraph shall be deemed to require the recovery of the costs of land for parking facilities. Nothing in this paragraph shall be deemed to require that all users of the parking facilities be charged a parking fee. College campus facilities owned by a county are not required to charge a parking fee.

36.25 – Special programs.

Wis. Stat. § 36.25(11)(e) -- State laboratory of hygiene ~~The technical staff and other employees necessary to the operation of the laboratory shall be employed under the classified service by the director~~ The board, upon the recommendation of the chancellor of the university of Wisconsin-Madison, with the approval of the laboratory of hygiene board, shall appoint the director of the laboratory and such other members of its professional staff as are required for the administration of the laboratory. The technical staff and other employees necessary to the operation of the laboratory shall be university employees who are employed under the general supervision of the director.

Wis. Stat. § 36.48 -- Alcohol and other drug abuse prevention and intervention programs. The board shall appoint alcohol and other drug abuse prevention and intervention program counselors for the university of Wisconsin-Madison and the university of Wisconsin-Milwaukee. The counselors shall develop alcohol and other drug abuse prevention and intervention programs

and train faculty, academic staff and ~~classified-university~~ staff in the prevention of and early intervention in alcohol and other drug abuse.

Statutory References to Unclassified Staff

In the Wisconsin Statutes we found references to unclassified UW System employees in Wis. Stat. §§ 20.865(1)(cj), 40.05(5)(a), and 109.03(1)(c). Following are suggested statutory changes that eliminate these references.

20.865 – Program supplements.

Wis. Stat. § 20.865(1)(cj) – *Pay adjustments for certain university employees.* The amounts in the schedule to finance the cost of pay and related adjustments approved or provided by law, by the legislature under s. 111.92, by the joint committee on employment relations under s. 230.12 or by the governor, the joint committee on finance or the legislature in budget determinations for employees of the University of Wisconsin System ~~in the unclassified service~~ whose positions are wholly or partly funded from federal revenue under 7 USC 343, whenever federal revenue is not provided to finance this cost, but not including any adjustments provided by the board of regents of the University of Wisconsin System to correct salary inequities or to recognize competitive factors from moneys not allocated for that purpose by law or in budget determinations. Moneys from this appropriation may be used to finance the cost of adjustments for a position that is partly funded from federal revenue only in proportion to the part funded from federal revenue.¹

40.05 – Contributions and premiums.

Wis. Stat. § 40.05(5)(a) -- Income continuation insurance premiums. For the income continuation insurance provided under subch. V the employee shall pay the amount remaining after the employer has contributed the following or, if different, the amount determined under a collective bargaining agreement under subch. V of ch. 111 or s. 230.12 or 233.10:

(a) For ~~teachers in the unclassified service of the state employed by the board of regents of the university employees designated as teacher participants~~, no contribution if the teacher has less than one year of state creditable service and an amount equal to the gross premium for coverage subject to a 130-day waiting period if the teacher has one year or more of state creditable service.

109.03 -- When wages payable; pay orders

Wis. Stat. § 109.03(1)(c) -- Required frequency of payments. Every employer shall as often as monthly pay to every employee engaged in the employer's business, except those employees engaged in logging operations and farm labor, all wages earned by the employee to a day not more than 31 days prior to the date of payment. Employees engaged in logging operations and farm labor shall be paid all earned wages no less often than at regular quarterly intervals. Any employee who is absent at the time fixed for

¹ 7 USC 343 is the Smith-Lever Act. The Smith-Lever Act of 1914 establishes the Cooperative Extension Service and provides federal funds for cooperative extension activities. The act requires that states provide a 100% match from non-federal resources.

payment or who for any other reason is not paid at that time shall be paid thereafter at any time upon 6 days' demand. The required frequency of wage payments provided in this subsection does not apply to any of the following:

- (a) Employees covered under a valid collective bargaining agreement establishing a different frequency for wage payments, including deferred payments exercised at the option of employees.
- (b) School district and private school employees who voluntarily request payment over a 12-month period for personal services performed during the school year, unless, with respect to private school employees, the employees are covered under a valid collective bargaining agreement which precludes this method of payment.
- (c) ~~Unclassified~~ Employees of the university of Wisconsin system.

Creation of a New Subchapter of Wis. Stat. Chapter 111

The development of new personnel systems that are “separate and distinct” from Chapter 230 requires the creation of a new labor relations law under which the Board of Regents and the UW-Madison Chancellor will have complete administrative responsibility for labor relations. A new subchapter of Wis. Stat. Chapter 111 should be created under which University Staff (current classified staff) would no longer be covered under the State Employment Labor Relations Act (SELRA).

In recognition of the need for a change, the Legislative Reference Bureau (LRB) has drafted a new subchapter VI of Chapter 111 that would make it clear that the Office of State Employment Relations (OSER) would not have labor relations oversight over the Board of Regents and the UW-Madison Chancellor. The new subchapter would affect the rights of all University Staff (except supervisors and confidential employees), teaching assistants and research assistants employed by UW-Madison and the balance of UW System institutions. The following is a summary of how the proposed new subchapter VI would modify the existing law:

- In addition to eliminating OSER oversight of UW System labor relations, the proposed subchapter would eliminate the requirement that the Joint Committee on Employment Relations (JCOER) approve tentative collective bargaining agreements. These changes are consistent with the Board of Regents seeking full authority for approving pay plans for UW System employees.
- The proposed subchapter would retain all but two of the collective bargaining units established by 2011 Wisconsin Act 32, which are the same bargaining units that have long been established under SELRA. The proposed changes would eliminate the legal and patient treatment bargaining units because there are no UW System institution employees in these two occupational groups who are eligible to form or join unions.
- The proposed subchapter would allow employees in multi-institution bargaining units who participate in a representation election to opt out of unionization. Under existing law, only the program assistants, project assistants, and teaching assistants employed at institutions other than UW-Madison or UW-Milwaukee are entitled to indicate, by a majority of those voting for or against unionization, they do not want to be a part of a multi-institution collective bargaining unit.
- Under the Act 32 amendments, the Board of Regents and the UW-Madison Chancellor would submit tentative collective bargaining agreements to JCOER, and JCOER would be required to hold a public hearing before determining its approval or disapproval. Under the proposed subchapter VI, the Board of Regents and the UW-Madison Chancellor (and not JCOER) would hold hearings that would allow for public input on whether tentative collective bargaining agreements should be approved.

Although there are now only four certified unions representing UW System employees, and although there are only approximately 400 employees in those four unions, the Board of Regents and the UW-Madison Chancellor need to have a collective bargaining capacity to negotiate with those unions, and to negotiate with any other unions that are organized in the future.

Change Needed to Wis. Stat. § 230.08 to Continue to Define UW System Employees as State Employees.

This revision will enable UW employees to accept positions with state agencies and employees of state agencies to accept UW positions without loss of creditable Wisconsin State Retirement service and accrued sick leave benefits. The proposed revision of Wis. Stat. § 230.08(2)(cm) is as follows:

(cm) All positions of the University of Wisconsin System that are administered by personnel systems that were created under s. 36.115 and that are separate and distinct from the personnel system in ch. 230. identified in s. 20.923 (4g) and (5).

NOTE: Par. (cm) is repealed eff. 7-1-13 by 2011 Wis. Act 32.

Special Task Force on UW Restructuring and Operational Flexibilities Recommendations: Personnel Systems & Compensation

Personnel Systems

Topics/Issues

The Task Force considered two questions related to the new personnel systems being created by UW-Madison and UW System:

1. What ability to transfer should UW employees holding positions that were formerly part of the classified staff have in the future?
2. Should UW employees holding positions that were formerly part of the classified service be given governing authority similar to that granted to the faculty, academic staff, and students?

Recommendations

The Task Force considered whether UW employees who were formerly part of the classified staff should retain the ability to transfer within the UW System and other state agencies and whether these employees should be granted governing authority similar to the authority granted to faculty, academic staff, and students under current law. The Task Force recommended that these matters be decided by the Board of Regents and the UW-Madison Chancellor through the personnel system development process. The Board of Regents and the UW-Madison Chancellor will submit the new personnel systems to the Joint Committee on Employment Relations (JCOER) for approval prior to implementation on July 1, 2013.

Compensation

Topics/Issues

The Task Force considered two questions related to compensation:

1. Should UW employees continue to be included in the state compensation plan making the UW System eligible for funds through the supplement process?
2. Should the Board of Regents be granted the authority to provide merit increases to UW employees using base resources?

Recommendations

The Task Force recommended that UW employees not be included in the state compensation plan. Instead, the Task Force recommended that the Board of Regents request funding for adjustments in employee compensation and benefits in its biennial budget request. If approved, or modified and approved, by the Legislature during budget deliberations, funding for these adjustments would be provided in the UW System's base budget and the UW System would not receive supplements from the compensation reserve during the biennium. The Task Force did not recommend the inclusion of a "me too" clause which would have provided the UW System with additional funds if the state compensation plan provided greater increases in compensation and benefits for other employees. The Task Force also recommended that the Board of Regents be granted the authority to provide merit-based salary increases to UW employees using base resources. The state would not be obligated to increase appropriations to the UW System to fund merit-based salary increases for UW employees. Both recommendations would require statutory changes.



A STRATEGIC PLAN FOR A NEW UW—MADISON HUMAN RESOURCES SYSTEM

November 19, 2012



WISCONSIN
UNIVERSITY OF WISCONSIN—MADISON

EXECUTIVE SUMMARY

In June 2011, the passage of Wisconsin Act 32 (the 2011-13 state biennial budget) provided UW–Madison with an unprecedented opportunity to create its own “separate and distinct” personnel system. Currently, the university manages human resources under two primary sets of personnel policies and programs—the classified personnel system, for jobs that the university has in common with other state agencies; and the unclassified personnel system for jobs that are unique to the university. The classified system was created and is maintained by state government while the unclassified system was created and is maintained by the Board of Regents.

While the two systems have met many of our needs over the years, their separate development has created two distinct sets of HR practices on our campus. Having two systems adds complexity, creates confusion for employees, and contributes to a sense of hierarchy and inequality among employees. Because of limits to our control and authority, the university has had to rely on some HR processes that are outdated, ineffective and inefficient. By creating a new, integrated personnel system designed specifically to meet the needs of a world-class institution of higher education, we can begin to develop a more effective, consistent and coherent system that serves both the institution and our employees.

HR Design work teams involved more than 140 employees and students.

The HR Design project vision is a campuswide effort to build, through thoughtful design, a more efficient and effective UW–Madison human resources system to best serve the needs of the university, its employees and the citizens of Wisconsin. A key aspect of this vision is to develop a 21st-century workforce that is diverse and engaged, has the right talent and is adaptable. This vision aligns with two UW–Madison strategic priorities: “Recruit and retain the best faculty and staff, and reward merit” and “Enhance diversity in order to ensure excellence in education and research.” The HR Design vision also aligns with the Wisconsin Idea: that the university should be a resource for the state, the nation and the world.

The new UW–Madison personnel system must also enable our university to be more responsive to our changing needs and environment, including economic forces such as the erosion of state government financial support for the UW System. Universities are highly complex organizations that rely on an enormous range of diverse talent. Having authority over important HR activities, such as creating job titles, developing pay programs and designing recruitment processes, will position the university to attract, develop and retain the best talent and provide enhanced opportunities for our current employees.

By improving our hiring and compensation processes, building employee engagement, encouraging employee development and creating paths to advancement, we enhance individual potential, opportunity and achievement. By adopting and refining innovative practices, we become a model employer.

Finally, by improving our capability to be responsive and adaptable, we improve our ability to evolve to meet the changing needs of those we serve.

From the start, the project team interpreted “personnel system” to include all activities related to recruiting, developing, advancing, retaining and transitioning employees through their careers at the university. We also committed to involve the entire campus directly in developing the new HR system. To do this, we convened 11 employee work teams to address the personnel areas across the entire employee lifecycle, ranging from recruitment to employee transition. Each work team brought together representatives from governance, administration, labor organizations, other employee groups and the HR community. Assisted by teams focusing on communications, collaboration, change management and data analysis support, the work teams researched their topics, discussed alternatives and drafted recommendations. After soliciting feedback from across the campus—through surveys, campus forums, briefings and web chats—the work teams refined and finalized their recommendations.

The teams submitted more than 150 recommendations, supplemented by scores of pages of additional analysis, guidelines and supporting details. Throughout the summer, the project team synthesized these recommendations into this strategic plan document, which identifies several priority areas for change. In selecting these priorities, the project team considered multiple factors, including alignment and interdependencies of the recommendations; financial, legal and technical constraints; and campus input.

After the project team submitted this plan in September, we continued our conversations with governance and other stakeholder groups. As a result, this revised version of the plan incorporates significant changes. Central to the plan is the creation of a new employee category—university staff—for hourly employees currently in the classified service. In parallel, the current category of academic staff will be redefined to include all salaried staff. We believe these clearer definitions for academic and university staff will provide greater consistency and clarity in assigning job titles to those categories. As with faculty and academic staff, university staff members will have governance rights and thus be able to participate in the ongoing development of the personnel policies and processes that impact them.

Through the course of the project, recommended changes to compensation and benefits programs drew intense attention, both positive and negative, from across campus. The Compensation and Benefits work teams both recognized the need to address the full value of all forms of pay and benefits. As the teams emphasized, it is critical that UW–Madison develop and implement a “total compensation” (pay *and* benefits) approach that is fair, equitable, competitive with other employers and rewards performance. To this end, the compensation components of this plan include:

- Developing a compensation structure that balances internal equity and market competitiveness and also accommodates cost-of-living adjustments.
- Continuing the campuswide policy to provide a living wage to staff.
- Providing mechanisms to reward performance for all faculty and staff.
- Developing a proposal for a university-wide job title and total compensation analysis that will form the basis for a new, integrated set of compensation and benefits programs.
- Until this analysis is completed, putting in place a transitional structure that provides additional compensation flexibility.
- Providing opportunities for governance groups to provide advice and input on compensation.

In summer 2013, the university hopes to begin the job title and total compensation analysis. Through this project, we will create new job titles and levels; update and simplify our compensation program; and assess vacation, leave and other benefits programs. As with the HR Design project, governance groups, employees and HR professionals will be actively involved in the process and review of recommended changes. Although the study will ultimately result in changes to the university compensation structure, increases will not automatically occur when the structures are implemented. As is the case now, pay increases will be dependent on funding availability.

Other elements of the plan reflect a shift to a more proactive approach to managing and developing talent at our university. The implementation of a new online job application/applicant tracking system and recruitment processes and tools, for example, will help the university fill vacancies in a more efficient and effective way. New training and development programs, including programs for managers and supervisors, will build the university's capacity and skills. New performance management requirements and guidelines will encourage employees and managers to work together to identify goals, share feedback and identify opportunities for improvement, development and advancement. Moreover, we are hoping to integrate and align these activities in a way that promotes employee success throughout their careers.

Job security is a key area of concern for employees. While the change in statute requires the university provide just-cause and due process standards for current employees, it does not require that we do so for future employees in the same positions. Nonetheless, we are committed to providing just-cause and due process standards for all current *and* future university staff. Working with university staff governance, we will define the specific processes to appeal discipline and termination that are consistent with these standards. The plan does call for some changes to layoff and probation policies, such as continuing mandatory placement of laid-off employees but limiting the placement to vacancies in their divisions. We have heard and understand the impact of changes to layoff policies, but also feel that they are critically important for the university to be able to fill positions with the candidates best suited for them.

For those employees who are affected, the Office of Human Resources will provide referrals, placement services, and career counseling so that these employees can find new positions that provide the best fit between them and their new employers.

The components of the plan also have the potential to shape our workforce and affect our campus climate, and enhancing diversity and inclusion is a primary objective. By undertaking a more systematic planning process, we hope to establish clear, targeted goals for creating and maintaining a diverse and inclusive workforce as well as identify specific responsibilities for achieving those goals. The plan also calls for metrics in all areas of HR, as well as for diversity and equity. These metrics will provide an ongoing reference point to assess our progress.

These changes, and the many other initiatives detailed in the plan, support stewardship, fairness, respect and excellence. More importantly, they provide a foundation for the university to continually improve our policies and processes.

UW–Madison has an extraordinary opportunity to tailor its human resources system to the needs of our great university. This is an opportunity—and a challenge. Aided by the efforts of the work teams and the commitment of the campus community to engage in this initiative, we are in a position to succeed. Throughout, we have relied upon values that define UW–Madison: the fearless sifting and winnowing of ideas, shared governance and a willingness to lead.

We must stay true to these values and continue to work together to finish the job. The result will be a human resources system that will help UW–Madison achieve its vision of being a model public university in the 21st century.

We invite you to review the plan. We look forward to continued engagement with the campus community as we develop and implement these important changes, and we appreciate the partnership of the entire campus community as we work together to advance our workforce and community.

UW SYSTEM TRUST FUNDS REVIEW OF REGENT POLICY DOCUMENTS

EXECUTIVE SUMMARY

BACKGROUND

The UW System Board of Regents' policies are codified in Regent Policy Documents (RPDs) that have been adopted over time, some dating back to the creation of the UW System. The Board has adopted these policies under the authority granted in Chapter 36, Wis. Stats. The RPDs address a wide array of subjects, including academic policies and programs, contracts, student activities, and trust and investment policies.

In February 2011 the President of the Board of Regents formally announced the beginning of a process to review and update the RPDs. The review process may result in updating and revising current policies, eliminating obsolete ones, or identifying areas in which new policies are needed. Each policy will be analyzed in light of its original purpose, whether that purpose still exists, and the likely effects of any revisions. Of paramount importance in considering changes to each RPD is the promotion of administrative flexibility and efficiency.

At its meeting of October 5, 2012, the Board reviewed and approved modifications to, or rescissions of, various RPDs related to the corporate governance and social responsibility of UW System Trust Funds' investments. At that time, it was anticipated that a review of the remaining RPDs pertaining to UW System Trust Funds – those dealing with overall administration and investment – would be taken up at the December 2012 Board meeting. The following RPDs are the subject of this document:

- RPD 31-1: Investment of Cash Reserves
- RPD 31-4: Trust Fund Disbursement Certification
- RPD 31-8: Small Fraction Spending Plan (Endowment Reinvestment)
- RPD 31-9: Investment Policy Statement
- RPD 31-11: University of Wisconsin System Custodial Services
- RPD 31-12: Changes in Investment Custodial Services
- RPD 31-14: Trust Fund Asset Allocation Policy
- RPD 31-15: Policy on Quasi-Endowments

The following and final Trust Funds-related RPDs will be reviewed at a later date, as they may also require a review of relevant sections of the Board's Bylaws:

- RPD31-2: Management and Administration of Trust Funds
- RPD 31-3: Transfer of Securities

REQUESTED ACTION

- Adoption of Resolution I.2.c.1.i., which modifies RPD 31-9 and rescinds RPDs 31-8 and 31-14;
- Adoption of Resolution I.2.c.1.ii., which modifies RPD 31-15; and
- Adoption of Resolution I.2.c.1.iii, which rescinds RPD 31-4, and removes from the collection of Regent policies RPDs 31-1, 31-11, and 31-12.

DISCUSSION

1. Policies Relating to the Investment Management of UW System Trust Funds

The UW System Board of Regents has three policies that address aspects of the investment management of UW System Trust Funds: RPD 31-9, “Investment Policy Statement”; RPD 31-8, “Small Fraction Spending Plan (Endowment Reinvestment)”; and RPD 31-14, “Trust Fund Asset Allocation Policy.” These policies were developed in the 1990s, and have been updated multiple times. It is the recommendation of the Office of Trust Funds that as part of the Regent Policy Document review process, these policies be consolidated into a singular RPD entitled “Investment Policy Statement: Key Elements and Review Process.” Resolution I.2.c.1.i. would rescind RPDs 31-8 and 31-14, as the relevant content of these policies is addressed in RPD 31-9. The following summarizes the history of RPD 31-8, 31-9, and 31-14, and the proposed changes:

RPD 31-9: Investment Policy Statement (IPS)

The first documented IPS for the UW System Trust Funds was developed in December 1983, and has been updated several times since then. The current IPS, a robust and lengthy document authorized by the Board of Regents in December 2007, has been annually reviewed, revised, and/or reaffirmed at the Board’s December meeting. The two primary elements of the IPS are the asset class allocation targets for the investment funds and the annual spending distribution rate for the endowment (Long Term) fund. Prior to the 2007 version of the IPS, these elements were addressed separately under RPDs 31-14 and 31-8.

Currently, RPD 31-9 merely references the availability of the IPS from the Office of Trust Funds and provides a link to the document for on-line viewers. As the format for the RPD does not meet the requirements for a Board policy, and the full IPS is too lengthy to become part of the RPD catalog, it is recommended that the RPD be revised to provide a summary of what key elements are to be incorporated into the full IPS and the process the Board will utilize for regularly reviewing these elements. The reference and link to the full IPS should remain. It is also recommended that the title of RPD 31-9 be revised to, “Investment Policy Statement: Key Elements and Review Process.” A revised version of RPD 31-9 is attached.

RPD 31-8: Small Fraction Spending Plan (Endowment Reinvestment)

RPD 31-8, created in July 1990 with the adoption of Res. 5555, has been amended several times, most recently in June 2005. The purpose of this policy was to introduce a spending distribution plan and a reserve methodology for the endowment which would help to ensure its long-term sustainability. The amendments to the policy have modified the spending rate, introduced new asset classes for potential investment, and changed the timing of contributions to the stabilization reserve. (The stabilization reserve was to be credited with the excess, if any, of actual endowment earnings less expenses less the calculated spending distribution). This RPD is no longer referenced or cited, as the endowment spending distribution plan and methodology are now incorporated into the Investment Policy Statement (currently referenced in RPD 31-9), which is annually reviewed by the Board. In addition, the stabilization reserve principle and practice referenced in the policy are no longer used. Therefore, it is recommended that RPD 31-8 be rescinded.

RPD 31-14: Trust Fund Asset Allocation Policy

RPD 31-14 was created with the adoption of Res. 7770 in September 1998. This RPD sets forth the broad asset class allocation for the UW System Trust Funds, referencing simply equities and fixed income. The RPD, specifically the ratio of equity to fixed income, was amended at least once following its original adoption.

RPD 31-14 is no longer referenced or cited, since the asset allocation targets for the investment funds are now incorporated into the Investment Policy Statement (currently referenced in RPD 31-9). Therefore, it is recommended that RPD 31-14 be rescinded.

2. Modification of RPD 31-15: Policy on Quasi-Endowments University of Wisconsin System Trust Funds

First adopted in October 1990 and later amended in November 2004, the purpose of RPD 31-15 is to provide for more long-term or perpetual support from large gifts where the donor has not chosen to endow or otherwise restrict the usage of gift principal. Currently, when such gifts are \$250,000 or more, they are to be identified and treated as Board-designated endowments and managed accordingly. (The 2004 amendment increased the threshold from \$50,000 to \$250,000.) The policy also describes a mechanism by which benefiting units can appeal and potentially receive exception to this treatment.

This policy is regularly referenced and fully applied in practice. It is therefore recommended that the essential language of RPD 31-15 be retained, with only the following minor modifications:

- Change the title to “Policy on Large Un-endowed Bequests/Gifts”, and remove other references to the term “quasi-endowments.”
- Update the name of the Committee to the “*Business, Finance, and Audit Committee.*”

A revised and reformatted version of RPD 31-15 incorporating these changes is attached. Approval of Resolution I.2.c.1.ii. would amend the policy and incorporate these changes.

3. Unnecessary or Transitional Policies

One of the RPDs related to the UW System Trust Funds has been determined to be unnecessary: RPD 31-4, “Trust Fund Disbursement Certification.” It is the recommendation of the Office of Trust Funds that this policy be rescinded, which would be accomplished with the approval of Resolution I.2.c.1.iii. The following summarizes the history and relevance of this policy:

RPD 31-4: Trust Fund Disbursement Certification

RPD 31-4, adopted in September 1972, lists the persons/positions authorized to certify “all lists covering disbursements from University Appropriations and from University Trust Funds.” Minutes from the Board of Regents meeting of September 1972 provide no additional information regarding the original purpose, intent, and applicability of this policy. Because the policy is not currently applied or referenced in any way, it is recommended that RPD 31-4 be rescinded.

Three additional RPDs, 31-1, 31-11, and 31-12, address a one-time situation, are time-specific, and/or transitional documents that no longer meet the criteria developed by the Board of Regents Office for Regent Policy Documents. These criteria include consideration of the extent to which a policy establishes a fundamental principle, serves as an enduring statement, or communicates the Board’s expectations for the UW System and/or UW institutions. It is the recommendation of the Office of Trust Funds that these policies be removed, which would be accomplished with the approval of Resolution I.2.c.1.iii. The following summarizes the history and relevance of these three policies:

RPD 31-1: Investment of Cash Reserves

RPD 31-1 was adopted in December 1971 and prompted by UW-Parkside’s desire to invest \$125,000 of reserve auxiliary cash until needed for the construction of a new student center. Citing Wis. Stat. § 20.285, the policy allowed for this specific investment and for the investment of “any accumulated cash reserves in the future” for all Chapter 36 institutions.

While s. 20.285(1)(h) has been removed, Wis. Stat. § 36.11(11) states, “the board may invest any of the surplus money designated in s. 20.285(1)(h), 2009 stats., in such securities as are legal for trust fund investments...” This continues to provide the Board of Regents with the authority to so invest surplus auxiliary enterprise funds. RPD 31-1 therefore mirrors the authority already provided in statute and, from that standpoint, is unnecessary. Furthermore, the RPD’s provision for the specific investment of \$125,000 in 1971 was a specific directive to address a one-time situation at a single UW institution, which no longer meets the criteria for a RPD. Therefore, as the RPD in its entirety is

unnecessary, it is recommended that RPD 31-1 be removed from the Regent Policy Documents.

RPD 31-11: University of Wisconsin System Custodial Services

RPD 31-11, adopted in May 1993, rescinds the delegation of the custody and clearance function to the State of Wisconsin Investment Board (SWIB) at SWIB's request. The resolution also authorizes the UW System Trust Officer to take specific short-term actions during the transitional period that followed the rescission of delegated authority to SWIB. Although the history behind these developments could not be ascertained with certainty, it is believed that from 1975 until 1993, the UW System Trust Funds' assets were a part of the total assets for which SWIB contracted with Morgan Guaranty for custodial services. While SWIB did not itself have custody of Trust Funds' assets, the agency was likely responsible for opening new accounts and resolving trading and other issues on behalf of Trust Funds. When SWIB decided that it no longer wanted that responsibility, the Board of Regents authorized the Trust Funds Officer to open interim accounts with Morgan Guaranty Trust Company and Firststar Bank.

As RPD 31-11 was a specific directive that was time sensitive and had a short-term effect, it no longer meets the criteria for Regent policy. It is therefore recommended that RPD 31-11 be removed from the Regent Policy Documents.

RPD 31-12: Changes in Investment Custodial Services

Res. 6474 which created RPD 31-12 was adopted in July 1993, shortly after the Regents rescinded the delegation of the custody and clearance function to SWIB and authorizes the Trust Officer to open accounts with any custodian used by SWIB, now or in the future. It should be noted here that UW System Trust Funds continues to use SWIB's custodian, currently BNY Mellon Bank under SWIB's master contract, which is exceedingly cost effective.

RPD 31-12 provides explicit authority to the Board's Trust Officer, as a point-in-time administrative directive, it does not meet the criteria for a Regent Policy Document. Therefore, it is recommended that RPD 31-12 be removed from the Regent Policy Documents. It should be noted removing this directive from the RPDs would not change the original resolution Res. 6474, which remains in effect.

RELATED REGENT POLICIES

RPDs 31-1, 31-4, 31-8, 31-9, 31-11, 31-12, 31-14, and 31-15, as described above.

UW System Trust Funds Regent Policy Document Review Process:
Rescission, Consolidation, and Modification of
Regent Policy Documents 31-8, 31-9, and 31-14

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.c.1.i.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached revisions to Regent Policy Document 31-9, "Investment Policy Statement" and rescinds Regent Policy Documents 31-8, "Small Fraction Spending Plan (Endowment Reinvestment)" and 31-14, "Trust Fund Asset Allocation Policy."

31-9 INVESTMENT POLICY STATEMENT: KEY ELEMENTS AND REVIEW PROCESS

(Formerly 91-11)

Scope

This policy applies to the invested assets of University of Wisconsin Trust Funds.

Purpose

The purpose of this policy is to provide the key elements which are to be incorporated into a fuller, more detailed stand-alone document, the “University of Wisconsin System Trust Funds: Investment Policy Statement” (IPS), and the process the Board uses for regularly reviewing these key elements and the IPS in its entirety. In broad terms, the IPS should provide the guiding principles for all aspects of the management of entrusted assets and the premises on which these principles rest.

Policy Statement

Objectives and Guidelines for the Principle Fund and the Investment Objectives and Guidelines for the Income Fund are adopted. The full document may be obtained from the University of Wisconsin System Trust Fund Office.

Key elements of the Board’s IPS for the University of Wisconsin Trust Funds include the following:

Premises, which are to discuss the underlying bases for the policies and their implementation, and fall into these main categories:

- Investment objectives, constraints, and competencies
- Core investment philosophies and beliefs

Investment Policies, which are to describe specific policies adopted to attain identified objectives while conforming with the major premises, and fall into these main categories:

- Asset allocations, policy portfolios, and benchmarks
- Other investment and risk management policies and practices

Implementation, which is to describe by whom and how the policies are to be implemented, and fall into these main categories:

- Roles and responsibilities
- Investment manager selection, retention, and termination
- Avoidance of conflicts of interest

Evaluation, which is to describe how success will be monitored and evaluated, and falls into these main categories:

- Monitoring and measuring success
- Reporting and communication standards

Appendices, which are to provide greater detail on various policy elements discussed at a broader level in the main body of the document, and should include the following:

- Detailed asset allocations and benchmarks for each of the investment funds
- Spending policy for the Long Term (Endowment) Fund

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. Therefore, the Board will annually review, reaffirm, and/or adopt any necessary revisions to the full IPS document.

Oversight, Roles, and Responsibilities

The Board of Regents is the principal and ultimate fiduciary for the University of Wisconsin System Trust Funds. The Board of Regents Business, Finance, and Audit Committee is delegated oversight of the management and administration of the Trust Funds, including 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 Trust Officers of the Board are responsible for receiving, managing, and maintaining records of all trust funds of the University of Wisconsin System and performing other duties relating to trust funds imposed by law and the rules and policies of the Board.

The IPS further defines the roles and responsibilities of the Board and/or its Business, Finance, and Audit Committee as the following: to regularly review and approve the Investment Policy Statement, which is to include asset allocations and spending policies for the investment funds, and to annually elect all UW System Trust Officers. The Trust Officers of the Board have the duty to otherwise implement, conduct, oversee, and monitor all other aspects of the management and administration of the UW System Trust Funds.

Related RPDs and Applicable Laws

Wis. Stat. s. 36.29

Wis. Stat. s. 112.11 (“UPMIFA,” the Uniform Prudent Management of Institutional Funds Act) Bylaws of the Board of Regents of the University of Wisconsin System

Separate policy document: “University of Wisconsin System Trust Funds: Investment Policy Statement”

History

Res. 5946 adopted 11/8/91; amended by Res. 5999, 2/92; Res. 6260, 11/92; Res. 6343, 3/93; Res. 6487, 9/93; Res. 7364, 12/96, Res. 7776, 10/98; Res. 7776, 10/98; Res. 8090,3/00; Res. 8325,3/01, Res. 8640, 12/02. rescinded and replaced by Res. 9419, 12/7/07. Original document dated 12/8/83.



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Regent Policy Documents

SECTION 31: TRUST AND INVESTMENT POLICIES

31-8 SMALL FRACTION SPENDING PLAN (ENDOWMENT REINVESTMENT)

(Formerly 90-4)

Effective with the 1991-92 fiscal year, a Small Fraction Spending Plan (Endowment Reinvestment) is implemented for Trust Funds. The plan will be phased in over two years; a 5.5% spending fraction in the first year; 5.2% the second year and then 5.0%*. The fraction will be applied to a three-year moving average of endowment valuations (12 quarterly valuations). Capital gains may be used to maintain the spending rate when income earned is less than the fraction. Income earned in excess of the fraction will be added to endowment principal in a Stabilization Reserve. The formula for determining the quarterly amount for the Stabilization Reserve is:

Total Principal Earnings--Consolidated University Trust Funds

Less: Investment Advisory and Administrative Fees on Principal Funds

Less: Small Fraction amount

Equals Addition to the Stabilization Reserve

Departments, with approval of the chancellor's delegate, may withdraw funds from the Stabilization Reserve for special circumstances upon a minimum 30 days advance notice. In years when income earned is less than the fraction, a portion of the Stabilization Reserve (net remaining balance for each amount) or capital gains will be used to maintain the spending rate. The spending fraction and asset allocation ratio will be periodically reviewed with any changes to the spending fraction being acted on at the September Regent meeting. Individual accounts that mandate usage of the annual income will be excluded from the plan.

*The fraction is reduced to 4.0% by Res. 9030, 06/05.

History: Res. 5555 adopted 7/13/90, amended by Res. 6390, 5/93; amended by Business; Finance Committee, 10/6/95; amended by Res. 8324, 3/01, amended by Res. 8640, 12/02; amended by Res. 9030, 06/10/05.

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The Regent Policy Documents were adopted and are maintained pursuant to the policy-making authority vested in the Board of Regents by Wis. Stats. § 36. The Regent Policy Documents manifest significant policies approved by the University of Wisconsin System Board of Regents. This document is a ready reference for those charged with carrying out these policies. Unless noted otherwise, associated documents and reports may be obtained from the Office of the Secretary of the Board of Regents, 1860 Van Hise Hall, 1220 Linden Drive, Madison, WI 53706, ph 608-262-2324. <http://www.uwsa.edu/bor/policies/>



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SECTION 31: TRUST AND INVESTMENT POLICIES

31-14 TRUST FUND ASSET ALLOCATION POLICY

(Formerly 98-5)

Upon recommendation of the President of the University of Wisconsin System, the asset allocation of 70% equities and 30% fixed income is approved for the University of Wisconsin System Trust Funds.

History: Res. 7770 adopted 9/11/98

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UW System Trust Funds Regent Policy Document Review Process:
Modification of Regent Policy Document 31-15

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.c.1.ii.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached revisions to Regent Policy Document 31-15, "Policy on Quasi-Endowments University of Wisconsin System Trust Funds."

31-15 POLICY ON QUASI-ENDOWMENTS UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS LARGE UN-ENDOWED BEQUESTS/GIFTS

(Formerly 04-1)

Scope

This policy applies to bequests/gifts of \$250,000 or more made directly to any UW System institution, where the donor is silent as to the expenditure of principal.

Purpose

The purpose of this policy is to provide for more long-term or perpetual support from large gifts where the donor has not chosen to “endow” or otherwise restrict the usage of gift principal. Recognizing that specific immediate needs may sometimes outweigh the need for additional perpetual but incremental support, a mechanism is also provided whereby UW institutions can request an exemption from this policy.

Policy Statement

~~That, upon recommendation of the President of the University of Wisconsin System, a~~ All new quasi-endowments bequests/gifts greater than of \$250,000 or more where the donor is silent as to the expenditure of principal, shall 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, and Audit~~ Committee.

~~As the revised policy replaces that provided under Resolution 5631 of October 5, 1990, Resolution 5631 is hereby rescinded.~~

Oversight, Roles, and Responsibilities

The Office of Trust Funds shall ensure that this policy is implemented for all relevant bequests/gifts.

The UW System Vice President for Finance shall oversee requests for exceptions to this policy, and the Business, Finance, and Audit committee will give due consideration to such requests at its regularly scheduled meetings.

Related RPDs and Applicable Laws

None.

History

Res. 8930 adopted 11/05/04; Replaces Res. 5631 (10/05/90)

UW System Trust Funds Regent Policy Document Review Process:
Rescission of Regent Policy Document 31-4; and
Removal of Regent Policy Documents 31-1, 31-11, and 31-12

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.c.1.iii.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents rescinds Regent Policy Document 31-4 “Trust Fund Disbursement Certification” and removes from the collection of Regent policies Regent Policy Documents 31-1, “Investment of Cash Reserves”, 31-11, “University of Wisconsin System Custodial Services”, and 31-12 “Changes in Investment Custodial Services.”



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SECTION 31: TRUST AND INVESTMENT POLICIES

31-4 TRUST FUND DISBURSEMENT CERTIFICATION

(Formerly 72-15)

One person shall be required to certify all lists covering disbursements from University Appropriations and from University Trust Funds. The persons authorized to make such certifications shall be:

1. University Appropriations Disbursements:
 - a. The Secretary of the Regents, or
 - b. The Assistant Secretary of the Regents, or
 - c. The President of the University System, or
 - d. Any Vice President of the University System, or
 - e. Any Administrative Assistant designated by the Vice President and Controller.
2. University Trust Fund Disbursements:
 - a. Any of the persons designated under 1. above, or
 - b. The Trust Officer, or
 - c. Any Assistant Trust Officer.

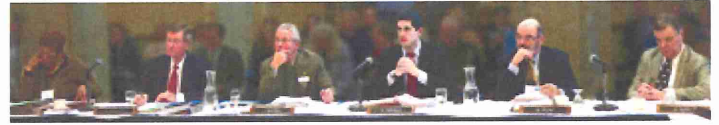
History: Res. 277 adopted 9/8/72.

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SECTION 31: TRUST AND INVESTMENT POLICIES

31-1 INVESTMENT OF CASH RESERVES

(Formerly 71-3)

In accordance with the provisions of the Wis. Stats. § 20.285, reserve cash [in the amount of \$125,000, as well as any accumulated cash reserves in the future, in Chapter 36 institutions,] shall be transferred for temporary investment in securities. Language has been bracketed to reflect current statutory requirements. See also FPPP 21.

History: Res. 41 adopted 12/17/71

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SECTION 31: TRUST AND INVESTMENT POLICIES

31-11 UNIVERSITY OF WISCONSIN SYSTEM CUSTODIAL SERVICES

(Formerly 93-2)

Delegation of the custody and clearance function to the State of Wisconsin Investment Board (10-23-75) is rescinded effective May 1, 1993 at the request of the State of Wisconsin Investment Board. The Trust Officer is authorized to: 1) open interim accounts at Morgan Guaranty Trust Company (under a master contract of the State of Wisconsin Investment Board) and at Firststar Bank-Milwaukee (the state working bank); and 2) initiate an Investment Custodial Request for Proposals to identify a permanent replacement to the State of Wisconsin Investment Board.

History: Res. 6316 adopted 2/5/93. (See also Policy 32-12)

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SECTION 31: TRUST AND INVESTMENT POLICIES

31-12 CHANGES IN INVESTMENT CUSTODIAL SERVICES

(Formerly 93-6)

Upon recommendation of the President of the University of Wisconsin System, the Trust Officer is authorized to open accounts with any custodian under contract with the State of Wisconsin Investment Board.

History: Res. 6474 adopted 7/16/93. (See also Policy 32-11)

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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 recommended revisions to, and otherwise reaffirms its adoption of, the *Investment Policy Statement* for the University of Wisconsin System Trust Funds.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS INVESTMENT POLICY STATEMENT

EXECUTIVE SUMMARY

BACKGROUND

The current version of the *Investment Policy Statement* (“IPS”) for the UW System Trust Funds was approved by the Board at its meeting of December 9, 2011. The preface of that document states the following under the section entitled *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.”

Two key elements of the IPS are the strategic asset allocation targets for both the Long Term and Intermediate Term Funds, and the spending policy for the Long Term Fund (the Fund used for endowments). This annual review of the IPS in its entirety provides for the periodic review of asset allocations and spending policy.

REQUESTED ACTION

Approval of Resolution I.2.c.2.

DISCUSSION

No substantive revisions to the IPS are being recommended at this time. The only revisions made to the document are updates to the current market values of the Funds. However, it should be noted that Appendices 1, 3, and 4 of the current IPS discuss and summarize various Regent Policy Documents (RPDs) related to UW System Trust Funds as well as relevant sections of the Board of Regents Bylaws. Some of these RPDs were either rescinded or modified at the Board’s meeting of October 5, 2012, and most of the remaining RPDs are being reviewed as part of this meeting. As the policies referenced in the IPS remain in flux, it is anticipated that associated revisions to the appendices of the IPS will be recommended when it is next reviewed by the Board.

RELATED REGENT POLICIES

Regent Policy 31-9: *Investment Policy Statement*



UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

INVESTMENT POLICY STATEMENT

Last Revised/Reaffirmed: December 7, 2012

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 intermediate to short-term investment time horizons, 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 Taxable Income (UBTI). Therefore, for investment vehicles and strategies that could potentially generate UBTI, 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 purchasing power of the corpus is to be preserved into perpetuity.

Fund Size. At roughly \$328 million as of June 30, 2012, 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 seven-year period ended June 30, 2011, the Fund experienced quarterly cash flows ranging from +0.70 percent of assets to -1.26 percent, and the average net quarterly cash flow was -0.76 percent of assets. The limited and fairly predictable nature of quarterly withdrawal requirements coupled with the perpetual time horizon of the Fund suggests that meaningful allocations can be made to “illiquid” asset classes. Nevertheless, careful and on-going cash flow modeling for “illiquid” investments and asset classes should be conducted to help ensure that the Long Term Fund has the desired liquidity when needed, and that the Fund does not deviate substantially from its desired asset class, investment, and manager target allocations.

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 \$86 million as of June 30, 2012, 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

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Policy Statement

Private Equity, 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.

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 Intermediate Term Fund permits withdrawals and contributions on a quarterly basis; however, the quarterly cash flows are less certain since all assets are fully expendable. Over the seven-year period ended June 30, 2011, the Fund experienced quarterly cash flows ranging from +1.1 percent of assets to -6.4 percent, and the average net quarterly cash flow was -1.2 percent of assets (note, these numbers exclude the annual “sweep” of excess, unused Income Fund balances into the Intermediate term Fund). 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.”

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Policy Statement

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

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

Investment Policy Statement

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 (credit and/or interest rate risk)
- Inflation
- Deflation
- Economic trauma
- Geopolitical trauma
- Liquidity/Illiquidity
- National and global monetary and fiscal policies

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

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to the security's sensitivity to movements in the overall market. For example, if a security has an 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” or “more efficient” alternatives. However, capitalization-weighting remains a sound basis for benchmark construction, as such indexes do represent the “current market” for a particular asset class; any deviations from capitalization-weighted indexes (e.g., equal-weighted, or fundamentally-weighted) represent active investment management decisions to deviate from the current market portfolio.

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., “normal” distributions of investment returns are assumed when hard-to-model “non-normality” and “fat left tails” are more realistic; there is uncertainty associated with other assumptions and inputs; 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

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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.

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”)

Global Developed Market Equities

Emerging Market Equities

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

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

Directional Hedge Funds (e.g., long-biased equity or high yield/distressed debt strategies)

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

High Quality Debt/Credit (pure U.S. Treasuries are perhaps ideal here)

U.S. Cash

Absolute Return/Non-Directional Hedge Funds (e.g., “market neutral” strategies)

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

U.S. TIPS (Treasury Inflation Protection Securities)

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

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Real Assets (e.g., private/public commercial real estate, timber and farm land, 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.

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.)

Various Investment Beliefs and Biases. Generally, it is believed that successful investment programs and portfolios will reflect and incorporate the following long-term, strategic tenets and biases:

- Value(ation) orientation – that is, for a risky investment to be attractive, its price should reflect a significant “margin of safety” or discount versus some reasonable valuation of the asset.
- Price paid is always a major determinant of realized investment returns.
- Mean reversion is powerful and inevitable – that is, in virtually all things economic within competitive, capitalist systems (e.g., profit margins, economic growth rates, real interest rates, credit spreads, asset pricings, etc.), values at extremes will revert to long-term averages.
- Particularly for equities, and contrary to theory, higher risk stocks/companies underperform lower risk stocks/companies, where risk is viewed in terms of such things as beta, volatility, quality (e.g., in regards to profitability, leverage, etc.), and size; therefore, large or even mega-cap, high-quality stocks/companies should form the strategic core of equity portfolios.
- One risk factor that the market generally compensates for on average is “illiquidity;” therefore, all else being equal, portfolios should reflect a bias towards less liquid assets.

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

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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.

Commodities. Although "commodities" are included in the Real Assets category shown above, it is in many ways also questionable as to whether they constitute an asset class or an "investment" at all. Direct ownership of commodities (or commodity-linked derivatives) may provide an inflation hedge, in that their prices should in theory be highly correlated to general inflation levels, but aside from an inflation-like return, there is no other expected return and certainly no generation of income while the assets are held. Most commodities do have intrinsic value as production inputs to the process of generating real economic wealth (gold is one exception here, however, as it has essentially no intrinsic value), so demand for commodities should be fairly strongly correlated to levels of and growth in economic activity. Of course, "substitution" is always a risk that could diminish demand. The supply side of the price function is much less clear. For instance, non-renewable commodities will eventually grow more scarce, while new technologies and efficiencies will continue to enhance supplies (and lower production costs) of both renewable and non-renewable resources. Of course, diversification (from lower correlations to other investments) is often cited as a primary benefit from commodity ownership, but source and levels of return remain nebulous. The premise put forth here is that direct ownership of commodities themselves (even in derivative-linked forms) represents a dubious form of "investment." Commodities may represent another option for simply "storing wealth" or as an inflation hedge, subject nonetheless to the risks and vagaries of their unique supply and demand functions. Making (or losing) money in commodities and commodity derivatives may therefore remain a playground better suited to speculators and natural hedgers (i.e., commercial producers and users).

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 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. Derivatives can be used in ways that increase or decrease the risk/return profile of an

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investment portfolio. Therefore, as with leverage, derivatives are inherently neither good nor bad. The primary risk of derivative strategies comes from the potential to leverage a position or to invest/speculate without committing capital. For example, to the extent that the underlying collateral for a long derivatives position is invested in other than essentially risk-free assets, the position is “leveraged” in that additional risk is introduced into the portfolio. The use of derivatives to create such economic leverage should generally be prohibited. The use of “over-the-counter” (OTC) derivatives also introduces counterparty credit risk; this results because there is no well-capitalized clearinghouse that insures the performance of both parties to a derivative contract as there is for exchange-traded derivatives. Overall, uses of derivatives, if employed, should be well-defined, clearly understood, and generally seek to reduce or provide for better management of portfolio risks 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.”

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.

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Keep It Simple. The central premise here is that overall simplicity in an investment program is generally a virtue. Complex new investment schemes (e.g., “portable alpha,” “risk parity,” complex “overlay strategies,” etc.) should be treated with great skepticism. Generally, the simple basics of sound investing practices (as discussed throughout this section) are sufficient to garner long-term investment success. Complex schemes and strategies should only be entertained if they are fully understood in terms of risks (often new and complex), expected rewards, and their impact on and interaction with the overall investment portfolio under not only “normal” but extreme market and economic conditions as well.

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 termination date; however, UW will retain the right to terminate for any reason with a 30-day advance

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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 expectation for the category as a whole and over time, is that its inclusion will have enhanced the risk/return profile of the Fund (i.e., it will have provided for better risk-adjusted returns). Such evaluations should be periodically made to help determine whether the “opportunistic program” is adding value.

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, investment performance data, and fund-level activities and transactions
- 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 external 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.

UPMIFA, s. 112.11, Wisconsin Statutes. The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), codified in s. 112.11, Wis. Stats., applies to institutional funds, defined as funds held by an institution exclusively for charitable purposes, including governmental organizations and universities, organized and operated exclusively for educational, religious, charitable or other eleemosynary purposes. UPMIFA describes the standard of conduct in managing and investing an institutional fund; the appropriation for expenditure of endowment funds, providing various rules of construction here; the delegation of management and investment functions; the release or modification of restrictions on management, investment, or purpose; and states that the statute applies to institutional funds existing on or after August 4, 2009, governing only decisions and actions taken on or after that date.

In general, UPMIFA grants broad authority to the institution to invest and reinvest institutional funds, unless otherwise limited by the applicable gift instrument or law. The institution may delegate its investment authority to its committees, its officers, or employees, or to other outside investment managers or advisors. The institution may also appropriate for expenditure a portion of the appreciated assets of an endowment fund, and make other expenditures as permitted by law, relevant gift instruments or the institutional charter. With respect to managing and investing, delegating management and investment functions, and making appropriations of appreciated assets, UPMIFA establishes the standard of fiduciary conduct that the institution must follow, requiring that the institution "act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." Section 112.11(3), (4), (5), Wis. Stats.

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UPMIFA further permits the release or modification of any restrictions on the use or investment of funds, if the donor gives written consent. The institution also may apply to a state circuit court for modification of a restriction regarding the management or investment of an institutional fund, "if the restriction has become impracticable or wasteful, if it impairs the management or investment of the fund, or if, because of circumstances not anticipated by the donor, a modification of a restriction will further the purposes of the fund.... To the extent practicable, any modification must be made in accordance with the donor's probable intention." Under similar circumstances, the institution may also apply to a circuit court to modify the purpose of the fund or a restriction on the use of the fund, "in a manner consistent with the charitable purposes expressed in the gift instrument." Lastly, release or modification for reasons described above regarding the purpose, management or investment of an institutional fund of less than \$75,000 and more than 20 years old is permitted upon 60 days' notification to the attorney general. Section 112.11(6), Wis. Stats.

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

- The Board is cognizant of the UW System’s, and state and federal governments’ commitments to environmental protection.
- The Board expects that companies invested in will evidence similar commitments.
- Persons/groups with evidence of a company not meeting these expectations can detail their concern and evidence to the Business, Finance, and Audit Committee.
- The Committee may then afford the company an 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

- The primary fiduciary responsibility is to maximize financial return, given an appropriate level of risk.
- The Board acknowledges the 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 will be conducted, so as to highlight relevant shareholder proposals and key issues.
- To solicit input from students, faculty, alumni and citizens on matters related to social concerns, the Business, Finance, and Audit Committee of the Board of Regents may schedule a public forum at the request of parties interested in presenting such concerns to the Board of Regents.
- 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.

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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, Finance, and Audit Committee.”

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Appendix 5

ASSET ALLOCATIONS AND BENCHMARKS FOR THE LONG TERM FUND

Asset Allocations

LONG TERM FUND	Target Strategic Allocations	Min./Max. Guidelines
Growth and High-Yielding Assets		
Global Developed Market Equities	27.5%	20% - 50%
Emerging Market Equities	7.5%	0% - 20%
Private Equity	10%	5% - 15%
High Yield Debt/Credit	10%	0% - 20%
Directional Hedge Fund Strategies	0%	0% - 15%
	<u>55%</u>	<u>25% - 80%</u>
Event Risk- and Deflation-Hedge Assets		
High Quality Debt/Credit	15%	10% - 50%
U.S. Cash	0%	0% - 15%
Absolute Return Strategies	10%	0% - 20%
	<u>25%</u>	<u>10% - 50%</u>
Real and Inflation-Hedge Assets		
U.S. TIPS	5%	5% - 15%
Real Assets	15%	5% - 25%
	<u>20%</u>	<u>10% - 35%</u>
Opportunistic	0%	0% - 20%
	<u>100%</u>	

Asset Class Benchmarks

<u>Asset Class</u>	<u>Benchmark</u>
Global Developed Market Equities	MSCI World Index
Emerging Market Equities	S&P/IFC Investable Composite Index
Private Equity	Venture Economics Benchmarks/Public Equities + 300 bps
High Yield Debt/Credit	Barclay's High Yield BB/B Index
High Quality Debt/Credit	Citigroup 1-10 Year U.S. Treasury Index
U.S. Cash	1-Month Treasury Bill
U.S. TIPS	Citigroup Inflation Linked Securities Index
Real Assets	Composite of various indexes (e.g., NCREIF Property, NCREIF Timber Indexes, DJ-AIG Commodities Index (of spot prices)/CPI + 300 bps

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

LONG TERM FUND		
	<u>Target Allocations</u>	<u>Min./Max. Guidelines</u>
Global Tactical Asset Allocation	<u>25%</u>	<u>20% - 30%</u>
Growth and High-Yielding Assets		
Global Developed Market Equities	18%	15% - 35%
Emerging Market Equities	5%	0% - 10%
Private Equity	10%	5% - 15%
High Yield Debt/Credit	7%	0% - 15%
Directional Hedge Fund Strategies	<u>0%</u>	<u>0% - 15%</u>
	<u>40%</u>	<u>20% - 60%</u>
Event Risk- and Deflation-Hedge Assets		
High Quality Debt/Credit	10%	5% - 35%
U.S. Cash	0%	0% - 10%
Absolute Return Strategies	<u>7%</u>	<u>0% - 15%</u>
	<u>17%</u>	<u>5% - 35%</u>
Real and Inflation-Hedge Assets		
U.S. TIPS	3%	0% - 10%
Real Assets	<u>15%</u>	<u>5% - 25%</u>
	<u>18%</u>	<u>5% - 25%</u>
Opportunistic	<u>0%</u>	<u>0% - 20%</u>
	<u>100%</u>	

Additional Benchmarks

<u>Strategy</u>	<u>Benchmark</u>
Global Tactical Asset Allocation	60% MSCI World Index, 20% Citigroup 3-Month T-Bill, 20% Barclay's Aggregate Bond Index
Opportunistic	There is no appropriate market index for this strategy; however, performance expectations are discussed in the body of the IPS.

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

INTERMEDIATE TERM FUND		
	<u>Target Strategic Allocations</u>	<u>Min./Max. Guidelines</u>
Growth and High-Yielding Assets		
Global Developed Market Equities	15%	5% - 20%
Emerging Market Equities	0%	0% - 5%
High Yield Debt/Credit	<u>5%</u>	<u>0% - 10%</u>
	<u>20%</u>	<u>5% - 25%</u>
Event Risk- and Deflation-Hedge Assets		
High Quality Debt/Credit	50%	40% - 75%
U.S. Cash	5%	0% - 15%
Absolute Return Strategies	<u>10%</u>	<u>5% - 15%</u>
	<u>65%</u>	<u>45% - 80%</u>
Real and Inflation-Hedge Assets		
U.S. TIPS	<u>15%</u>	<u>5% - 30%</u>
	<u>100%</u>	

Asset Class Benchmarks

<u>Asset Class</u>	<u>Benchmark</u>
Global Developed Market Equities	MSCI World Index
Emerging Market Equities	S&P/IFC Investable Composite Index
Private Equity	Venture Economics Benchmarks/Public Equities + 300 bps
High Yield Debt/Credit	Barclay's High Yield BB/B Index
High Quality Debt/Credit	Citigroup 1-10 Year U.S. Treasury Index
U.S. Cash	1-Month Treasury Bill
U.S. TIPS	Barclay's 0-5 Year 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.

Regent Policy Document 20-19
University of Wisconsin System
Criminal Background Check Policy

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution I.2.d.:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the changes to Regent Policy Document 20-19, "University of Wisconsin System Criminal Background Check Policy" and directs each institution to implement an amended policy on or before March 1, 2013.

**REGENT POLICY DOCUMENT 20-19
UNIVERSITY OF WISCONSIN SYSTEM
CRIMINAL BACKGROUND CHECK POLICY**

EXECUTIVE SUMMARY

BACKGROUND

In accordance with the *2012 Review and Audit Plan*, as approved by the Board of Regents of the University of Wisconsin System (the Board), the Office of Operations Review and Audit performed an assessment of University policies and practices related to protecting children and issued an audit report containing specific recommendations. On June 8, 2012, the Board endorsed the recommendations included in the audit report, including the first recommendation to revise Regent Policy Document (RPD) 20-19, the University of Wisconsin System Criminal Background Check Policy.

UW System Administration has revised RPD 20-19 consistent with the audit report's recommendations. The revised draft of RPD 20-19 was circulated to a number of groups, including Chancellors, Chief Business Officers, Human Resources Directors, Legal Counsel, and other stakeholders at the campuses for comment. The draft policy evolved substantially as a result of feedback from various groups.

REQUESTED ACTION

Approval of Resolution I.2.d., amending the University of Wisconsin System Criminal Background Check Policy, RPD 20-19.

DISCUSSION

Regent Policy Document (RPD) 20-19 was adopted on December 8, 2006 and has not been amended since. The policy requires each institution to perform a criminal background check on each new hire for a UW System position. Each institution is also required to develop an amended institutional criminal background check policy and implement the amended policy by March 1, 2013.

In order to enhance RPD 20-19 and provide for a more consistent application across the UW System, the audit report recommendations for revising RPD 20-19 included the following:

- Provide a minimum definition of individuals employed in a “position of trust.” This definition could be based upon the *Factors to Consider in Position of Trust Determination*

guidance provided to institutions at the time RPD 20-19 was implemented, but should be expanded to include individuals with unsupervised or significant access to children or vulnerable populations.

- Require UW System employees in a position of trust with respect to children who have not previously been subject to a criminal background check by UW to undergo a criminal background check as soon as possible.
- Require individuals in a position of trust with respect to children (UW System employees, temporary or limited term employees, hourly student employees, interns, and unpaid volunteers) to undergo a criminal background check once every four years consistent with Wisconsin's Caregiver Law.
- Require employees (at least those in a position of trust with respect to children), as a condition of their employment, to self-disclose certain criminal offenses that occur while employed with UW System. To facilitate this process, consideration could be given to requesting disclosure of information annually through a formal information request (i.e., include a question on conflict of interest questionnaires already required, explore implementing a web-based mechanism to capture and track information, etc.).
- Provide guidance on how to conduct criminal background checks for international individuals from locations where criminal background checks may not be common practice.
- Provide institutions with discretion in establishing more stringent criminal background check policies, including how to apply the definition of positions of trust, depending upon their unique environmental, programmatic, or personnel considerations.
- Include language providing UW institutions with discretion on the application of the term position of trust with respect to children for temporary or limited term employees, hourly student employees, interns, and unpaid volunteers after considering factors such as the level of contact the volunteer has with children, the potential for one-on-one contact with children, the level of supervision provided by other institution personnel, whether the individual is serving in a role of authority on a youth program, and other relevant factors. It is recommended that guidance be developed to outline the types

of circumstances that may create sufficiently low risk that a position would not warrant completion of a criminal background check.

Review of Policies Related to the Reporting of Crimes Against Children, Office of Operations Review and Audit, Report Control #2012-01 (May 29, 2012).

Both the existing RPD 20-19 and the revisions to RPD 20-19 require a criminal background check to be performed on each new hire for a UW System position. The revisions to RPD 20-19, however, now require that a criminal background check must include both a Wisconsin criminal background check through the Wisconsin Department of Justice electronic database and a criminal background check through a vendor that includes a social security number trace, a criminal felony/misdemeanor search by county of residence, a sex offender registry search, and a search of the vendor's proprietary national criminal background check database. The revised policy also requires that a criminal background check be conducted on current employees and volunteers who have not previously been subject to such a check and hold a "position of trust with access to vulnerable populations" as defined in the policy. In addition, employees and volunteers holding a position of trust with access to vulnerable populations must now be subject to a repeat criminal background check every four years, and shall be required to self-disclose certain criminal offenses.

The revised policy provides a comprehensive definition of "position of trust" that includes responsibilities involving access to vulnerable populations, access to secure property, a financial/fiduciary duty, or an individual serving in certain executive positions. "Vulnerable populations" is defined as minors and medical patients.

The revisions to RPD 20-19 address the audit recommendations and also provide additional directives to protect minors and the university community. For example, the policy includes a criminal background check requirement for vendors and contractors whose employees, affiliates, or volunteers will have routine or unsupervised access to vulnerable populations in the course of performing the contract. The policy also requires outside organizations that use or lease University lands and facilities to operate multi-day programs for minors, or programs for minors that involve an overnight stay, to include a representation from the organization that its employees, affiliates, or volunteers have satisfied a criminal background check. Vendors, contractors, and lessees must use a criminal background check vendor that includes a check of the vendor's proprietary national criminal background check database in order to satisfy the criminal background check requirement.

RELATED POLICIES

UW System Administration Employee Criminal Background Check Policy
Institutional Criminal Background Check Policies

CURRENT POLICY WITH PROPOSED CHANGES

20-19 UNIVERSITY OF WISCONSIN SYSTEM CRIMINAL BACKGROUND CHECK POLICY

(Formerly 06-4)

Scope

This policy describes the Board of Regents' expectations of University of Wisconsin System institutions and the University of Wisconsin System Administration in performing criminal background checks on applicants for employment, current employees, and volunteers.

Purpose

The University of Wisconsin System prioritizes safety and strives to provide a safe learning and working environment. This policy establishes consistent standards for criminal background checks.

Policy Statement

Except as otherwise provided in this policy ~~or under approved implementation plans of UW System institutions, it shall be the policy of the Board of Regents to require that~~, a criminal background check shall be performed on each new hire for a UW System position. Criminal background checks shall be conducted on candidates recommended for hire, either prior to the extension of an offer of employment, or as part of an offer of employment that is made contingent upon a successful criminal background check. A criminal background check shall also be conducted on current employees and volunteers holding a "position of trust with access to vulnerable populations" as defined in paragraph 1(a) of this policy who have not previously been subject to such a criminal background check by the University. Employees and volunteers holding a position of trust with access to vulnerable populations shall be subject to a criminal background check every four years, and shall be required to self-disclose certain criminal offenses.

Institutional Plans

Policy

Each UW System institution shall develop a ~~plan for implementing this policy, and submit it for initial approval to the UW System Office of Human Resources not later than May 1, 2007. Institutional plans shall address~~ policy that addresses the following:

1. ~~-~~Position of Trust

"Position of trust" is defined as a paid or volunteer position with one or more of the following responsibilities:

- a. Access to vulnerable populations – Responsibilities require unsupervised or significant access to vulnerable populations, defined as minors and medical patients. For purposes of this policy, a minor is a person under the age of eighteen (18) who is not enrolled or accepted for enrollment at a UW System institution. Examples of settings with vulnerable populations include child care centers, summer camps for minors, precollege or enrichment programs, and health care facilities. This category also includes employees who are not directly working in those units, but have unsupervised access to the unit when the vulnerable population is present. This category does not include faculty or instructional academic staff performing regular teaching, service, and research responsibilities unless these responsibilities include unsupervised or significant access to vulnerable populations.
- b. Property access – Responsibilities require the use of master keys/card access and pertains to employees with key access to offices, facilities, or worksites other than their own worksite, including UW residential housing facilities.
- c. Financial/fiduciary duty – Principal responsibilities (50% or more) require handling, receiving, or having custody of money, checks or securities, or accounting for supplies or other property; authorizing (or making appropriations for) expenditures; approving, certifying, signing or countersigning checks, drafts, warrants, vouchers, orders or other documents providing for the paying over or delivery of money, securities, supplies or other property, or service of process; maintaining or auditing accounts of money, checks, securities, time records, supplies, or other property, or taking physical inventories of money, checks, securities, supplies, or other property.
- d. Executive positions – Responsibilities involve top-level management functions throughout the institution including roles as Chancellor, Provost, and Dean. Executive positions are defined as all limited appointments and include any movement from a limited appointment to a different limited appointment.

2. Coverage of ~~Employee Groups~~ Prospective Hires and Employees

Unless Criminal background checks must be conducted on prospective hires who are not University of Wisconsin employees, and on employees currently not in a position of trust who are seeking to move to a position of trust within the University through promotion or otherwise. Criminal background checks must be conducted on current employees holding a position of trust with access to vulnerable populations, as defined in paragraph 1(a) of this policy, who have not previously been subject to a criminal background check by the University. Each institution must ensure that a criminal background check is performed every four years on employees in positions of trust with access to vulnerable populations.

Notwithstanding the preceding paragraph, unless otherwise required by law to perform background checks for specified positions; or unless the position involved has been designated as a “position of trust,” institutions may determine whether a criminal background check must be conducted on prospective hires for the following employee ~~and non-employee~~ groups ~~will be included in their implementation plans~~: (1) temporary or limited term employees; ~~(2) positions to be filled by a vendor or contractor;~~ (2) hourly student employees; ~~(4) and (3) interns; and (5) unpaid volunteers.~~ In making this determination, institutions should consider the level of direct supervision and guidance provided to ~~individuals~~ employees in these categories and the nature of the duties of the job.

2. ~~Use~~ 3. Coverage of ~~In-House Vendors~~ and/or Vendor Services for Contractors

~~To the Conduct~~ maximum extent feasible, any agreement with a vendor or contractor whose employees, affiliates, or volunteers will have routine or unsupervised access to vulnerable populations (minors or medical patients) in the course of the contract must include a representation from the vendor or contractor stating that these employees, affiliates, or volunteers have satisfied a criminal background check conducted by a criminal background check vendor selected by the contractor that includes a check of the vendor's proprietary national criminal background check database.

4. Coverage of Volunteers

UW institutions shall perform criminal background checks on prospective volunteers when the volunteer position involved is a position of trust, or when required by law to perform criminal background checks for specified volunteer positions. Otherwise, UW institutions may determine whether a criminal background check should be conducted on prospective volunteers. In making this determination, institutions should consider the level of direct supervision and guidance provided to volunteers and the nature of the duties of the volunteer position.

Criminal background checks must be conducted on current volunteers holding a position of trust with access to vulnerable populations, as defined in paragraph 1(a) of this policy, who have not previously been subject to a criminal background check by the University. Each institution must ensure that a criminal background check is performed every four years on volunteers in a position of trust with access to vulnerable populations.

5. Coverage of Certain Users and Lessees of University Lands and Facilities

Facilities use agreements or leases with outside organizations that use or lease University lands and facilities to operate multi-day programs for minors, or programs for minors that involve an overnight stay, must include a representation from the organization that its employees, affiliates, or volunteers have satisfied a criminal background check conducted by a criminal background check vendor selected by the organization that includes a check of the vendor's proprietary national criminal background check database.

6. Conducting Criminal Background Checks

Finalists for employment must complete and sign a criminal background check authorization form. An applicant's failure to consent to a criminal background check or falsification of any related information is grounds for the rejection of the applicant. Similar procedures must be implemented for current employees, volunteers and prospective volunteers who are subject to criminal background checks.

~~In-house staff may be trained to use the Wisconsin Department of Justice, Crime Information Bureau (CIB) electronic database tool, and any other similar databases to conduct background checks on State of Wisconsin criminal records of prospective employees. Other states also offer electronic database searching of their criminal records. The time and cost associated with having~~

~~to conduct multiple state searches might rule out the deployment of in-house staff for conducting comprehensive criminal background checks for all prospective employees.~~

~~Private vendors also offer background checking services to employers. University of Wisconsin institutions should consider the costs and benefits of purchasing such a vendor service. If a university retains a vendor to perform criminal background checks on prospective employees, university officials will have certain additional duties under the federal Fair Credit Reporting Act.~~

~~Institutions shall describe in their plans whether they will conduct criminal background checks in-house, through an outside vendor or through a combination of in-house and vendor conducted checks.~~

A criminal background check on prospective hires, employees and volunteers must include a check of the Wisconsin Department of Justice, Crime Information Bureau electronic database, and a check provided by a criminal background check vendor that includes the following components:

- 3. ~~Procedures for~~ Social Security Number Trace – Authenticates the individual's information and generates a list of addresses the individual has lived at for the last seven years; as part of the trace, the University may verify that the social security number is valid and appropriately assigned to the individual.
- Criminal Felony/Misdemeanor by County of Residence – superior and municipal court records search in any county in the U.S. in which the individual has resided in the last seven years.
- Sex Offender Registry – sex offender search by state.
- National Criminal Background Database – search of the vendor's proprietary national criminal background check database.

University officials will have certain additional duties under the federal Fair Credit Reporting Act when retaining a vendor to perform criminal background checks.

Additional criminal and non-criminal checks (e.g., motor vehicle, etc.) may be run when appropriate in relation to the position.

UW institutions must conduct an appropriate U.S. criminal background check on an applicant for employment, current employee, or volunteer who is a foreign national and subject to this policy. A criminal background check in the individual's prior country(ies) of residence will be also conducted if his/her country(ies) of residence provides a criminal background check for the time period during which the individual was a resident. A media search is not considered an appropriate criminal background check and, therefore, institutions are not required to conduct media searches.

7. *Application of the "Substantial Relationship" Test under the Wisconsin Fair Employment Act*

~~Each University of Wisconsin institution shall establish procedures for applying the substantial relationship test required under the Wisconsin Fair Employment Act to the information received about a prospective employee. The procedures should identify the institutional officials who will be consulted to apply the test to the facts and circumstances under review. The procedures should also describe how records gathered and documents prepared in furtherance of a criminal background check will be maintained confidentially and securely, separate from other personnel records. Moreover, the procedures should identify the officials who will serve as custodian of criminal background check record files.~~

~~When a prospective employee has a criminal record, university officials will have to apply the relevant legal standard and determine whether the facts and circumstances of the individual's conviction or pending arrest has a substantial relationship to the duties and responsibilities of the job. The Wisconsin Department of Workforce Development, Equal Rights Division, who has responsibility for enforcing the Wisconsin Fair Employment Act, has issued the following advice regarding the substantially related test:~~

~~"The law does not specifically define it. The "substantially related" test looks at the circumstances of an offense, where it happened, when, etc. compared to the circumstances of a job where is this job typically done, when, etc. The more similar the circumstances, the more likely it is that a substantial relationship will be found. The legislature has determined that certain convictions are substantially related to employment in child and adult care giving programs regulated by the Department of Health and Family Services."~~

~~Therefore, some of the factors to consider when reviewing a prospective employee's particular situation might include:~~

~~The nature and gravity of the criminal offense;~~

~~The time since the conviction and/or completion of the sentence;~~

~~The nature of the duties and responsibilities of the job; and~~

~~The prospective employee's record of performance and behavior on other recent jobs.~~

~~In sum, if the circumstances of a prospective employee's conviction or pending arrest substantially relate to the duties and responsibilities of the particular job, the university employer may refuse to hire the applicant for that specific job.~~

~~4. ——— *Positions of Trust*~~

~~UW System institutions currently conduct criminal background checks on candidates for certain positions of trust. These checks may be conducted on prospective hires who are not University of Wisconsin employees, as well as on individuals presently employed by the University of Wisconsin who are seeking to move to another position within the University through transfer, promotion or otherwise. Consistent with this policy and approved implementation plans, institutions may continue to perform criminal background checks on candidates, including current University of Wisconsin employees, for such positions.~~

Wisconsin law prohibits an employer from discriminating against an applicant or employee on the basis of arrest or conviction record unless the pending criminal charge or conviction substantially relates to the circumstances of the position. Applicants with a criminal history will not be automatically disqualified from UW System employment, and a UW System employee's criminal history will not result in automatic disciplinary action or dismissal. If an applicant's or employee's criminal background check reveals a pending criminal charge or criminal conviction, the UW institution must engage in an individual analysis to determine whether a substantial relationship exists between the pending charge or criminal conviction and the functions of the position.

8. *Self-Disclosure of Arrests, Charges, or Convictions*

UW System institutions must require employees who hold positions of trust with access to vulnerable populations, as defined in paragraph 1(a) of this policy, to report any criminal arrests, charges, or convictions (excluding misdemeanor traffic offenses punishable only by fine) to human resources, or to whomever the institution designates as the appropriate individual to receive a report, within twenty-four (24) hours or at the earliest possible opportunity. Failure to make the required report may constitute a violation and may result in disciplinary action, up to and including dismissal. The same procedures must be implemented for volunteers who hold a position of trust with access to vulnerable populations.

9. *Statutorily Mandated Background Checks*

Notwithstanding anything in this policy ~~or in the approved implementation plans of UW System institutions~~, institutions shall continue to perform criminal background checks for certain, specified positions in the form and manner required by state or federal law. Laws mandating criminal background checks for certain positions include: the Wisconsin Caregiver law (covering prospective caregivers for vulnerable populations such as minors, as well as those licensed by the state to provide direct health care services and treatment to clients); the Wisconsin Fiduciary law (covering positions that involve accounting, auditing, financial management, accounts receivable, accounts payable, procurement, retail operations, tax and fee collections, payroll, and handling of cash and checks); and the federal Public Health Security and Bioterrorism Preparedness and Response Act of 2002 and the Agricultural Protection Act of 2002 (covering employees who ~~will~~ handle and work with hazardous agents or materials in campus labs, buildings or storage facilities).

~~UW System Administration Review and Approval~~

10. *Other Criminal Background Checks*

Nothing in this policy shall be construed to prevent a UW System institution with a reasonable basis from obtaining, at any time, criminal background check information on any current employee or volunteer.

Oversight, Roles, and Responsibilities

~~No later than May 1, 2007, e~~Each UW System institution will submit its criminal background check ~~implementation plan~~policy to the UW System Office of Human Resources for review and approval to ensure consistency of practice in the UW System. ~~In the future, a~~Any subsequent changes to an institution's ~~plan~~policy should be submitted to the same UW System office for review and approval.

Related RPD and Applicable Laws

Wis. Stat. § 111.335

History:-

Res. adopted / /12.

Res. 9276 adopted 12/8/06.

PROPOSED POLICY - UNMARKED

20-19 UNIVERSITY OF WISCONSIN SYSTEM CRIMINAL BACKGROUND CHECK POLICY

(Formerly 06-4)

Scope

This policy describes the Board of Regents' expectations of University of Wisconsin System institutions and the University of Wisconsin System Administration in performing criminal background checks on applicants for employment, current employees, and volunteers.

Purpose

The University of Wisconsin System prioritizes safety and strives to provide a safe learning and working environment. This policy establishes consistent standards for criminal background checks.

Policy Statement

Except as otherwise provided in this policy, a criminal background check shall be performed on each new hire for a UW System position. Criminal background checks shall be conducted on candidates recommended for hire, either prior to the extension of an offer of employment, or as part of an offer of employment that is made contingent upon a successful criminal background check. A criminal background check shall also be conducted on current employees and volunteers holding a "position of trust with access to vulnerable populations" as defined in paragraph 1(a) of this policy who have not previously been subject to such a criminal background check by the University. Employees and volunteers holding a position of trust with access to vulnerable populations shall be subject to a criminal background check every four years, and shall be required to self-disclose certain criminal offenses.

Policy

Each UW System institution shall develop a policy that addresses the following:

1. *Position of Trust*

"Position of trust" is defined as a paid or volunteer position with one or more of the following responsibilities:

- a. Access to vulnerable populations – Responsibilities require unsupervised or significant access to vulnerable populations, defined as minors and medical patients. For purposes of this policy, a minor is a person under the age of eighteen (18) who is not enrolled or accepted for enrollment at a UW System institution. Examples of settings with vulnerable populations include child care centers, summer camps for

minors, precollege or enrichment programs, and health care facilities. This category also includes employees who are not directly working in those units, but have unsupervised access to the unit when the vulnerable population is present. This category does not include faculty or instructional academic staff performing regular teaching, service, and research responsibilities unless these responsibilities include unsupervised or significant access to vulnerable populations.

- b. Property access – Responsibilities require the use of master keys/card access and pertains to employees with key access to offices, facilities, or worksites other than their own worksite, including UW residential housing facilities.
- c. Financial/fiduciary duty – Principal responsibilities (50% or more) require handling, receiving, or having custody of money, checks or securities, or accounting for supplies or other property; authorizing (or making appropriations for) expenditures; approving, certifying, signing or countersigning checks, drafts, warrants, vouchers, orders or other documents providing for the paying over or delivery of money, securities, supplies or other property, or service of process; maintaining or auditing accounts of money, checks, securities, time records, supplies, or other property, or taking physical inventories of money, checks, securities, supplies, or other property.
- d. Executive positions – Responsibilities involve top-level management functions throughout the institution including roles as Chancellor, Provost, and Dean. Executive positions are defined as all limited appointments and include any movement from a limited appointment to a different limited appointment.

2. *Coverage of Prospective Hires and Employees*

Criminal background checks must be conducted on prospective hires who are not University of Wisconsin employees, and on employees currently not in a position of trust who are seeking to move to a position of trust within the University through promotion or otherwise. Criminal background checks must be conducted on current employees holding a position of trust with access to vulnerable populations, as defined in paragraph 1(a) of this policy, who have not previously been subject to a criminal background check by the University. Each institution must ensure that a criminal background check is performed every four years on employees in positions of trust with access to vulnerable populations.

Notwithstanding the preceding paragraph, unless otherwise required by law to perform background checks for specified positions or unless the position involved has been designated as a “position of trust,” institutions may determine whether a criminal background check must be conducted on prospective hires for the following employee groups: (1) temporary or limited term employees; (2) hourly student employees; and (3) interns. In making this determination, institutions should consider the level of direct supervision and guidance provided to employees in these categories and the nature of the duties of the job.

3. *Coverage of Vendors and Contractors*

To the maximum extent feasible, any agreement with a vendor or contractor whose employees, affiliates, or volunteers will have routine or unsupervised access to vulnerable populations (minors or medical patients) in the course of the contract must include a representation from the vendor or contractor stating that these employees, affiliates, or volunteers have satisfied a

criminal background check conducted by a criminal background check vendor selected by the contractor that includes a check of the vendor's proprietary national criminal background check database.

4. *Coverage of Volunteers*

UW institutions shall perform criminal background checks on prospective volunteers when the volunteer position involved is a position of trust, or when required by law to perform criminal background checks for specified volunteer positions. Otherwise, UW institutions may determine whether a criminal background check should be conducted on prospective volunteers. In making this determination, institutions should consider the level of direct supervision and guidance provided to volunteers and the nature of the duties of the volunteer position.

Criminal background checks must be conducted on current volunteers holding a position of trust with access to vulnerable populations, as defined in paragraph 1(a) of this policy, who have not previously been subject to a criminal background check by the University. Each institution must ensure that a criminal background check is performed every four years on volunteers in a position of trust with access to vulnerable populations.

5. *Coverage of Certain Users and Lessees of University Lands and Facilities*

Facilities use agreements or leases with outside organizations that use or lease University lands and facilities to operate multi-day programs for minors, or programs for minors that involve an overnight stay, must include a representation from the organization that its employees, affiliates, or volunteers have satisfied a criminal background check conducted by a criminal background check vendor selected by the organization that includes a check of the vendor's proprietary national criminal background check database.

6. *Conducting Criminal Background Checks*

Finalists for employment must complete and sign a criminal background check authorization form. An applicant's failure to consent to a criminal background check or falsification of any related information is grounds for the rejection of the applicant. Similar procedures must be implemented for current employees, volunteers and prospective volunteers who are subject to criminal background checks.

A criminal background check on prospective hires, employees and volunteers must include a check of the Wisconsin Department of Justice, Crime Information Bureau electronic database, and a check provided by a criminal background check vendor that includes the following components:

- Social Security Number Trace – Authenticates the individual's information and generates a list of addresses the individual has lived at for the last seven years; as part of the trace, the University may verify that the social security number is valid and appropriately assigned to the individual.

- Criminal Felony/Misdemeanor by County of Residence – superior and municipal court records search in any county in the U.S. in which the individual has resided in the last seven years.
- Sex Offender Registry – sex offender search by state.
- National Criminal Background Database – search of the vendor’s proprietary national criminal background check database.

University officials will have certain additional duties under the federal Fair Credit Reporting Act when retaining a vendor to perform criminal background checks.

Additional criminal and non-criminal checks (e.g., motor vehicle, etc.) may be run when appropriate in relation to the position.

UW institutions must conduct an appropriate U.S. criminal background check on an applicant for employment, current employee, or volunteer who is a foreign national and subject to this policy. A criminal background check in the individual’s prior country(ies) of residence will be also conducted if his/her country(ies) of residence provides a criminal background check for the time period during which the individual was a resident. A media search is not considered an appropriate criminal background check and, therefore, institutions are not required to conduct media searches.

7. *Application of the "Substantial Relationship" Test under the Wisconsin Fair Employment Act*

Wisconsin law prohibits an employer from discriminating against an applicant or employee on the basis of arrest or conviction record unless the pending criminal charge or conviction substantially relates to the circumstances of the position. Applicants with a criminal history will not be automatically disqualified from UW System employment, and a UW System employee’s criminal history will not result in automatic disciplinary action or dismissal. If an applicant’s or employee’s criminal background check reveals a pending criminal charge or criminal conviction, the UW institution must engage in an individual analysis to determine whether a substantial relationship exists between the pending charge or criminal conviction and the functions of the position.

8. *Self-Disclosure of Arrests, Charges, or Convictions*

UW System institutions must require employees who hold positions of trust with access to vulnerable populations, as defined in paragraph 1(a) of this policy, to report any criminal arrests, charges, or convictions (excluding misdemeanor traffic offenses punishable only by fine) to human resources, or to whomever the institution designates as the appropriate individual to receive a report, within twenty-four (24) hours or at the earliest possible opportunity. Failure to make the required report may constitute a violation and may result in disciplinary action, up to and including dismissal. The same procedures must be implemented for volunteers who hold a position of trust with access to vulnerable populations.

9. *Statutorily Mandated Background Checks*

Notwithstanding anything in this policy, institutions shall continue to perform criminal background checks for certain, specified positions in the form and manner required by state or federal law. Laws mandating criminal background checks for certain positions include: the Wisconsin Caregiver law (covering prospective caregivers for vulnerable populations such as minors, as well as those licensed by the state to provide direct health care services and treatment to clients); the Wisconsin Fiduciary law (covering positions that involve accounting, auditing, financial management, accounts receivable, accounts payable, procurement, retail operations, tax and fee collections, payroll, and handling of cash and checks); and the federal Public Health Security and Bioterrorism Preparedness and Response Act of 2002 and the Agricultural Protection Act of 2002 (covering employees who handle and work with hazardous agents or materials in campus labs, buildings or storage facilities).

10. *Other Criminal Background Checks*

Nothing in this policy shall be construed to prevent a UW System institution with a reasonable basis from obtaining, at any time, criminal background check information on any current employee or volunteer.

Oversight, Roles, and Responsibilities

Each UW System institution will submit its criminal background check policy to the UW System Office of Human Resources for review and approval to ensure consistency of practice in the UW System. Any subsequent changes to an institution's policy should be submitted to the same UW System office for review and approval.

Related RPD and Applicable Laws

Wis. Stat. § 111.335

History

Res. ____ adopted __/__/12.

Res. 9276 adopted 12/8/06.

UW SYSTEM TRAVEL PROGRAM

EXECUTIVE SUMMARY

BACKGROUND

The 2011-13 biennial budget (2011 Wisconsin Act 32) created Wis. Stat. s. 36.11(56), authorizing the Board of Regents to establish travel policies for System employees and a schedule for the reimbursement of System employees for travel expenses. The statutes provide this authority effective July 1, 2013. Until then, the UW System is required to follow state travel regulations, as identified in state statutes, state compensation plans, and Department of Administration policies. The establishment of a university travel program separate from the state program presents an opportunity to establish policies and procedures that meet the unique needs of higher education.

REQUESTED ACTION

For discussion only.

DISCUSSION

Travel impacts many individuals, and travel costs were incurred by approximately 30,000 UW System employees and more than 12,000 guests, such as recruitment candidates and speakers, in fiscal year 2011-12. Travel can be funded by a variety of funding sources including, but not limited to, state funds, federal grants, and student segregated fees. In addition, there are currently numerous allowable payment mechanisms, such as invoices sent directly to the UW System, institutional-liability procurement cards, and personal-liability corporate cards. In fiscal year 2011-12, there were nearly 84,000 travel reimbursement requests processed.

Attached, for discussion purposes, is a draft Regent Policy Document (RPD) that would provide the framework for a UW System managed travel program. The overall goals of such a program include containing costs, developing a rate structure in accordance with IRS requirements, leveraging volume to negotiate pricing discounts and enhanced services, and streamlining administrative processes. To accomplish these objectives, all UW System institutions will be required to adhere to system-wide travel policies for university-paid travel, regardless of funding source, as necessitated by IRS and federal grant regulations. System-wide policies for individual aspects of travel will be developed by newly created system-wide travel governance committees, which are comprised of UW vice chancellors, controllers, travel managers, and others, and will be vetted with all institutions. Cost savings resulting from the managed travel program will accrue to the individual institutions.

The Board of Regents will not be asked to adopt a policy at its December meeting. After receiving Regent input, a resolution and Board document reflecting the UW System President's recommendation for a new Board policy will be presented to the Board for consideration at its February meeting.

RELATED REGENT POLICIES AND APPLICABLE LAWS

Wis. Stats. s. 36.11(56)

REGENT POLICY DOCUMENT
XX-YY UNIVERSITY TRAVEL POLICIES

Scope

This policy addresses the authority of the Board of Regents as it relates to university travel policies created under Wis. Stat. s. 36.11.(56)

Purpose

The purpose of this policy is to provide guidance to all UW System institutions regarding the implementation of the Board of Regents' statutory authority and resulting responsibility to establish travel policies for all university-paid business travel and a schedule for the payment or reimbursement of travel-related expenses incurred in the course of university business.

Policy Statement

Under Wis. Stat. s. 36.09 (1) the Board of Regents is vested with the primary responsibility for the governance of the University of Wisconsin System. In discharging this responsibility, it is the Board's policy to comply with Internal Revenue Service (IRS) Regulations regarding the provision and payment or reimbursement of business-related travel and to ensure IRS "accountable plan" rules are met for employer-paid business travel. As required by IRS and federal grant regulations, all travel paid or reimbursed from university-administered funds must be done in compliance with the university travel policies, regardless of the funding source (i.e., federal grants and contracts, auxiliary operations, general operating funds, and restricted funds).

The Board of Regents seeks to strike a balance among various elements of university travel including: meeting the needs, comfort, and security of individual travelers; consolidating volume to leverage supplier discounts; increasing services to travelers; obtaining technical and administrative efficiencies; achieving overall cost containment; and ensuring accountability to the public.

In order to achieve these objectives, it is the policy of the Board of Regents that the University of Wisconsin System administers a managed travel program. The UW System travel program encompasses all aspects of University travel, including policy development, processes, planning, data management, communication, and preferred supplier services and contracts. After appropriate institutional input, training, and communication, institutions are expected to ensure compliance by faculty and staff with all aspects of the system-wide travel program in order to realize the potential savings and efficiencies achievable under the program.

The UW System travel program will include policies covering, but not limited to, the following:

- A. Airfare
- B. Meals
- C. Lodging

- D. Transportation (including mileage reimbursement rates, vehicle rental, and other ground transportation)
- E. Incidentals
- F. Hospitality and UW Sponsored Events
- G. Relocation

Oversight, Roles, and Responsibilities

The Board of Regents delegates to the President of the UW System the authority to implement and maintain a managed travel program for all University-paid travel. Each UW System institution shall consistently apply the travel policy and related processes.

The institution travel manager or travel management staff at each UW System institution must: (1) ensure compliance with system-wide travel policies and processes; (2) provide travel related training and assistance to UW System institution employees; and (3) collaborate with the system-wide travel governance committees to develop and maintain consistent policies, processes, and communications about the UW System travel program.

UW System employees are responsible and accountable for following all travel policies and IRS requirements for the timely and accurate reporting of all travel expenditures, including advances and pre-paid expenses.

Related Regent Policies and Applicable Laws

Wis. Stats. s. 36.11(56)

History

This policy was adopted on (date).

OFFICE OF OPERATIONS REVIEW AND AUDIT STATUS UPDATE

EXECUTIVE SUMMARY

BACKGROUND

The Office of Operations Review and Audit provides objective review and analysis services in order to add value to, protect, and strengthen the University of Wisconsin System.

REQUESTED ACTION

This item is for information only.

DISCUSSION

The enclosed report provides an overview of activities of the Office of Operations Review and Audit since August 23, 2012. Specifically, this report provides information on the following:

- (1) 2012 major project activity;
- (2) other significant projects; and
- (3) an update on Legislative Audit Bureau projects in the UW System.

RELATED REGENT POLICIES

None.

STATUS UPDATE OF THE OFFICE OF OPERATIONS REVIEW AND AUDIT

December 6, 2012

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Snapshot – 2012 Major Project Activity

Title	#	Status
NCAA Division III Athletics – Eau Claire	2011-10	Report Date July 17, 2012
Undergraduate Academic Advising (System)	2011-12	Report Date August 3, 2012
UW Policies Related to the Reporting of Crimes Against Children (System)	2012-01	Report Date May 29, 2012
NCAA Division III Athletics – Stevens Point	2012-02	Report Date August 3, 2012
Compliance with UW System Travel Regulations		
• Parkside	2012-03	Report Date November 20, 2012
• River Falls	2012-05	Report Date November 30, 2012*
• Stout	2012-07	Report Date November 20, 2012
• Milwaukee	2012-09	Active
• Whitewater	2012-11	Active
• Oshkosh	2012-13	Active
• Systemwide Management Letter	2012-21	Report Date November 20, 2012
Compliance with §16.417 Wis. Stats. Related to Dual Employment		
• Parkside	2012-04	Active
• River Falls	2012-06	Expected – December 2012
• Stout	2012-08	Expected – December 2012
• Milwaukee	2012-10	Active
• Whitewater	2012-12	Expected – December 2012
• Oshkosh	2012-14	Active

* Estimated as of mail date.

Snapshot – 2012 Major Project Activity, Continued

Title	#	Status
International Admissions		
• Madison	2012-15	Active
• Milwaukee	2012-16	Expected – December 2012
• La Crosse	2012-17	Expected – December 2012
• Parkside	2012-18	Expected – December 2012
• Whitewater	2012-19	Expected – December 2012
Employee Payroll Information		
• Superior	2012-20	Expected – December 2012
• Platteville	2012-22	Expected – December 2012
• System Administration	2012-23	Expected – December 2012

Other Significant Projects

- ❖ Audit Plan Development Process:
 - ❑ Multi-phased collaborative approach.
 - ❑ Emphasis on financial, compliance, and IT risks.

- ❖ Enterprise Risk Management (ERM) Project:
 - ❑ Defined as a structured, consistent, and continuous process for identifying, accessing, deciding on responses to, and reporting on opportunities and threats that affect the achievement of organization objectives.
 - ❑ Supported by UW System Administration offices of Academic Affairs, Administrative Services, Financial Administration, General Counsel, and Operations Review and Audit.
 - ❑ ERM workshops conducted at UW-Milwaukee during fall 2012.

- ❖ Implementation of electronic audit tools (AutoAudit and IDEA).

- ❖ Institutional support for investigations or other matters.

Legislative Audit Bureau Projects Underway

- ❑ Annual financial statement audit for fiscal year 2011-12.
- ❑ Annual compliance audit of federal grants and expenditures, including student financial aid, for fiscal year 2011-12.
- ❑ Analysis of issues related to the rehiring of annuitants by employers participating in the Wisconsin Retirement System.
- ❑ Evaluation of WiscNet and UW System's use of broadband services.

PROPOSED 2013 AUDIT PLAN TOPICS OFFICE OF OPERATIONS REVIEW AND AUDIT

EXECUTIVE SUMMARY

BACKGROUND

The Office of Operations Review and Audit provides objective review and analysis services in order to add value to, protect, and strengthen the University of Wisconsin System. Annually, the Office develops a risk-based audit plan to determine internal audit activity priorities, consistent with the organization's goals.

REQUESTED ACTION

This item is for information only.

DISCUSSION

The final 2013 audit plan will be presented to the Business, Finance, and Audit Committee at its February 2013 meeting. The enclosed document entitled *Topics Under Consideration for the 2013 Audit Plan* highlights some potential topics for inclusion in the final 2013 audit plan. Based upon current staffing levels within the Office of Operations Review and Audit, completing all proposed topics may not be feasible. Therefore, this listing is being provided as a basis for discussion in attempts to identify the best use of internal audit resources during calendar year 2013.

RELATED REGENT POLICIES

None

TOPICS UNDER CONSIDERATION FOR THE 2013 AUDIT PLAN

December 6, 2012

Overview of Proposed Engagement Topics

Title and Audit Type	Objectives
1) Clery Act Compliance (Compliance)	<ul style="list-style-type: none"> • Consideration of the existence, adequacy, and communication of Clery Act policies. • Proper identification of campus security authorities. • Sufficiency of training provided to campus security authorities. • Internal controls related to the collection of crime statistics, issuance of timely warnings, and preparation of the annual safety report.
2) Physical Security and Access to Facilities Used in Camps and Programs for Children (Operational)	<ul style="list-style-type: none"> • Identification of facilities used in camps and programs for children. • Policies related to requesting, granting, removing, and reviewing access to facilities. • Existence of mechanisms used to restrict and/or monitor access. • Existence of detective controls to identify inappropriate access to facilities, and other procedures to monitor physical access. • Access verification procedures.
3) IT Backup and Data Recovery Procedures (IT)	<ul style="list-style-type: none"> • Consideration of the existence and adequacy of the backup and data recovery procedures. • Evaluation of procedures to address failed backups. • Verification of ability to successfully restore data. • Evaluation of location and adequacy of off-site storage facility.
4) NCAA Division III Athletics (Financial)	<ul style="list-style-type: none"> • Review of the significant policies and procedures applicable to the athletics program. • Compliance with select aspects of NCAA Bylaw Article 15 related to financial aid (subsections 15.01, <i>General Principles</i>, 15.4.1(a), <i>Consistent Financial Aid Package</i>, and Bylaw Article 15.4.5, <i>Athletics Staff Involvement</i>). • Adequacy of internal controls and compliance with policies related to various categories of athletics' revenues and expenses.

Proposed Engagement Topic Objectives, Continued

Title	Objectives
5) Payroll Accounting – Gross to Net Calculation (Financial)*	<ul style="list-style-type: none"> • Internal control assessment of the gross to net payroll calculation, with particular focus and attention provided to large payroll liability accounts.
6) Travel Regulations (Compliance)	<ul style="list-style-type: none"> • Assessment of compliance with provisions of Financial Administration Policy F36, <i>UW System Travel Regulations</i>, by key administrators and other financial personnel with oversight of travel, including: <ul style="list-style-type: none"> ○ existence and effectiveness of supervisor's approval; ○ review by travel preauditor; ○ allowability of expenses; ○ compliance with material provisions of Policy F36; and ○ confirmation that expenses were not reimbursed on more than one occasion.
7) Dual Employment or Overloads (Compliance)	<ul style="list-style-type: none"> • Accuracy of coding of payments within HRS (Human Resources System). • Adequacy and timing of approval of overload payments. • Compliance with statutory or System policies regarding overload and summer pay limits, including consideration as to whether payments were made within a reasonable timeframe of performing the work. • Sufficiency of documentation supporting overload payments made, including consideration as to whether payments were for tasks that meet the definition of overloads.
8) Placement Rates Data (Operational)	<ul style="list-style-type: none"> • Identification of published placement rate data. • Determination and evaluation of source data used for calculating placement rates, methodology used, and whether calculations are reasonable and accurate.

* Collaborative project involving UW System Administration and UW-Madison internal audit personnel.

Proposed Engagement Topic Objectives, Continued

Title	Objectives
9) Continuous Auditing Topic – Payroll Audit for Unclassified and Classified Employees (Financial/Fraud)	<ul style="list-style-type: none"> • Systematic identification of conditions or trends that warrant further review or investigation related to unclassified and classified employees. Examples of items to be systematically identified include social security numbers assigned to multiple individuals, invalid social security numbers, payments made to terminated employees, and other unusual trends.
10) Continuous Auditing Topic – Search for “Ghost” Student or Limited Term Employees (Financial/Fraud)*	<ul style="list-style-type: none"> • Risk-based, automated identification of “ghost” or “fictitious” employees using scenario-based auditing techniques. • Determination and evaluation of whether systematically-identified individuals represent actual employees.
11) Continuous Auditing Topic – Review of Purchasing Card Expenditures (Financial/Fraud)*	<ul style="list-style-type: none"> • Risk-based identification of purchasing card expenditures that may not be allowable using automated techniques. • Determination and evaluation of whether systematically-identified expenses are allowable.

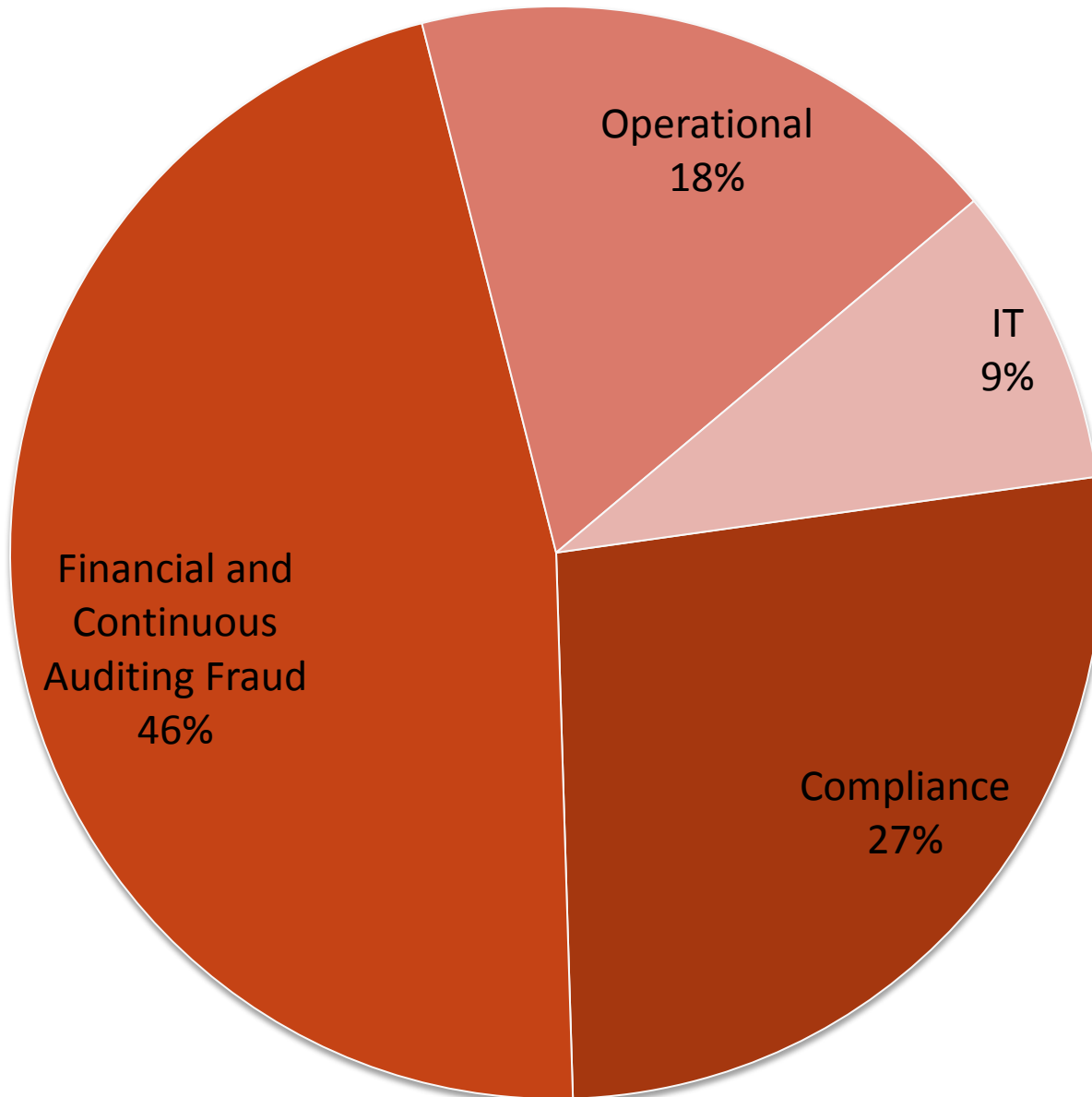
* Collaborative project involving UW System Administration and UW-Madison internal audit personnel.

Proposed Coverage, by Institution

TITLE	M S N	M I L	E A U	G B Y	L A C	O S H	P K S	P L T	R V F	S T P	S T O	S U P	W T W	C O L	E X T	S Y S
1) Clery Act Compliance	◆	◆														
2) Physical Access to Facilities	◆	◆											◆			
3) IT Backup and Disaster Recovery Procedures		◆				◆	◆	◆	◆		◆	◆				◆
4) NCAA Division III Athletics						◆										
5) Payroll Accounting – Gross to Net Calculation	◆															◆
6) Travel Regulations	◆		◆	◆	◆					◆		◆		◆	◆	◆
7) Dual Employment or Overloads	◆		◆	◆	◆					◆		◆		◆	◆	◆
8) Placement Rates Data	◆	◆		◆												
9) Continuous Auditing Topic – Payroll Audit for Unclassified and Classified Employees	◆	◆	◆		◆		◆		◆	◆	◆		◆	◆	◆	
10) Continuous Auditing Topic – Search for “Ghost” Student or Limited Term Employees	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
11) Continuous Auditing Topic – Review of Purchasing Card Expenditures	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
TOTAL, BY INSTITUTION	9	7	5	5	5	4	4	3	4	5	4	5	4	5	5	6

Note: Coverage may not equate to an institution-specific report in all cases. For example, procedures for continuous auditing topics are driven based upon systematic identification of risk factors.

Proposed Audit Coverage, by Audit Type



11/26/12

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.3. Capital Planning and Budget Committee

Thursday, December 6, 2012
Union South
Varsity Hall I, 2nd Floor
1308 W. Dayton Street
Madison, Wisconsin

1:00 p.m. Meeting of the Capital Planning and Budget Committee – Varsity Hall I, 2nd Floor

- a. Approval of the Minutes of the October 4, 2012 Meeting of the Capital Planning and Budget Committee
- b. UW-Madison: Authority to Increase the Budget of the All Season Softball Practice Facility Project
[Resolution I.3.b.]
- c. UW-Madison: Authority to Petition for Annexation of 388 Acres Comprised of the Spooner Agricultural Research Station into the City of Spooner, Wisconsin
[Resolution I.3.c.]
- d. UW-Milwaukee: Authority to Purchase Property Located at 3435 North Lake Drive, Milwaukee, from the University of Wisconsin-Milwaukee Real Estate Foundation, Inc.
[Resolution I.3.d.]
- e. UW-Oshkosh: Approval of the Design Report of the Lincoln Hall Renovation Project and Authority to Increase the Budget and Construct the Project
[Resolution I.3.e.]
- f. UW-Superior: Authority to Increase the Budget of the Ross and Hawkes Halls Renovation Project
[Resolution I.3.f.]
- g. UW System: Authority to Construct All Agency Maintenance and Repair Projects
[Resolution I.3.g.]
- h. UW-Madison: Authority to Sell 2.93 Acres of Land and Buildings Located at 6101 Mineral Point Road, Madison, Wisconsin to University Research Park, LLC (URP)
[Resolution I.3.h.]
- i. UW System: Authority to Seek Enumeration of an Additional 2013-15 Capital Budget Project
[Resolution I.3.i.]
- j. Report of the Associate Vice President
Building Commission Actions

Authority to Increase the Budget of the All
Season Softball Practice Facility Project,
UW-Madison

CAPITAL PLANNING AND BUDGET COMMITTEE

Resolution:

That, upon the recommendation of the UW-Madison Interim Chancellor and the President of the University of Wisconsin System, authority be granted to increase the budget of the All Season Softball Practice Facility project by \$700,000 Gift Funds for a revised total project cost of \$3,525,000 Gift Funds.

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for Board of Regents Action December 2012

1. Institution: The University of Wisconsin-Madison
2. Request: Authority to increase the budget of the All Season Softball Practice Facility project by \$700,000 Gift Funds for a revised total project cost of \$3,525,000 Gift Funds.
3. Description and Scope of Projects: This project constructs a new 12,400 ASF/14,930 GSF softball practice facility that will be home for the University of Wisconsin-Madison's softball team. The new facility will be connected via a vestibule to an existing space which houses the home, visiting team, and coaches' locker rooms. The new facility will be constructed of brick walls with a standard flat roof and will house a large indoor practice field with a 24-foot clear inside height. The new facility will also include other team spaces, an umpire locker room, and storage spaces. The project will upgrade finishes in the three existing locker rooms and the existing training room, as well as provide associated site improvements.
4. Justification of the Request: Phase I of the project, which included the foundations and site work, is completed. In response to revised cost estimates prior to the bidding of Phase II, the Division of Facilities Development allowed \$500,000 Gift Funds to be added to the project administratively per State Building Commission policy. Bids received for Phase II (the balance of the project) exceeded that amount and, after additional value engineering of the already lean project, an additional \$700,000 is needed to complete the project for the spring 2013 season, as stipulated by the lead gift from the Goodman Foundation. The addition of funds sought by this request include a construction contingency.
5. Revised Budget and Schedule:

	Design Report Budget	Revised Budget
Construction	\$1,955,000	\$2,881,000
A/E	195,000	195,000
DSF Management Fees	75,000	75,000
Other Design Fees	40,000	40,000
Contingency	0	274,000
Special & Movable Equipment	60,000	60,000
Total Project Cost	\$2,325,000	\$3,525,000

35% Design Approval	April 2012
Bid Date – Bid Phase I	May 2012
Bid Date – Bid Phase II	July 2012
Start Construction (Ph II)	October 2012
Substantial Completion	March 2013
Project Close-Out	August 2013

6. Previous Actions:

August 21, 2008 Resolution 9529	Recommended enumeration of the West Campus Athletic Facilities Improvement project as part of the 2009-11 Capital Budget at a total estimated project cost of \$7,947,000 (\$3,973,500 Program Revenue Supported Borrowing and \$3,973,500 Gift Funds).
April 13, 2012 Resolution 10056	Approved the Design Report of the All Season Softball Practice Facility project and granted authority to construct the project at an estimated total project cost of \$2,325,000 Gift Funds.

Authority to Petition for Annexation of
388 Acres Comprised of the Spooner
Agricultural Research Station into the
City of Spooner, Wisconsin, UW-Madison

CAPITAL PLANNING AND BUDGET COMMITTEE

Resolution:

That, upon the recommendation of the UW-Madison Interim Chancellor and the President of the University of Wisconsin System, authority be granted to petition for annexation of 388 acres comprised of the entire Spooner Agricultural Research Station into the city of Spooner, Wisconsin.

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for Board of Regents Action December 2012

1. Institution: The University of Wisconsin-Madison
2. Request: Authority to petition for annexation of 388 acres comprised of the entire Spooner Agricultural Research Station into the city of Spooner, Wisconsin.
3. Description and Scope of Project: The approximately 388 acre parcel of the Spooner Agricultural Research Station (SARS) is currently located within the Town of Spooner, on the eastern edge of the city of Spooner, one-half mile from the northwestern intersection of highways 70 and 53. The city of Spooner has proposed annexation to allow the city to expand to the main interchange of the highways. The city cannot expand without annexing the station, as expansion cannot cause a parcel to create an island of non-city property within the city boundary.
4. Justification for the Request: In July 2011, the Washburn County Economic Development Corporation contacted UW-Madison regarding their interest in expanding the city of Spooner and the fact that doing so would require annexation of the Spooner Agricultural Research Station. This in turn triggered numerous discussions involving city of Spooner officials, UW System legal counsel, UW-Madison staff, and Representative Roger Rivard from the 75th Assembly District to address potential annexation and resolve related issues.

The Spooner Agricultural Research Station was established in 1909, when the city of Spooner donated 80 acres of sandy loam soil to the University of Wisconsin. An additional 80 acres adjoining the original was purchased from Mabel Dodge in 1911. In 1931, 243 acres were purchased from J.D. Thomas. Sales to accommodate highway expansion in 1963 and 1985 totaled 15 acres, resulting in the present size of 388 acres. A staff of 14 employees from UW-Madison and UW-Extension conducts research and maintains the station that serves the surrounding community.

Currently, the station leads the state in crop research, specifically in improvements for corn, alfalfa, soybean, potato, and small grains. In 1995, the station began pioneering research in the dairy sheep industry and remains the definitive source for dairy sheep information in the country.

The principal advantages of annexation benefit the city of Spooner, as it allows expansion toward the main highway interchange; however, the annexation also benefits SARS to some degree by providing the College of Agricultural and Life Sciences with more options in the future as land values increase.

Additionally, the major concerns on the part of the College of Agricultural and Life Sciences have been addressed by the city of Spooner and are being incorporated into the request for annexation being prepared by UW System legal counsel. They are as follows:

- Future Special Assessments -- The city of Spooner legal counsel will prepare a resolution to exempt SARS from all special assessments collected by the city.
- Zoning Changes -- The city of Spooner will not change current zoning designations or, at most, will change the zoning to Agricultural or a zone specific to the Spooner Agricultural Research Station only as required for Tax Incremental Financing District (TID).
- Utility Service Area -- SARS will not be required to connect to city of Spooner utilities including water and sewer unless it so requests.
- Payment in lieu of taxes -- The city of Spooner will not subject SARS or the university to any payments to the city in lieu of taxes.
- Indemnification -- The city of Spooner will indemnify the University of Wisconsin System Board of Regents from any claims arising from the annexation.

5. Budget: Not applicable.

6. Previous Action: None.



Authority to Purchase Property Located at
3435 North Lake Drive, Milwaukee, from
the University of Wisconsin-Milwaukee
Real Estate Foundation, Inc.,
UW-Milwaukee

CAPITAL PLANNING AND BUDGET COMMITTEE

Resolution:

That, upon the recommendation of the UW-Milwaukee Chancellor and the President of the University of Wisconsin System, authority be granted to purchase a property, which is located at 3435 North Lake Drive, Milwaukee, from the UW-Milwaukee Real Estate Foundation, Inc. for a total cost not to exceed \$645,000.

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for Board of Regents Action December 2012

1. Institution: The University of Wisconsin-Milwaukee
2. Request: Authority to purchase a property, which is located at 3435 North Lake Drive, Milwaukee, from the UW-Milwaukee Real Estate Foundation, Inc. for a total cost not to exceed \$645,000.
3. Description and Scope of Project: The UWM Real Estate Foundation purchased the property for \$955,000, and will sell it to the University of Wisconsin-Milwaukee for \$645,000. The funding for this purchase will come from the proceeds of the 2010 sale of the previous Chancellor's house. The difference in price is comprised of gifts to the UWM Foundation. A recent appraisal of the property determined the value to be \$955,000. The 2012 assessed value is \$971,800.

The property is a 0.47 acre parcel of land with a 4,818 gross square foot residential building that was designed by a prominent local architect of the era, Charles Valentine, and constructed in 1926.

The building is a stone Tudor-style house with 11 rooms, including a living room, a dining room, and a library on the main level. The house is located in the North Lake Drive Historical neighborhood at 3435 N. Lake Drive, Milwaukee and is approximately 0.5 miles due east of the main campus. Associated costs related to the purchase of the house, including inspections and closing costs, will be covered by the UWM Real Estate Foundation.

Moderate renovations will be completed prior to occupancy to provide accessibility for the physically impaired, consistent with ADA codes and institutional use of the house.

4. Justification of Request: This acquisition will benefit the university by providing a Chancellor's house for institutional use, which has not been available to the campus since the sale of the 4430 North Lake Drive, Shorewood, house in December of 2010. That house was inadequate for university-related business entertaining and further suffered from erosion of the lake bluff on which it stood. It was always the intention to use the proceeds from the sale of that residence to purchase another residence for the university and funds have been kept in a UW System-controlled trust fund since then (per Board of Regents Resolution 9234, August 2006).

This facility will provide an excellent location near campus for hosting university fundraising and private events, both indoors and out, for visiting dignitaries, guests, and supporters of the university.

5. Budget: None.

6. Previous Actions:

August 18, 2006
Resolution 9234

Granted authority to sell the Chancellor's residence property (approximately 0.85 acre) located at 4430 North Lake Drive, Shorewood, Wisconsin, at a price not less than the average of two appraisals. In addition, the net proceeds of the sale shall be held as a trust fund of the Board until a campus plan is presented, subject to the Board's approval, regarding disposition of those funds including a consideration of whether or not UW-Milwaukee should have an official Chancellor's residence. So long as the principle remains as a trust fund, the earnings on such fund shall be provided to UW-Milwaukee for university purposes.

Approval of the Design Report of the
Lincoln Hall Renovation Project and
Authority to Increase the Budget and
Construct the Project, UW-Oshkosh

CAPITAL PLANNING AND BUDGET COMMITTEE

Resolution:

That, upon the recommendation of the UW-Oshkosh Chancellor and the President of the University of Wisconsin System, the Design Report of the Lincoln Hall Renovation project be approved and authority be granted to increase the budget by \$424,000 Program Revenue Supported Borrowing and construct the project at a total cost of \$4,900,000 Program Revenue Supported Borrowing.

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for Board of Regents Action December 2012

1. Institution: The University of Wisconsin-Oshkosh
2. Request: Approval of the Design Report of the Lincoln Hall Renovation project and authority to increase the budget by \$424,000 Program Revenue Supported Borrowing and construct the project at a total cost of \$4,900,000 Program Revenue Supported Borrowing.
3. Description and Scope of Project: This project will renovate the existing 20,163/34,235 ASF/GSF Lincoln Hall into space for the functions of the Division of Lifelong Learning and Community Engagement, the Children's Learning and Care Center, and parking. The building, which was recently purchased from the Oshkosh Area School District, will require a major overhaul to meet the needs of the future occupants and to address building code and backlog maintenance issues.

Work includes a complete remodeling of the interior of the building and reconfiguring it for the new occupants. The heating/ventilating system was designed for a very different type of occupancy and the building is currently not air conditioned. A new stand-alone HVAC system will be installed; plumbing and electrical systems will be replaced and or upgraded to meet code requirements and intended programmatic needs. In addition, a fire sprinkler system will be added. The remodeling will include lighting, voice/data/video connections, and a new roof.

4. Justification of the Request: Lincoln Hall was identified as the best location for two programs needing high visibility, accessibility, and parking at the edge of campus. The Division of Lifelong Learning and Community Engagement programs are geared toward nontraditional students and adults who access services at off hours and will benefit from an easily accessible location. The Children's Learning and Care Center provides day care services for the children of students, staff, and faculty as well as learning opportunities for students in early childhood education. Spaces on campus vacated by these programs will become available for other uses.

The increase in the project budget is in response to the results of pre-design deliverables including a thorough facility condition assessment and life cycle cost analyses of design options. These pre-design investigations clarified the need for the installation of a new fire sprinkler system, an upgrade of the elevator controls, more extensive asbestos abatement than previously budgeted, replacement of the existing unit ventilators with a variable air volume (VAV) mechanical system, and extension of the campus chilled water system rather than installation of a stand-alone chiller.

5. Budget and Schedule:

Budget	Cost
Construction	\$3,910,000
Contingency	394,000
A/E Design Fee	355,000
Other Fees	69,000
DFD Fee	172,000
Movable & Special Equipment	0
Total Project Cost	\$4,900,000

Schedule	Date
Final Documents	Jan. 2013
Bid Date	Apr. 2013
Construction Start	May 2013
Substantial Completion	Jan. 2014

6. Previous Action:

- June 16, 2010 Approved a request to expand the campus boundary and purchase a 2.41 acre parcel of land and improvements at 608 Algoma Street in the city of Oshkosh at an acquisition cost of \$1,480,000 General Fund Supported Borrowing.
- March 16, 2011 Recommended enumeration of the Lincoln Hall Renovation Project at a total estimated project cost of \$7,100,000 Program Revenue Supported Borrowing as part of the 2011-13 Capital Budget. The project was subsequently enumerated at \$4,476,000 Program Revenue Supported Borrowing.

Authority to Increase the Budget of the Ross
and Hawkes Halls Renovation Project,
UW-Superior

CAPITAL PLANNING AND BUDGET COMMITTEE

Resolution:

That, upon the recommendation of the UW-Superior Chancellor and the President of the University of Wisconsin System, authority be granted to increase the budget of the Ross and Hawkes Halls Renovation project by \$1,079,000 Program Revenue Supported Borrowing for a total project cost of \$16,355,000 Program Revenue Supported Borrowing.

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for Board of Regents Action December 2012

1. Institution: The University of Wisconsin-Superior
2. Request: Authority to increase the budget of the Ross and Hawkes Halls Renovation project by \$1,079,000 Program Revenue Supported Borrowing for a total project cost of \$16,355,000 Program Revenue Supported Borrowing.
3. Project Description and Scope: The Ross and Hawkes Residence Halls Renovation project will replace failing mechanical systems and infrastructure in the two existing four-story plus basement residence halls. A portion of the project's original scope of work was to include the replacement of all exterior windows. Current windows are original to the 1967 construction and have lost their integrity to keep out wind and moisture, causing increased energy and maintenance costs.
4. Justification: In value engineering efforts during the project's bidding process, the exterior window replacement scope was removed. Due to the serious energy and maintenance concerns and the opportunity to accomplish the work while the residence halls are off-line during construction of the renovation project, the campus is seeking to restore the window replacement scope to the project.
5. Budget and Schedule:

	Design Report Budget	Revised Budget
Construction	\$12,125,000	\$12,965,000
Contingency	849,000	976,000
A/E Design	1,041,000	1,109,000
DFD Management	519,000	553,000
Plan Review/Testing	22,000	22,000
Hazardous Materials Abatement	97,000	107,000
Movable Equipment	623,000	623,000
Total	\$15,276,000	\$16,355,000

Schedule	Revised Schedule
Bid Opening	August 2012
Start Construction	November 2012
Substantial Completion/Occupancy	August 2013

6. Previous Action:

August 19, 2010
Resolution 9801

Recommended enumeration of the Ross and Hawkes Halls Renovation project as part of the UW System 2011-13 Capital Budget at an estimated cost of \$ 13,000,000 Program Revenue Supported Borrowing. The project was subsequently enumerated at \$15,276,000 Program Revenue Supported Borrowing.

February 10, 2012
Resolution 10023

Approved the Design Report and granted authority to construct the Ross and Hawkes Halls Renovation project for a total cost of \$15,276,000 Program Revenue Supported Borrowing.

Authority to Construct All Agency
Maintenance and Repair Projects,
UW System

CAPITAL PLANNING AND BUDGET COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to construct various maintenance and repair projects at an estimated total cost of \$3,923,600 (\$3,495,500 Program Revenue Supported Borrowing; \$380,100 Rock County Cash; and \$48,000 Washington County Cash).

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for Board of Regents Action December 2012

1. Institution: The University of Wisconsin System
2. Request: Authority to construct various maintenance and repair projects at an estimated total cost of \$3,923,600 (\$3,495,500 Program Revenue Supported Borrowing; \$380,100 Rock County Cash; and \$48,000 Washington County Cash).

ENERGY CONSERVATION

INST	PROJ. NO.	PROJECT TITLE	GFSB	PRSB	CASH	GIFT/GRANT	BTF	TOTAL
COL	12A1M	UWRCK Multi-Bldg Energy Conservation	\$ -	\$ 539,400	\$ 380,100	\$ -	\$ -	\$ 919,500
COL	12C4C	UWWSH Multi-Bldg Energy Conservation	\$ -	\$ 1,110,200	\$ 48,000	\$ -	\$ -	\$ 1,158,200
EC SUBTOTALS			\$ -	\$ 1,649,600	\$ 428,100	\$ -	\$ -	\$ 2,077,700

FACILITIES MAINTENANCE & REPAIR

INST	PROJ. NO.	PROJECT TITLE	GFSB	PRSB	CASH	GIFT/GRANT	BTF	TOTAL
MIL	12J2W	Sandburg Hall North Tower Roof Repl	\$ -	\$ 291,900	\$ -	\$ -	\$ -	\$ 291,900
MIL	09K2W	Sandburg Hall South Tower Ext Window Repl, Ph. III	\$ -	\$ 1,554,000	\$ -	\$ -	\$ -	\$ 1,554,000
FM&R SUBTOTALS			\$ -	\$ 1,845,900	\$ -	\$ -	\$ -	\$ 1,845,900

	GFSB	PRSB	CASH	GIFT/GRANT	BTF	TOTAL
DECEMBER 2012 TOTALS	\$ -	\$ 3,495,500	\$ 428,100	\$ -	\$ -	\$ 3,923,600

3. Description and Scope of Project: This request provides maintenance, repair, renovation, and upgrades through the All Agency Projects Program.

Energy Conservation

COL - UW-Rock County Multi-Building Energy Conservation (\$919,500): This project implements three energy conservation measures based on a recently completed comprehensive investment grade energy audit for five buildings (Allen Hall, Andrews Hall, Engineering Center, Hyatt Smith Hall, and Williams Hall). Project work includes converting the steam heating systems to hot water heating systems, installing new variable frequency drives on the air handling units, replacing standard efficiency motors with new high-efficiency motors, and exterior envelope improvements.

The Department of Administration and the University of Wisconsin System embrace high-performance green building standards and energy conservation for state facilities and operations. 2005 Act 141 requires each agency to develop energy cost reduction plans. Plans must include all system and equipment upgrades that will pay for themselves in energy cost reductions over their useful life. The energy savings performance contracting program provides a process for UW-System to effect energy cost reductions in existing buildings and utility systems.

This project will assist UW–Rock County in complying with these energy reduction goals. The implementation of the energy conservation measures identified in this request will result in an anticipated annual energy cost savings of approximately \$35,464 with a simple payback of 15.2 years. This simple payback value includes the Rock County contribution of \$380,073. This is below the state energy fund simple payback requirement of 16 years or a 20-year payback with repayment at a 5.25% bond rate and a 3% inflation rate.

COL - UW-Washington County Multi-Building Energy Conservation (\$1,158,200): This project implements seven energy conservation measures based on a recently completed comprehensive investment grade energy audit for two buildings (Instructional Building and the Library Building). Project work includes lighting upgrades and standardization, exterior envelope improvements, installing new vending machine controls with occupancy sensors, installing new computer network power management software, and installing new flush valves and low-flow shower heads. The constant volume air handling systems will be retrofitted into variable air volume systems. Standard efficiency motors will be replaced with new high-efficiency motors, and new variable speed drives will be installed where appropriate. A new reheat coil will be installed on the gymnasium air-handling unit to provide more efficient humidity control.

The Department of Administration and the University of Wisconsin System embrace high-performance green building standards and energy conservation for state facilities and operations. 2005 Act 141 requires each agency to develop energy cost reduction plans. Plans must include all system and equipment upgrades that will pay for themselves in energy cost reductions over their useful life. The energy savings performance contracting program provides a process for UW-System to effect energy cost reductions in existing buildings and utility systems.

This project will assist UW–Washington County in complying with these energy reduction goals. The implementation of the energy conservation measures identified in this request will result in an anticipated annual energy cost savings of approximately \$72,184 with a simple payback of 14.40 years. This simple payback value includes the Washington County contribution of \$47,962. This is below the state energy fund simple payback requirement of 16 years or a 20-year payback with repayment at a 5.25% bond rate and a 3% inflation rate.

Facilities Maintenance and Repair Requests

MIL - Sandburg Hall North Tower Roof Replacement (\$291,900): This project replaces roof coverings and completes all other associated ancillary work to maintain the building envelope integrity and prevent damage to the building and its contents. Project work includes replacing ~6,000 SF of roof covering with a new 60-mil Ethylene Propylene Diene Monomer (EPDM) fully adhered roofing membrane. Counterflashings will be reused where possible. The lightning protection system will be augmented and replaced to meet current code requirements. Roofing work must be coordinated around electrical conduits run across the roofing surface, mechanical equipment curbs, and other roof penetrations. It is anticipated the replacement membrane roofing system will use a combination of existing insulation and supplemented new insulation to achieve an R-26 value.

The roof sections are more than 33-years-old. Recent site inspections by the Physical Plant staff and DFD determined these roof sections require replacement to address current leaking, weathered, worn, and/or damaged sections. These repairs will extend the life of the roof sections and prevent moisture from penetrating the building envelope. The housing operation has closed the upper floor and kept it vacant for the past year due to the frequent roof leaks.

MIL - Sandburg Hall South Tower Exterior Windows Replacement (\$1,554,000 increase for a total project cost of \$4,980,500): This project replaces all exterior window assemblies with new energy efficient units, restores the exterior envelope integrity, replaces or repairs deteriorated components, and will decrease operational maintenance costs. This is the third and final phase of exterior window replacements for the original Sandburg Hall towers. Project work includes replacing all 1,500 exterior windows in over 325 openings (typical size 13-foot wide by 5-foot high) in the 20-story Sandburg Hall North Tower (176,991 GSF). The existing window assemblies will be removed, salvaged, and materials recycled. The window openings will be prepared for the new window units and interior finishes will be repaired and restored. The replacement units will have commercial grade insulated glass set in thermally broken insulated aluminum frames. It is anticipated that this second phase of construction will span the next two summers.

The exterior windows are original to the building and were installed in 1970. These units have exceeded their useful life due to intensive use and wear caused by harsh weather extremes. The single glaze windows are no longer weather tight and the frames are not thermally broken. This project will provide new units with a much higher thermal performance and energy efficiency rating.

4. Justification of the Request: UW System Administration and the Division of Facilities Development (DFD) continue to work with each institution to develop a comprehensive campus physical development plan, including infrastructure maintenance planning. After a thorough review and consideration of approximately 450 All Agency Project proposals and over 4,500 infrastructure planning issues submitted, and the UW All Agency Projects Program funding targets set by DFD, this request represents high priority University of Wisconsin System infrastructure maintenance, repair, renovation, and upgrade needs. This request focuses on existing facilities and utilities, targets the known maintenance needs, and addresses outstanding health and safety issues. Where possible, similar work throughout a single facility or across multiple facilities has been combined into a single request to provide more efficient project management and project execution.

5. Budget:

Program Revenue Supported Borrowing	\$ 3,495,500
Rock County Cash	380,100
Washington County Cash	48,000
Total Requested Budget \$	3,923,600

6. Previous Action:

December 11, 2009 Resolution 9710	The Board of Regents previously approved MIL – Sandburg Hall West Tower Exterior Windows Replacement at an estimated total cost of \$1,495,200 Program Revenue Supported Borrowing.
December 10, 2010 Resolution 9855	The Board of Regents previously approved MIL – Sandburg Hall North Tower Exterior Windows Replacement at an estimated total cost of \$1,931,300 Program Revenue Supported Borrowing for a total project cost of \$3,426,500 Program Revenue Supported Borrowing.

Authority to Sell 2.93 Acres of Land and
Buildings Located at 6101 Mineral Point
Road, Madison, Wisconsin to University
Research Park, UW-Madison

CAPITAL PLANNING AND BUDGET COMMITTEE

Resolution:

That, upon the recommendation of the UW-Madison Interim Chancellor and the President of the University of Wisconsin System, authority be granted to sell approximately 2.93 acres of land and buildings located at 6101 Mineral Point Road in Madison, Wisconsin (the former Wisconsin Veterinary Diagnostic Building) to University Research Park, LLC (URP) based on a value established by an independent appraisal less the cost of demolition.

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for Board of Regents Action December 2012

1. Institution: The University of Wisconsin-Madison
2. Request: Authority to sell approximately 2.93 acres of land and buildings located at 6101 Mineral Point Road in Madison, Wisconsin (the former Wisconsin Veterinary Diagnostic Building) to University Research Park, LLC (URP) based on a value established by an independent appraisal less the cost of demolition.
3. Description and Scope of Project: Approval of this request will allow the University Research Park to pursue the development of a parcel of land occupied by the former Wisconsin Veterinary Diagnostic Laboratory Building. Transferring the property to the URP will relieve the UW-Madison of the cost of maintaining an unused building and land.

URP will solicit proposals for development of the property. If a development is selected and agreement reached, the land will be sold to the URP based on the value of the current \$1,790,000 appraisal. If necessary for the development, URP will demolish the building based on the requirements set by the Board of Regents. The cost of the demolition would be deducted from the appraised value of the property.

4. Justification of the Request: In 2004, the UW-Madison entered into an agreement with CUNA Mutual Investment Corporation to exchange 12.4 acres of land, including the parcel located at 6101 Mineral Point Road, for a 20 acre parcel of land owned by CUNA adjacent to URP. However, the land exchange with CUNA never occurred. Had the exchange occurred, CUNA was to redevelop the parcel at 6101 Mineral Point Road once the Wisconsin Veterinary Diagnostic Laboratory (WVDL) vacated the premises and moved to its new building on the UW-Madison campus.

The WVDL moved into its new facility in 2006, but the building remains attached to the UW-Madison. In 2007, the building was decommissioned. The UW-Madison and URP have determined that they have no use for the building or the property and would like to pursue alternate development of the parcel and eliminate the liability of a vacant building. Since the property is adjacent to URP, it is appropriate that URP should pursue the development and ensure it is compatible with and supportive of its mission.

5. Budget and Schedule: N/A

6. Previous Action:

March 5, 2004 Resolution 8801	Granted authority to: (1) exchange two university-owned sites of land totaling 12.4 acres located on Mineral Point Road adjacent to University Research Park (URP) at an average appraised value of \$3,800,000, for one twenty-acre parcel of land adjacent to University Research Park along Mineral Point Road at an average appraised value of \$4,355,000 owned by CUNA Mutual Investment Corporation (CUNA), and (2) modify the existing University Research Park, Inc. option to acquire University Research Park sites to include the twenty acres of Lot 2 of Certified Survey Map No. 4896 and eliminate the University Research Park payment obligations for the remaining parcels to be acquired in the park.
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6101 Mineral Point Road
Madison, WI
Parcel # 0708-251-0604-4



Authority to Seek Enumeration of an
Additional 2013-15 Capital Budget Project,
UW System

CAPITAL PLANNING AND BUDGET COMMITTEE

Revised Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to modify the 2013 Capital Budget recommendation previously submitted to the Department of Administration in September 2012, with the following additional request for enumeration:

UW-Milwaukee	1915 East Kenilworth Place Lease Buyout
	\$65,300,000 Program Revenue Supported Borrowing

THE UNIVERSITY OF WISCONSIN SYSTEM

2013-15 CAPITAL BUDGET ADDITIONAL REQUEST

Background

Since the 2013-15 Capital Budget recommendations were considered by the Board of Regents in August 2012, additional progress has been made in analyzing the optimum timing to exercise the buyout option of the leasehold interest for the UW-Milwaukee Kenilworth building. Capital planning at UW System institutions is not always completed by the time of the August meeting during which the biennial budget is proposed. This recommendation does not impact the previous prioritization of state-funded projects adopted by the Board of Regents.

Recommendation

Approve modification of the 2013-15 Capital Budget recommendation previously submitted to the Department of Administration in September 2012, with the following request for enumeration.

Milwaukee 1915 East Kenilworth Place Lease Buyout
\$65,300,000 PRSB

This request seeks enumeration of funds to exercise the buyout option of the leasehold interest in the property at 1915 E. Kenilworth Place from the Redevelopment Authority of the City of Milwaukee (RACM) in September 2013. This request will enable refinancing the outstanding debt for the Kenilworth property and does not construct any facility. The project was initiated with the intent that UW-Milwaukee would buyout the RACM leasehold interest when the financing terms were favorable.

**The University of Wisconsin-Milwaukee
2013-15 Biennium
MAJOR PROJECT REQUEST**

1. **Project:** **1915 East Kenilworth Place Lease Buyout**

Institution: **UW-Milwaukee**

Estimated Cost: **\$65,300,000**

2. **Project Description and Scope:** This request seeks enumeration of funds to exercise the buyout option of the leasehold interest in the property at 1915 East Kenilworth Place from the Redevelopment Authority of the City of Milwaukee (RACM) in September 2013. This request will enable refinancing the outstanding debt for the Kenilworth property and does not construct any facility.

3. **Background:** The Kenilworth Building (371,872 ASF/490,502 GSF) is situated on a 2.5 acre parcel of land, located one mile south of the main UW-Milwaukee campus.

- In 1971, the U.S. General Services Administration donated the facility to UW-Milwaukee as surplus property with the stipulation that, for thirty years, the building could only be used for educational purposes.
- In 1999, UW-Milwaukee formed an ad hoc Kenilworth Committee to study the future potential of the facility.
- In February 2004, UWM worked with UW System, the Department of Administration, and the Division of State Facilities to develop and issue a Request for Proposal (RFP) for the redevelopment of the Kenilworth Building to provide space for the Peck School of the Arts and UWM student housing, as well as rentable, storefront commercial space.
- In March 2005, the Board of Regents, leased most of the Kenilworth property to the Redevelopment Authority of the City of Milwaukee (RACM) via Ground Lease with a sixty-six year term which expires on April 30, 2071. The Board of Regents retained title to the property.
- RACM developed the Kenilworth property using bonds issued by RACM and leased it back to UWM via an operating lease between RACM and the Wisconsin Department of Administration (acting on UWM's behalf). The operating lease has a term of thirty years, payable with a fixed rent schedule that includes an automatic rent escalator, and expires in 2036.
- The operating lease and the ground lease include an option to buy out RACM's entire interest in the property. The option terms provide a buyout price equal to the greater of

the fair market value of RACM's interest or the remaining net balance of the payoff of the bond financing.

4. **Analysis of Need:** The project was initiated with the intent that UWM would buy out RACM's leasehold interest when the financing terms were favorable. The parcel leased by UWM is financed by variable rate bonds guaranteed by a letter of credit that must be renewed periodically depending on the term (currently 18 months). This frequent renewal period creates uncertainty due to fluctuating interest rates and letter of credit fees, as well as significant administrative burden that can be avoided through a buyout of RACM's interest in the property and financing through State of Wisconsin program revenue supported borrowing.

An independent appraisal estimates the fair market value of RACM's interest in the property at \$65,300,000. The current net balance of the payoff of the bond financing is \$63,740,000. UWM intends to request that RACM discount the buyout price to the balance of the bond financing. The longer that UWM waits to buy out the property, the greater the potential excess cost to purchase RACM's interest, as the difference between the fair market value and the bond payoff amount will grow over time.

Currently, the annual lease payment is set at \$2,880,414 and increases at a rate of 4% annually (or at the rate of the annual increase in the Consumer Price Index, if it is higher than 4%). Fixed cost financing through state program revenue supported borrowing will allow the university a certain schedule to pay off the outstanding debt over time, with the real estate asset owned in full by UWM. It also will greatly reduce uncertainty associated with the credit markets.

5. **Alternatives:** The alternative is to delay the buyout until a later date and continue to lease the facility at increasing costs. The longer UWM waits to buyout the property, the greater the difference will be between the fair market value and outstanding debt.
6. **Schedule:** N/A
7. **Project Delivery:** N/A
8. **Estimated Costs:**
 - a. Project Budget Summary: The buyout price will not exceed appraised value of property, \$65,300,000.
 - b. Impact on Operating Budget: Currently, the variable rate bonds supporting this facility are exposed to risks associated with fluctuations in interest rates. While rates are low today, any future increase in interest rates could significantly impact the cost structure and the operating budget of the property. Furthermore, the credit facility (letter of credit) supporting the bond issue requires periodic renewal. This renewal process involves a significant investment of time from the UWM staff and expense associated with legal counsel. Purchasing this property will provide certainty of the interest rates and the overall costs of the bond issue. This certainty provides greater stability of the

operating costs related to the facility. The buyout will also eliminate the costs and risks associated with repeated ventures into the market to secure a credit facility.

c. Fee Impact: None.

9. Previous Action:

February 2004	The State Building Commission directed the Department of Administration's Division of State Facilities to issue a Request for Proposal for the Redevelopment of the UW-Milwaukee Kenilworth Building.
June 2004	The State Building Commission approved a request to conclude the formal review processes of responses to the Request for Proposal and to allow the state to enter into negotiations with a single developer team to refine the functional requirements and the associated financing plans before entering into a final agreement for the redevelopment of the Kenilworth Building.
November 2004	The State Building Commission approved the proposed agreements contained in the Master Term Sheet with Weas Development Corporation for the redevelopment of the Kenilworth Building at an estimated total project cost of \$68,717,413. The project was funded by bonds issued by the RACM and underwritten based on a UW-Milwaukee commitment to an operating lease, which closed in March of 2005. (The project was completed in September of 2006.)

11-28-12

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.4. Research, Economic Development,
and Innovation Committee

Thursday, December 6, 2012
Union South, Varsity Hall II, 2nd Floor
1308 W. Dayton Street
Madison, Wisconsin

1:00 p.m. Research, Economic Development & Innovation Committee

- a. Approval of the Minutes of the October 4, 2012 Meeting of the Research, Economic Development, and Innovation Committee
- b. Wisconsin Economic Development Corporation -- New Interim CEO Reed Hall: Economic Development Partnership and Priorities
- c. Discussion of Economic Development Road Map for the UW System
- d. UW-Madison – Update on Economic Development Initiatives

UW SYSTEM ECONOMIC DEVELOPMENT ROAD MAP

BACKGROUND

The Office of Economic Development will discuss its action plan of strategic initiatives designed to strengthen relationships between the university and Wisconsin business. The plan provides a road map for the orderly implementation of economic development strategies designed to build strong communities and support job creation.

REQUESTED ACTION

For information and discussion only; no action is required at this time.

DISCUSSION

Senior Vice President for Administration & Fiscal Affairs Michael Morgan will highlight the collaborative partnership that UW System has established with Wisconsin Economic Development Corporation (WEDC). The partnership will help to ensure alignment of UW System economic development initiatives with WEDC strategic focus areas: business and industry support, entrepreneurial growth, and international business development.

Associate Vice President for Economic Development David Brukardt will review the economic development action plan. He will discuss elements of the road map designed to strengthen the UW System's overall contribution to the economic development of the state, and which will support professional development, outreach, and research at all UW System institutions.

RELATED REGENT POLICIES

No applicable Regent Policy Documents

Office of Economic Development



Road Map and Recommendations

Focus on Talent, Innovation, Job Creation

**UW System Administration
Office of Economic Development**

Nov. 28, 2012

For Wisconsin to succeed in today's knowledge economy, we must capitalize on the strengths of higher education institutions that serve as engines of economic renewal. Investments in our public colleges, universities, and extension networks boost workforce development while stimulating job creation. These investments yield tremendous returns. Today, the annual impact of the UW System is estimated to be at least \$15 billion, leveraging \$1.1 billion in annual general purpose revenue (GPR) funding.

– Kevin P. Reilly, letter to state legislators, September 2012

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Executive Summary

This plan has been developed by the UW System Office of Economic Development in order to provide a starting point for discussion that will lead to recommendations for consideration by UW System Administration leadership in collaboration with the Wisconsin Economic Development Corporation (WEDC). The strategic initiatives outlined in this plan reflect an integrated and focused approach. The plan is based on information and recommendations that have been developed over the past several years and from recent conversations and meetings on campuses, with WEDC, and with other concerned and interested stakeholders.

The plan builds on current successes and is designed to help strengthen relationships between the UW institutions and Wisconsin business and other organizations across the state. An over-arching goal is to drive statewide economic expansion and job creation through the strengthening of existing businesses and start-ups.

This plan reflects the following proposed mission and vision for the UW System Office of Economic Development:

Proposed Mission:

To connect the richness of UW faculty and staff talent, innovative spirit, and entrepreneurial energy with Wisconsin businesses in order to foster job growth and to build better communities.

Proposed Vision:

To serve as a higher education model for talent development, research, innovation, and technology transfer leading to job creation in Wisconsin communities.

From an overall perspective, the plan provides a practical and quantifiable road map for the orderly implementation of economic development strategies, with a focus on three goals:

- (1) Raising the awareness of and commitment to economic development by the UW System;
- (2) Identifying and building stronger connections that link UW System talent and research activities with established businesses, entrepreneurs, economic development agencies and other resources for capital; and
- (3) Accelerating investment in UW-generated innovations so that ideas can be more rapidly developed and businesses can be built more quickly.

This plan reflects the university's commitment to the Wisconsin Idea, whereby the boundaries of the university are the boundaries of the state. The plan includes 20 specific recommendations designed to energize and guide the development of programs, policies, and initiatives that are characterized by collaborative outreach to a wide range of stakeholders. These include Chancellors, Provosts, faculty and academic staff, and students, existing and start-up enterprises, governmental agencies, and the general public.

Strategies outlined in this plan relate directly to leveraging the talent pool across the UW System, with a focus on business creation and retention, including the facilitation of research, technology transfer, and business innovation. The plan recognizes the job growth generation of the research and other activities at UW-Madison and at UW-Milwaukee and supports the strengthening of the numerous initiatives already under way. The plan further recognizes the opportunity to facilitate business engagement at the UW System comprehensive campuses and through UW-Extension.

Introduction

The UW System is one of Wisconsin's largest economic development assets. This plan represents a vital partnership for identifying and coordinating linkages between the UW System and WEDC's strategies of targeted business and industry development, entrepreneurial growth, international business development, and job creation.

WEDC reports that Wisconsin is home to more than 157,300 business establishments employing more than 2.3 million, with manufacturing at the core, and with small businesses comprising 94% of the total. The UW System is well-placed to support and energize this vibrant and growing economic landscape.

The specific recommendations that follow reflect conversations, discussions, and information provided by various UW System constituencies and from WEDC. Successful implementation of this economic development plan will support the university's efforts to accelerate business creation by leveraging research, innovation, and the strengths of the academic community. These concepts align with the "Wisconsin Idea" which holds that the boundaries of the university are the boundaries of the state.

The plan includes recommendations and outcomes designed to guide the development of programs, policies, and initiatives that are characterized by collaborative outreach to a wide range of stakeholders. These include students, faculty and staff, existing and start-up businesses, legislators, governmental agencies, funding sources, and the general public.

Operating Principles

These principles reflect a starting point for development of a plan to increase, enhance and support the high level of economic development already occurring on UW System campuses.

The resulting plan aligns with the overarching teaching and learning missions of the university and will adapt programming concepts and initiatives to local and regional needs, interests, and expectations. It also will recognize that research and innovation occurring on UW System two-year and four-year campus locations and through the UW Extension complement the long history of research at UW-Madison and UW-Milwaukee.

The development of this plan raises questions that will require thoughtful discussion, deliberation and collaboration in order to deliver the best possible result for all parties. Following are some foundational principles for how the Office of Economic Development will operate to achieve the desired plan outcomes.

Working with stakeholders, we will...

Acknowledge that university partnerships with Wisconsin companies and other entities can be strengthened. We will address apparent growth areas in ways that allow us to more effectively tap the vast UW talent pool of available resources.

Identify stakeholder relationship metrics and put in place measurement systems to assess customer satisfaction for economic development support services.

As we focus on process improvement, we will...

Encourage and strive for a culture that fosters and further recognizes the value of entrepreneurship and research. Timely development is crucial for industry, yet university R&D tends to progress more slowly.

Launch a UW System economic development web portal that taps into and consolidates current resources and databases to build stronger connections between the university and its many audiences.

As we focus on people and partnerships, we will...

Build trust by understanding the needs of business and by educating companies and other organizations about university capabilities to support those business needs.

Collaborate with key government and business partners to implement focused, targeted initiatives delivered through existing channels at the research and comprehensive campus locations, and through UW Extension.

As we manage critical financial aspects of our efforts, we will...

Establish, track and communicate benchmarks and successes.

Build a sustainable mechanism to fund research and innovation, particularly in our efforts to support and serve the two-year and four-year campus locations and to further leverage innovative and creative initiatives across UW-Extension.

REDI Committee

The UW System Office of Economic Development is one of the key focus areas for the newly formed Research, Economic Development, and Innovation (REDI) committee of the Board of Regents. This committee's role is distinguished by a unique partnership with WEDC. Committee members for 2012-2013 include Mark Bradley (Chair), Tim Higgins (Vice Chair), John Drew, Tracy Hribar, Charles Pruitt, Mark Tyler, David Walsh, and Gerald Whitburn.

Overall, the committee is charged with considering matters related to the UW System's role in enhancing its research enterprise and community/business partnership initiatives, bolstering the state's economy. The REDI Committee's role, as highlighted by Chairman Mark Bradley at the first stand-alone meeting of the committee on August 23, 2012, and as stated in the Regent bylaws, is to:

- Adopt policies and develop strategies designed to strengthen the UW System's overall contribution to the economic development of the state – and to support professional development, outreach, and research at all UW System institutions;
- Consider matters related to the UW System's role in enhancing its applied and basic research enterprise in an effort to bolster the state's economy;
- Highlight successful research and economic development efforts, partnerships, and innovations involving UW System institutions; and,
- Focus attention on the Board's statutory responsibilities to report on and to ensure accountability for research and economic development activities at UW System institutions.

Mission, Vision, Strategic Objectives

Mission

To connect the richness of UW faculty and staff talent, innovative spirit, and entrepreneurial energy with Wisconsin businesses in order to foster job growth and to build better communities.

Vision

To serve as a higher education model for talent development, research, innovation, and technology transfer leading to job creation.

Strategic Program Goals

The Office of Economic Development will focus on these key goals over the next three to five years:

1. Raise the awareness of and commitment to business

development as a priority activity for UW System and provide policy oversight and programmatic support to facilitate such activities.

The Office of Economic Development will focus its energy and resources to accelerate the numerous initiatives currently under way, including efforts that: recognize faculty and student involvement in economic development; that facilitate effective university-business interactions; and that support alignment of curricula to meet continuing education requirements of industry.

- 2. Identify and build stronger connections** to help link university research activities with established businesses, entrepreneurs, and economic development agencies, and potential business partners across the state.

The Office of Economic Development will serve as a force multiplier to help accelerate Wisconsin business development.

- 3. Accelerate capital investment potential for UW-generated innovations and new business start-ups** and increase momentum for the commercialization of innovative ideas.

The Office of Economic Development will be a resource for promoting and expanding the UW System's success rate with early-stage, high-growth, and established companies, and for identifying capital availability for such efforts, leading to jobs.

Strategic Program Goals

GOAL ONE

FOCUS ON RAISING AWARENESS AND COMMITMENT

Raise the awareness of and commitment to the role of economic development by UW System institutions, focusing on building this profile and interest on our campuses, in the business community, among legislators, investors, and with the general public.

Summary of Recommended Strategic Actions

1. Employ the REDI Committee platform to build visibility and broaden support and recognition for economic development initiatives.
2. Confirm and update campus liaison representatives to serve as preferred points of contact for business development inquiries.
3. Establish and build out a website portal for UW System economic development/business engagement.
4. Produce an assessment of economic development efforts to highlight the benefit of existing programs and resources.
5. Work with Chancellors and Provosts to assess UW research, technology, and innovation capabilities and assets as well as to identify and prioritize roadblocks.
6. Establish metrics and data collection procedures related to Act 32 reporting requirements.
7. Identify and leverage UW System/WEDC opportunity areas for collaboration in order to accelerate applied research leading to technology transfer, entrepreneurship, and business start-ups, leading to job growth.

Strategic Program Goals

GOAL ONE

Raise the awareness of and commitment to the role of economic development by UW System institutions, focusing on building this profile and interest on our campuses, in the business community, among legislators, investors, and with the general public.

Recommended Actions

- 1. Employ the REDI Committee platform to build visibility and broaden internal support and external recognition for economic development strategies, programs, and activities.**

The newly formed Regent committee is well positioned to reinforce proactive UW support of economic development activities and to spur the adoption of strategies, programs, and activities designed to strengthen the UW System's overall contribution to the economic development of the state. Such efforts will reinforce the value of research and innovation leading to job creation activities across the UW System. Committee members have a prime opportunity to facilitate strategic initiatives by serving as high-profile ambassadors for economic development with students, faculty, and business leaders locally, regionally, and beyond.

- 2. Confirm and Update Campus Economic Development Liaisons**

By identifying and promoting existing or newly established "gateway contacts" on campuses, including Small Business Development Center contacts, UW-Extension Division of Entrepreneurship and Economic Development liaisons and others, it will become easier to facilitate and support economic development activity. Such individuals can provide a "front door" portal for economic development inquiries.

3. Build out a UW System economic development website portal

The launch of a UW System economic development web presence will help to consolidate and build on current such efforts and promote linkages between faculty and businesses seeking more direct access to university talent and expertise. A new business engagement web site will serve as a communication portal that identifies preferred points of contact for inquiries. It will include links to campus initiatives that both raise the awareness and profile of UW System economic development capabilities and effectively deliver UW System economic development messages to all key internal and external stakeholders.

4. Produce an assessment of existing economic development programs and resources

An evaluation of current economic development activities will help establish a baseline and identify areas for focused growth. We will analyze existing economic impact programs, catalog local and regional economic development board engagements and memberships, and identify potential opportunities for future UW System campus involvement. Such efforts will support faculty and other academic professionals who are interested in fostering research leading to business creation and development. The analysis will help to identify additional potential for the university's capacity to foster and accelerate business creation and growth, and will focus on measurements and outcomes that look beyond traditional economic multiplier formulas.

5. Work with Chancellors and Provosts to assess research, technology, and innovation assets and roadblocks

Successful research and technology transfer activities can be further accelerated once actual or perceived roadblocks are identified and remedied. An assessment of the current state should include discussion and discovery

sessions to highlight successes already in place and to identify areas for improvement.

6. Establish metrics and reporting related to Wisconsin Act 32 performance reporting requirements

By working with chancellors, provosts, OPAR, and other stakeholders, we will define and track economic development and job-creation statistics, trends and performance expectations. Such activities will leverage best practices already in place at some UW System locations to provide support and consistent measurement across all colleges and universities. These efforts will be incorporate the requirements to report Wisconsin Act 32 legislative performance metrics.

7. Identify and leverage UW System/WEDC opportunity areas for collaboration in order to accelerate applied research leading to technology transfer, entrepreneurship, and business start-ups leading to job growth.

UW System economic development initiatives will deliver more focused and sustainable results when they align with WEDC strategic focus initiatives in the areas of business and industry development, entrepreneurship, and international business. Programs developed with joint inputs will more effectively and efficiently meet the needs of current and future businesses seeking to build or retain a competitive advantage in Wisconsin.

KEY SUCCESS MEASURES/OUTCOMES (next 12 months)

- Launch of UW System economic development web portal. (3 months)
- Completion of assessment of UW economic development activities. (6 months)
- Confirmation/update of campus and UW-Extension economic development “gateway contact” liaison. (1 month)
- Completion of initial assessment of development opportunities and potential roadblocks. (3 to 6 months)
- Identification of UW System/WEDC collaborative economic development priorities and initiatives. (6 to 9 months)

Strategic Program Goals

GOAL TWO

FOCUS ON IDENTIFYING AND BUILDING STRONGER

CONNECTIONS AND RELATIONSHIPS

Such connections will help link university research activities with established businesses, entrepreneurs, and economic development agencies, potential business partners, and others across the state.

Summary of Recommended Strategic Actions

1. Identify and support entrepreneurial faculty and build economic development structures and funding mechanisms that support them.
2. Establish an economic development advisory council network.
3. Create and expand joint UW System/WEDC programs and support.
4. Collaborate with business partners and associations to leverage all university-related economic development activities.
5. Develop a searchable, on-line database of faculty expertise.
6. Conduct on-campus or regional business/entrepreneurial information sessions in conjunction with WEDC for interested faculty and students.
7. Recognize and reward, economic development initiatives and results.
8. Mobilize alumni in support of economic development partnerships.

GOAL TWO

FOCUS ON IDENTIFYING AND BUILDING STRONGER CONNECTIONS AND RELATIONSHIPS

Recommended Actions

- 1. Identify and support entrepreneurial faculty and build economic development support structures and funding mechanisms that facilitate their focus on research and innovation.**

Such structures provide support innovation and research, and allow entrepreneurial faculty and students to better meet their on-campus classroom/teaching obligations. When faculty members encounter interesting opportunities for industry partnerships, release time to devote to research is not always available due to teaching loads. Granting flexibilities for time release and securing funds to support hiring of technicians and post-doctoral associates will allow increased opportunities for research and entrepreneurial activities.

- 2. Establish an economic development advisory council network**

The creation of an advisory council will foster the growth and development of UW System economic development activities. This council will provide a forum for discussion and dialogue on how best to expand and encourage university economic development initiatives across the state. This council should include participation from faculty and other academic and business partners who bring a diverse range of perspective, and connectivity. Members could include entrepreneurial faculty, Small Business Development Center contacts, representatives from WEDC, and professionals from the banking, finance, and angel/venture capital communities.

This council can foster discussion on a broad range of initiatives and can assess the benefits of implementing ideas such as the revitalization of the Wisconsin Economic Summit. Such an event could serve as a high-profile channel for showcasing key business cluster strengths and for promoting current and burgeoning partnerships among UW System’s talented, innovative researchers and their business partners.

3. Create and expand joint UW System/WEDC programs and support

In recognition of WEDC’s strategic focus areas and its identified key industry clusters, its entrepreneurial initiatives and its desire to enhance global connectivity, the UW System Office of Economic Development will facilitate and promote collaborative educational and financial grants and incentive programs that foster applied research and accelerate technology transfer, particularly at the UW comprehensive campus locations. The newly identified economic development campus liaisons can be tapped as key resources to promote and publicize new opportunities as they are developed in conjunction with UW System and WEDC.

4. Collaborate with business partners, associations, and organizations to leverage economic development activities

Collaborative approaches pay dividends and create pathways to success that are important for fostering new business generation and development. Elevating Wisconsin’s economy by advancing its current and planned high-growth business consortia and industry sectors will require innovative university-business, university-agency, and university-association partnerships that can join together to better navigate the legislative, regulatory, and financial complexities necessary to build and deliver competitive economic development programs. The Office of Economic Development will seek membership on relevant boards, create networks

across associations, and develop intentional linkages as appropriate. This effort will build on existing strong relationships inherent in campus Small Business Development Centers and related initiatives and with regional economic development groups and organizations across the state.

5. Develop a searchable, on-line database of faculty expertise

This effort will consolidate existing information files and disparate databases into an integrated, system-wide, searchable database that will be updated and refreshed on a continual basis. Existing WiSys and Wisconsin Technology Council databases offer source materials for assembling an initial data-tracking repository. The resulting, resource-rich database will be accessed via the newly created UW System economic development web portal and referenced via links at all campus locations and through WEDC's on-line tool box.

6. Conduct on-campus or regional business/entrepreneurial information sessions in conjunction with WEDC for interested faculty and students.

Such sessions, prepared and delivered through existing resource channels within the university or UW-Extension, can assist and encourage faculty and students interested in pursuing research and entrepreneurship opportunities. Conducted in conjunction with WEDC business development experts, these sessions will provide a convenient support mechanism to assist entrepreneurial faculty and students identify best opportunities for successful partnerships.

7. Recognize, reward, and celebrate economic development initiative and results

UW System Regents have an ability to recognize faculty and student excellence in research, innovation, and economic development initiatives

through the introduction of a “Regent Innovation and Achievement Award”. This award will recognize faculty who produce outstanding collaborations and whose research involvement helps support economic development and job creation.

8. Mobilize alumni in support of economic development initiatives

The UW System can create a powerful and growing economic development resource by further enlisting the resources and connectivity of numerous University of Wisconsin alumni chapters and groups spread across the globe. This effort, which will require targeted communication and promotion, can help foster deeper and more effective relationship-building, opening doors that otherwise might be inaccessible. Such efforts will further encourage alumni to engage with business development efforts and provide a valuable, indigenous resource for WEDC and for other state business interests. Benefits could include the generation of potential investor interest and the facilitation of outreach for Wisconsin businesses seeking to broaden their global market penetration.

KEY SUCCESS MEASURES/OUTCOMES: (2013)

- Completion of discussions related to potential modification of university policies needed to support and encourage economic development and entrepreneurial activities by faculty. (Mid 2013)
- Appointment of an economic development advisory council. (Second quarter 2013)
- Launch of an on-line faculty/talent database. (Mid 2013)
- Rollout of professional development series (with WEDC experts as joint presenters) to assist interested campus contacts with economic development initiatives. The goal is to have at local or regional sessions held on selected two-year and four-year campus locations. (By year-end 2013)
- Establishment of a joint UW System/WEDC funding resource that directly supports new faculty initiatives and/or increases existing faculty business-building initiatives. (Mid to late 2013)
- Announcement of the creation of a UW System Regent economic development achievement award. (Late 2013)

Strategic Program Goals

GOAL THREE

FOCUS ON BUSINESS START-UPS AND JOB CREATION

Accelerate capital investment potential for UW System-generated innovations and existing business and for new business start-ups and increase momentum for the commercialization of innovative ideas.

Summary of Recommended Strategic Actions

1. Establish a WEDC investment fund that fosters undergraduate research, industry growth, and entrepreneurship.
2. Structure WiSys for long-term sustainability.
3. Expand legislative funding initiatives to capture more for economic development resources.
4. Support WEDC initiatives such as Centers for Excellence.
5. Foster new ways for students to experience entrepreneurial opportunities.

GOAL THREE

FOCUS ON BUSINESS START-UPS AND JOB CREATION

Accelerate capital investment potential for UW System-generated innovations and existing business and for new business start-ups and increase momentum for the commercialization of innovative ideas.

Recommended Actions

1. Establish a WEDC research and innovation fund for UW System research initiatives

The WEDC partnership provides an important opportunity for leveraging UW System local, regional, and state economic development initiatives and activities. This collaborative approach will expand current funding opportunities via partnership with key stakeholders in the business sector. Such a program will promote and encourage university linkages that support industry cluster growth, entrepreneurship and international development. This plan could be financed with WEDC support that could channel program grants through the UW System. Such programs would require participation and/or matching investment from Wisconsin business partners, and which would promote internships and/or full-time career opportunities.

2. Structure WiSys for Sustainability

Over the past biennium, the WiSys Technology Foundation has funded 12 innovative research and technology grants as part of the Wisconsin Small Company Advancement Program (WiSCAP). This effort was created to use the technical expertise of the comprehensive campuses to support the research needs of small companies. In order to continue funding these types of activities on a longer-term, sustainable basis, the UW System, in conjunction with WEDC, could establish a “Wisconsin Opportunity Research Fund” for the

UW comprehensive campuses and UW Colleges. Such a program would be designed to (1) increase opportunities for undergraduate students to participate in hands-on, basic and applied research experiences; (2) support faculty research and retention; (3) encourage other sources of matching grants and contracts; and (4) stimulate the state's research and workforce competitiveness regionally, nationally, and globally.

3. Expand legislative initiatives to capture more funding

By further aligning UW System capabilities with legislative funding priorities, Wisconsin will improve its ability to provide competitive, higher education research support. UW System will commit to working with WEDC and with state and federal legislators to improve vital investment in high-impact innovation, technology transfer and job growth. Such efforts will supplement grants currently administered through the UW-Extension's Wisconsin Entrepreneurs' Network (WEN), including Small Business Innovation Research (SBIR) grants and Small Business Technology Transfer (STTR) grants as well as funding administered through Small Business Development Centers (SBDC) at campus locations.

4. Support WEDC "big idea" initiatives such as its Centers for Excellence concept

UW System will partner with WEDC to develop and showcase its planned series of Wisconsin Centers for Excellence or Centers of Innovation concept. These focused business centers leverage the expertise of our science faculty and will support job growth through more effective utilization of existing state business and entrepreneurial competencies in such areas as advanced manufacturing, composites, health-care services, and water research, and will tap into the broad range of talent and innovation on UW campuses.

5. Foster new ways for students to experience entrepreneurial opportunities

Entrepreneurial energies are by nature free flowing and ambitious, and often require assistance in the development of operational and financial plans. By encouraging additional growth of real-time or virtual opportunities for students to pitch ideas and seek seed funding, UW System campuses can increase the interest and energy surrounding business start-ups and development.

KEY SUCCESS MEASURES/OUTCOMES: (2013-2014)

- Increased legislative support and governmental agency support, leading to increased partnerships, collaboration, funding. (Mid to late 2013)
- Build out of a sustainable successor to current WiSys research support funding mechanism. (Late 2013)
- Rollout of new programs, funding, and policies that encourage and reward economic development activities on UW System campus locations and remove impediments where encountered. (Ongoing)

Timeline for Proposed Deliverables

Year One – 2013

- Data Gathering Mechanisms in Place
- Economic Development Study Completed
- Economic Development Web Portal Launched -- Phase I
- Policy Barriers Identified and Addressed
- Campus Economic Development Liaisons Identified
- WiSys Sustainability Plan Finalized
- Faculty Awards Concept Developed
- Advisory Council Appointed
- Joint UW System/WEDC Collaborative Program Recommendations Developed and Communicated
- Act 32 Metrics Defined and Data Resource Solutions Proposed

Year Two – 2014

- Economic Development Web Portal Expanded -- Phase II
- Searchable Database Developed
- Economic Impact Study Published
- WiSys Funding Plan Implemented
- New and/or Continuing Funding Initiatives Announced
- Wisconsin Economic Development Summit [Possible]

Year Three – 2015

- Alumni Program Economic Development Tie-Ins and Related Global Business Partnership Linkage Initiatives Established
- Economic Assessment/Performance Benchmarks Reviewed
- Best Practice Recognition from Outside Peer Groups/Associations
- Coordinated Efforts Implemented for WEDC Centers for Excellence
- Economic Development Strategy Refreshed/Revitalized

Budget Categories

To Raise Awareness

- Web design, creation, maintenance
- Economic assessment and Act 32 data resource tools
- Data collection management and portal
- Program promotion/publicity and marketing

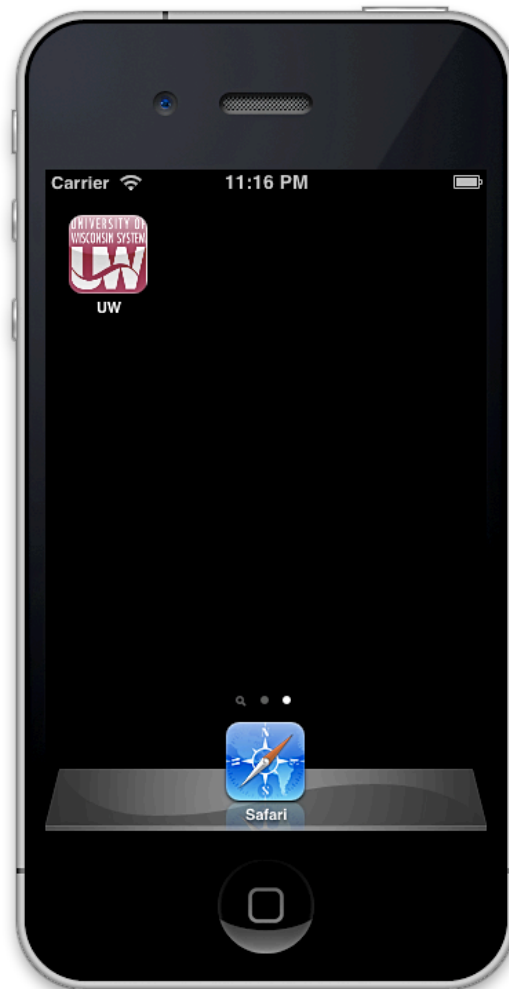
To Build Stronger Connections

- Professional development/educational meetings and special event support
- Facilitator and recorder for campus meetings
- Association memberships
- Communications/PR support for web and hard copy content development and updates

To Accelerate Capital Investment

- Federal grants administrator
- Staff support for program development and for the implementation of Regent award program

Does this APP represent the future direction for convenient, one-stop economic development?



Yes, possibly....

...but only with the support, dedication, and expertise of the thousands of UW faculty and staff to make it work well.

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM
University of Wisconsin-Madison, Union South,
1308 W. Dayton Street, Madison, Wisconsin 53715
December 6 and 7, 2012

II.

Friday, December 7, 2012

9:00 a.m. All Regents – Varsity Hall II, 2nd Floor

1. Calling of the roll
2. Approval of minutes: August and October 2012 meetings
3. Report of the President of the Board
 - a. Educational Communications Board, Higher Educational Aids Board, Hospital Authority Board, and Wisconsin Technical College System Board reports
 - b. Additional items that the President may report to the Board
4. Report of the President of the System
 - a. Update on recent events
 - b. Compensation planning, 2013-15
 - c. News from around the System
5. UW-Madison's NCAA Division I Athletics 2011-12 Annual Report
6. Report and approval of actions taken by the Education Committee
7. Report of the Research, Economic Development, and Innovation Committee
8. Report and approval of actions taken by the Business, Finance, and Audit Committee
9. Report and approval of actions taken by the Capital Planning and Budget Committee
10. Resolution of appreciation to UW-Madison as host of the December meeting
11. Communications, petitions, and memorials
12. All Regents – Closed Session – Northwoods Room

Move into closed session to consider a UW-Madison salary offer, as permitted by s. 19.85(1)(c), *Wis. Stats.*; to consider a UW-Madison personnel matter, as permitted by s. 19.85(1)(c), (e), and (f) *Wis. Stats.*; and to confer with legal counsel regarding pending or potential litigation, as permitted by s. 19.85(1)(g), *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.

**UW-MADISON
NCAA DIVISION I INTERCOLLEGIATE ATHLETICS DEPARTMENT 2011-2012
ANNUAL REPORT**

EXECUTIVE SUMMARY

BACKGROUND

In order to ensure that the Board of Regents is informed and knowledgeable about intercollegiate athletics, the Board of Regents established a reporting framework whereby institutions that participate in Division I athletics furnish to the Board of Regents, on an annual basis, information that addresses academic, fiscal, and compliance matters related to Division I intercollegiate athletics.

REQUESTED ACTION

This item is for informational purposes only.

DISCUSSION

UW-Madison's 2011-2012 Intercollegiate Athletics Department Report, attached, provides information to support the Board of Regents' oversight responsibility with respect to intercollegiate athletics matters. Reporting requirements are intended to promote good lines of communication between UW institutions and the UW Board of Regents and to provide information related to 1) the well-being and success of UW System student-athletes; 2) the fiscal health of the athletic department and financial viability of UW athletics programs; 3) the success of the academic mission of the institutions; and 4) the athletics department's compliance with rules and regulations of the NCAA and the Big 10 conference.

Information within this report includes:

- Introduction to the Division of Intercollegiate Athletics at UW-Madison
- Financial Highlights
- Academic Progress Rate Data
- Graduation Rate Data
- Agreed-Upon Procedures Required by the NCAA
- Intercollegiate Athletics Budget
- Compliance Evaluation Reports Conducted in Accordance with Section 22.2.1.2(e) of the NCAA Division I Manual
- NCAA Self Study Report, in applicable years
- Major/Minor NCAA Compliance Violations
- NCAA Oversight Certification Letter

The Office of Operations Review and Audit performed a review of select information included within the report entitled *2011-2012 Intercollegiate Athletics Department Executive Summary*, and concluded the following:

- The information presented is consistent, in all material respects, with the University of Wisconsin-Madison's internal records, as well as information reported to the NCAA.
- The report included all information set forth within the Board of Regents' prescribed reporting framework.
- The UW-Madison Department of Intercollegiate Athletics was financially viable during the year ended June 30, 2012 when considering actual financial results and the existence of endowments and other available fund balances.
- The reports issued by other internal auditors and independent accountants identified no material compliance matters.
- The UW-Madison Department of Intercollegiate Athletics has established benchmarks that are capable of being used to assess student-athlete academic progress.

RELATED REGENT POLICIES

Regent Policy Document 10-1: Endorsement of Statement of Principles from the Knight Foundation Commission on Intercollegiate Athletics

2011-2012

INTERCOLLEGIATE ATHLETICS DEPARTMENT EXECUTIVE SUMMARY



DRAFTED FOR BOARD OF REGENTS
12-7-2012

INTERCOLLEGIATE ATHLETICS EXECUTIVE SUMMARY

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INTRODUCTION

The intent of this executive summary is to provide annual information of intercollegiate athletics and the functions outlined by the Faculty Senate to the Board of Regents. In the first section, information is provided about the NCAA, the Big Ten, and the Intercollegiate Athletics Department. The second section will outline specific information addressing academics, fiscal responsibility and compliance regulation.

I. DIVISION OF INTERCOLLEGIATE ATHLETICS

The Division of Intercollegiate Athletics, generally referred to as the “Athletics Department,” is a departmental unit within the University governed by the policies of the University of Wisconsin-Madison. The Athletics Department is led by the Director of Athletics who is hired by the Chancellor of the University. The Director of Athletics reports jointly to the Athletic Board and to the Chancellor, who has final authority over the department. The Chancellor reports to the President of the UW System, who in turn reports to the UW Board of Regents.

A. Mission of Intercollegiate Athletics

The Athletics Department dedicates itself to the mission of providing athletic opportunities to a wide range of students and providing an environment in which all student-athletes can achieve their academic and competitive goals. The department strives to provide equitable opportunities for all student-athletes and staff regardless of gender or ethnic backgrounds. To honor its academic mission and that of the university, the department supports the educational aspirations, academic progress and general welfare of the student-athlete. In competition, the department fosters principles of sportsmanship, respect, fair play and athletic excellence. In all of its activities, the department insists on integrity, ethical conduct and accountability.

The mission on behalf of the...

- **Student-Athletes** - Provide the resources for student-athletes to pursue their academic and athletic dreams, while shaping their development into adulthood.
- **University** - Operate all areas of the department with class and quality while accepting our role as a source of school spirit and pride for all faculty, staff, students and alumni of the university.
- **Citizens of the State** - Support the community by participating in a variety of public service projects, hosting events that provide good entertainment and contribute positively to the economy, and serving as a source of state pride through the academic achievement of our student-athletes and successful performance in their athletic pursuits.

This mission is derived from the overall mission of the University to provide the opportunity for highest achievement in all areas of human knowledge and endeavor: intellectual, artistic and physical. Intercollegiate Athletics is a part of the University's total educational purpose: 1) through values; 2) through diversity and outreach; 3) through cultural appreciation, and 4) through physical human development. In addition, to these four explicit interactions with the University's purpose, intercollegiate athletics is entwined with the university's mission through tradition.

B. National Collegiate Athletic Association (NCAA)

The colleges, universities and conferences, referred to as “members” make up the NCAA. The members appoint volunteer representatives that serve on committees which introduce and vote on rules called bylaws. The members also establish programs to govern, promote and further the purposes and goals of intercollegiate athletics.

Approximately 350 paid professionals that implement the rules and programs established by the membership make up the “national office.” The national office staff is located primarily at the headquarters office in Indianapolis, Indiana. The entire organization comprised of members and staffs is referred to as the NCAA.

The NCAA's core ideology consists of two notions: core purpose - the organization's reason for being - and core values - essential and enduring principles that guide an organization. Their purpose is to govern competition in a fair, safe, equitable and sportsmanlike manner, and to integrate intercollegiate athletics into higher education so that the educational experience of the student-athlete is paramount. The NCAA - through its member institutions, conferences and national office staff - shares a belief in and commitment to:

- The collegiate model of athletics in which students participate as an avocation, balancing their academic, social and athletics experiences.
- The highest levels of integrity and sportsmanship.
- The pursuit of excellence in both academics and athletics.
- The supporting role that intercollegiate athletics plays in the higher education mission and in enhancing the sense of community and strengthening the identity of member institutions.
- An inclusive culture that fosters equitable participation for student-athletes and career opportunities for coaches and administrators from diverse backgrounds.
- Respect for institutional autonomy and philosophical differences.
- Presidential leadership of intercollegiate athletics at the campus, conference and national levels.

For more information regarding the NCAA visit, <http://www.ncaa.org/>.

C. History of Intercollegiate Athletics

The creation of athletic teams (most notably rowing and baseball) occurred just 25 years after the University of Wisconsin-Madison (“UW”) was founded in 1848. By the end of the 19th century, the UW joined six other schools to form the Western Conference (now known as the Big Ten Conference). As a charter member of the Big Ten, the UW has a long and proud athletic history.

Men’s sports dominated the scene at the UW until the late 1960s when women’s athletics began to grow. Kit Saunders was named the administrator of the women’s sports program in 1967 and Title IX of the Educational Amendments Act of 1972 helped vault women’s athletics into the mainstream.

That movement along with growing popularity of sports on college campus around the nation catapulted the UW Athletic programs into the college culture.

Today, the UW sponsors 23 sport programs supporting approximately 850 student-athletes. Those sport programs are well supported and funded, which is evident in the all-sports rankings (“Director’s Cup”) in which UW has finished among the nation’s top 25 programs 13 times in the past 15 years. UW sport programs have enjoyed some of their most successful seasons in the past decade, with Rose Bowl victories, a men’s basketball Final Four appearance, national titles in men’s and women’s hockey, men’s cross country, men’s rowing and women’s lightweight rowing, along with remarkable facilities construction (Kohl Center, Porter Boathouse) and the renovation of Camp Randall Stadium.

For more information regarding the Division of Intercollegiate Athletics, visit www.uwbadgers.com.

The Athletics Department is a member institution of the National College Athletic Association (NCAA), the Big Ten Conference and the Western Collegiate Hockey Association (WCHA). Therefore, the department abides by the rules and regulations promulgated by these organizations.

Big Ten Conference

The Big Ten Conference is an association of 12 world-class universities whose member institutions share a common mission of research, graduate, professional and undergraduate teaching and public service. Intercollegiate athletics has an important place within the common mission. Conference institutions sponsor broad-based athletic programs supporting more than 270 teams.

Founded in 1896, the Big Ten Conference has sustained a comprehensive set of shared practices and policies that enforce the priority of academics in student-athletes’ lives and emphasize the values of integrity, fairness and competitiveness. Big Ten universities provide approximately \$100 million in athletic scholarship aid to more than 8,500 men and women student-athletes who compete for 25 championships, 12 for men and 13 for women.

The Big Ten Conference institutions provide an avenue for more than 140,000 young men and women to pursue higher education while competing in sport. The Big Ten Conference sponsors the following 25 sports:

Men's Sports

Baseball
Basketball
Cross Country
Football
Golf
Gymnastics
Soccer
Swimming & Diving
Tennis
Indoor Track & Field
Outdoor Track & Field
Wrestling

Women's Sports

Basketball
Cross Country
Field Hockey
Golf
Gymnastics
Rowing
Soccer
Softball
Swimming & Diving
Tennis
Indoor Track & Field
Outdoor Track & Field
Volleyball

For more information regarding the Big Ten, visit www.bigten.org.

Western Collegiate Hockey Association (WCHA)

The Big Ten conference does not sponsor men's or women's hockey, thus the Athletics Department is a member of the Western Collegiate Hockey Association (WCHA).

From the association's founding days as the Midwest Collegiate Hockey League (MCHL) from 1951-53, to the Western Intercollegiate Hockey League (WIHL) from 1953-58, and ultimately on to the Western Collegiate Hockey Association in 1959, this prestigious conference has maintained a tradition of excellence that is second to none. With a noteworthy past that now spans six decades, three overriding characteristics that have continued to define the WCHA over the league's 55 seasons are history, tradition and success.

In fact, no collegiate conference - in any sport - can top the impressive list of national scale accomplishments of the WCHA. Since 1951, teams representing this conference have earned an amazing 36 NCAA Championships, finished as the national runner-up another 28 times, and qualified for a berth in collegiate hockey's national championship - the NCAA Men's Frozen Four - in 54 of 57 seasons overall.

For more information regarding the WCHA, visit <http://www.wcha.com/>.

D. Athletics Department Annual Report

On a yearly basis the department creates an Annual Report which provides an overview of the department's accomplishments and progress towards specific performance goals. Within the Annual Report, the Game Plan outlines the department's specific performance goals and measurable benchmarks by which to evaluate its progress towards those goals. Within the framework of the Game Plan, the department has embraced the following core values as those that will guide future decision making:

EXCELLENCE
in **Academics** and **Athletic Competition**

COMMITMENT
to **Fiscal Responsibility, Compliance** and **Diversity and Gender Equity**

PERSONAL DEVELOPMENT
of **Student-Athletes**

SERVICE AND CONNECTION
to **Community** and **Campus**

PROFESSIONAL DEVELOPMENT
of **Staff**

RECOGNITION
of **Department Success**

An annual report is found online at <http://www.uwbadgers.com/athletic-dept/business-reports.html>

II. FINANCIAL HIGHLIGHTS

A. 2011-12 University of Wisconsin Athletics Department Final Budget Report

Please see **Appendix A** for the detailed report on page 9.

B. 2011-12 University of Wisconsin Athletics Department Debt Balances & Payments Report

Please see **Appendix B** for the detailed report on page 10.

C. 2011-12 University of Wisconsin Athletics Department Endowments Report

	Market Value	Cash/ Interest
June 2012	\$44,530,682	\$3,220,790
June 2011	\$46,517,121	\$2,353,102

III. ACADEMIC PROGRESS RATE DATA

A. NCAA Academic Progress Rate (APR) Scores

Please see **Appendix C** for the detailed NCAA 2010-2011 report on pages 11-13. **The 2010-2011 NCAA report is the most current publically available data.

B. Three Year Academic Progress Rate Trend Data in Three Largest Revenue Sports using Four year multi-year APR Rate

	Football	Men's Basketball	Men's Hockey
2011-2012	985	980	977
2010-2011	975	965	978
2009-2010	970	967	966

C. Academic Benchmarks for APR

Benchmark I: All teams have a multiyear Academic Progress Rate (APR) above 925.

Benchmark II: All teams have a single year Academic Progress Rate (APR) above 925.

IV. GRADUATION RATE DATA

A. NCAA Graduation Success Rate Report

Please see **Appendix D** for the detailed report on page 14.

B1. Three Year Federal Graduation Rate Trend Data for All Student Athletes

Three Year FGR Trend – All Student-Athletes	
2011-2012 (2005-2006 Cohort)	73%
2010-2011 (2004-2005 Cohort)	71%
2009-2010 (2003-2004 Cohort)	67%

B2. Three Year Federal Graduation Rate Trend Data for Three Highest Revenue Men's Sports

	Football	Basketball	Hockey
2011-2012 (2005-2006 Cohort)	52%	33%	75%
2010-2011 (2004-2005 Cohort)	53%	0%	14%
2009-2010 (2003-2004 Cohort)	50%	50%	44%

B3. Three Year Federal Graduation Rate Trend Data for Three Highest Revenue Women's Sports

	Basketball	Hockey	Volleyball
2011-2012 (2005-2006 Cohort)	50%	83%	100%
2010-2011 (2004-2005 Cohort)	50%	100%	100%
2009-2010 (2003-2004 Cohort)	0%	87%	50%

C. There are no special admissions of students on the UW-Madison campus. The admissions process is holistic in nature and takes into account many factors, including rigor of course work, applicant statements, and nonacademic qualifications are difficult to quantify. Admission is competitive and selective. The admission counselors review each application individually, looking for students who meet the university's high academic standards while also demonstrating leadership qualities, nonacademic achievement, diversity in personal background and experience, and potential for contribution to the Wisconsin community. Academic preparation and success are the primary considerations for admission. No single attribute or characteristic guarantees the admission of any applicant, and outstanding performance in one area may compensate for less-than-competitive performance in another area.

D. **Student-Athlete GPA Data** - GPAs are calculated by the office of academic services staff using official University of Wisconsin-Madison registrar office records.

Fall 2011 Term GPA = 2.98

Spring 2012 Term GPA = 3.11

Cumulative GPA following the Spring 2012 Term = 3.02

E. Declared Majors of Student Athletes

Please see **Appendix E** for the detailed report pages 15-16.

F. Benchmarks used by Athletics to Assess Graduation Rate Data & Academic Admissions

Graduation Rate Benchmarks:

Benchmark I: Maintain a student-athlete graduation rate that is greater than the rate for all UW Madison students.

Benchmark II: Maintain a student-athlete graduation rate that is greater than the rate for the Big Ten Conference.

Benchmark III: Maintain a student-athlete graduation rate that is greater than the rate for all Division I Student-Athletes.

Benchmark IV: Maintain an African-American student-athlete graduation rate that is greater than the rate for all UW-Madison African-American students.

Benchmark V: Maintain an international student-athlete graduation rate that is greater than the rate for all UW Madison international students.

Benchmark VI: Maintain an admissions review student-athlete graduation rate that is comparable to the graduation rate of the overall student-athlete population.

Benchmark VII: Maintain a learning specialist student-athlete graduation rate that is comparable to the graduation rate of the overall student-athlete population.

Graduation Success Rate Benchmarks:

Benchmark I: Maintain a GSR for student-athletes that is greater than the median GSR of the Big Ten Conference.

Benchmark II: Maintain a GSR for student-athletes that is greater than the GSR of all NCAA Division I Athletes.

Benchmark III: Maintain an African-American student-athlete Graduation Success Rate (GSR) that is greater than the national average for African-American student-athletes.

Benchmark IV: Maintain an international student-athlete Graduation Success Rate (GSR) that is greater than the national average for international student-athletes.

Benchmark V: Maintain an admissions review student-athlete GSR that is comparable to the GSR of the overall UW student-athlete population.

Benchmark VI: Maintain a learning specialist student-athlete GSR that is comparable to the GSR of the overall UW student-athlete population.

V - VI. AGREED – UPON PROCEDURES REPORT & INTERCOLLEGIATE ATHLETIC BUDGET REPORT

Please see **Appendix F** for the detailed evaluation report on pages 17-41.

VII. COMPLIANCE EVALUATION REPORTS IN ACCORDANCE WITH SECTION 22.2.1.2(E) OF THE NCAA DIVISION I MANUAL

Please see **Appendix G** for the detailed evaluation report on pages 42-44.

VIII. NCAA SELF-STUDY REPORT (IN YEARS REQUIRED BY NCAA)

Not applicable at this time

IX. COMPLIANCE MAJOR/ MINOR NCAA VIOLATIONS REPORT & NCAA OVERSIGHT CERTIFICATION LETTER

Please see **Appendix H & I** for the detailed report & letter on pages 45-46.

X. APPENDICES

ATHLETICS DEPARTMENT ANNUAL REPORT & GAME PLAN	FOUND ONLINE
A. 2011-12 UNIVERSITY OF WISCONSIN ATHLETICS DEPARTMENT FINAL BUDGET REPORT	9
B. 2011-12 UNIVERSITY OF WISCONSIN ATHLETICS DEPARTMENT DEBT BALANCES & PAYMENTS REPORT	10
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G. NCAA COMPLIANCE OFFICE EVALUATION REPORT	42-44
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Appendix A

2011-12 Wisconsin Athletics Final Budget Report

<u>Revenue</u>	<u>Budget</u>	<u>Actual</u>
Ticket Sales	27,342,000	27,569,088
Gift Funds	18,200,000	19,318,472
Conference Distributions	19,329,900	21,249,700
Concessions and Catering	6,875,000	7,109,836
Multi Media	7,535,000	5,614,531
Events	1,105,000	1,048,490
Other Revenue	4,655,000	5,565,111
Post Season Reimbursements	3,250,000	2,523,185
TOTAL REVENUE	88,291,900	89,998,413
<u>Expenses</u>		
Salaries and Fringes	35,474,500	34,781,077
Operating Expenses	29,538,100	29,748,067
Debt Service	10,874,700	10,048,276
Financial Aid	7,051,000	5,933,686
Utilities Infrastructure	263,100	
Post Season Participation	3,250,000	2,982,891
Capital Expenses	1,826,500	6,653,524
TOTAL EXPENSES	88,277,900	90,147,521
Net Operating Margin	14,000	(149,109)
Carryover Cash Balance 2010-11		524,455
Ending Cash Balance 2011-12 (Unrestricted Fund Balance)		375,346

There is no deficit to be handled from 2011-12 operations.

Appendix B

2011-12 Wisconsin Athletics Debt Balances & Payments

<u>Project</u>	<u>Outstanding Debt as of 6/30/12</u>	<u>Debt Service Payment FY '12</u>
Kohl Center	10,858,575	2,566,564
McClimon Track & Utility System Improvements	73,669	75,620
Goodman Softball Complex	306,000	53,757
Camp Randall Stadium Renovation	58,661,115	6,307,853
Crew House	4,185,133	457,239
Camp Randall Electric	-	3,847
Nielsen Tennis Stadium Floor	7,174	359
University Ridge Golf Course	149,874	13,826
Student Athlete Performance Center	37,897,321	-
LaBahn Arena	8,864,458	324,650
TOTAL	121,003,319	9,803,715
Dane County Coliseum		244,563
Total Debt Service and Coliseum Obligations		10,048,278

Appendix C

**The 2010-2011 NCAA report is the most current publically available data.

NCAA Division I 2010 - 2011 Academic Progress Rate Public Report

Institution: University of Wisconsin, Madison

Date of Report: 06/16/2012

This report is based on NCAA Division I Academic Progress Rate (APR) data submitted by the institution for the 2007-08, 2008-2009, 2009-10 and 2010-11 academic years.

*[Note: All information contained in this report is for four academic years. Some squads may still have small sample sizes within certain sport groups. In accordance with the Family Educational Rights and Privacy Act's (FERPA's) interpretation of federal privacy regulations, data cells containing three or fewer student-athletes have been suppressed and are indicated by an * symbol. The information in this report does not reflect any changes to data made after this date.]*

The following chart represents by-sport APR averages for noted subgroups.

Sport (N)	Multiyear APR	2010-2011 APR	Percentile Rank within Sport	Percentile Rank within All Sports	All Division I	P u b l i c Institutions	Private Institutions	Football Bowl Subdivision	Football Championship Subdivision	Division I (Non-Football)
By Sport - Men's										
Baseball (297)	NA	NA	NA	NA	965	959	976	970	961	961
Basketball (344)	965	941	60th-70th	30th-40th	950	943	965	954	946	951
Cross Country (314)	988	1000	60th-70th	70th-80th	973	970	980	979	970	973
Football (243)	975	997	80th-90th	40th-50th	948	943	963	952	944	NA
Fencing (18)	NA	NA	NA	NA	970	958	975	981	971	948

* Denotes data representing three or fewer student-athletes. In accordance with FERPA's interpretation of federal privacy regulations, institutions should not disclose statistical data contained in this report in cells made up of three or fewer students without student consent.

N/A = No APR or not applicable.

N = Number of teams represented.

¹ Denotes APR that does not subject the team to ineligibility for postseason competition based on institutional, athletics and student resources and the team's Graduation Success Rate.

² Denotes APR that does not subject the team to ineligibility for postseason competition due to the team's demonstrated academic improvement.

³ Denotes APR that does not subject the team to ineligibility for postseason competition due to the squad-size adjustment. The "upper confidence boundary" of a team's APR must be below 900 for that team to be subject to ineligibility for postseason competition. Squad-size adjustment does not apply to teams with four years of APR data and a multiyear cohort of 30 or more student-athletes.

⁴ Denotes APR that does not subject the team to penalties due to the team's demonstrated academic improvement.

⁵ Denotes APR that does not subject the team to penalties due to the squad-size adjustment. The "upper confidence boundary" of a team's APR must be below 900 for that team to be subject to penalties. The squad-size adjustment does not apply to teams with four years of APR data and a multiyear cohort of 30 or more student-athletes.

⁶ Denotes APR based on a one year cohort, not subject to ineligibility for postseason competition and/or any penalties.

⁷ Denotes APR based on a two year cohort, not subject to ineligibility for postseason competition and/or any penalties.

⁸ Denotes that team is not subject to ineligibility for postseason competition and/or penalties based on institutional resources.

⁹ Denotes that team's APR data is under review.

NCAA Division I 2010 - 2011 Academic Progress Rate Public Report

Institution: University of Wisconsin, Madison

Date of Report: 06/16/2012

Sport (N)	Multiyear APR	2010-2011 APR	Percentile Rank within Sport	Percentile Rank within All Sports	All Division I	Public Institutions	Private Institutions	Football Subdivision	Bowl Subdivision	Football Championship Subdivision	Division I (Non-Football)
Golf (298)	984	1000	50th-60th	60th-70th	973	969	981	980		969	970
Gymnastics (16)	NA	NA	NA	NA	983	983	980	983		987	970
Ice Hockey (58)	978	981	30th-40th	50th-60th	982	975	989	980		993	980
Lacrosse (60)	NA	NA	NA	NA	972	970	973	981		973	962
Skiing (11)	NA	NA	NA	NA	975	964	995	975		985	963
Soccer (203)	986	968	70th-80th	60th-70th	968	960	976	968		972	966
Swimming (137)	964	1000	20th-30th	20th-30th	974	969	982	976		972	975
Tennis (260)	971	971	30th-40th	30th-40th	973	969	979	977		970	972
Track, Indoor (258)	960	955	40th-50th	20th-30th	963	956	979	965		960	964
Track, Outdoor (277)	963	969	40th-50th	20th-30th	965	958	980	966		963	965
Volleyball (23)	NA	NA	NA	NA	976	971	982	977		982	978
Water Polo (22)	NA	NA	NA	NA	979	978	980	988		993	965
Wrestling (80)	955	961	30th-40th	10th-20th	960	955	973	964		956	957
By Sport - Women's											
Basketball (342)	991	979	80th-90th	70th-80th	970	965	980	971		968	971

* Denotes data representing three or fewer student-athletes. In accordance with FERPA's interpretation of federal privacy regulations, institutions should not disclose statistical data contained in this report in cells made up of three or fewer students without student consent.

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² Denotes APR that does not subject the team to ineligibility for postseason competition due to the team's demonstrated academic improvement.

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NCAA Division I 2010 - 2011 Academic Progress Rate Public Report

Institution: University of Wisconsin, Madison

Date of Report: 06/16/2012

Sport (N)	Multiyear APR	2010-2011 APR	Percentile Rank within Sport	Percentile Rank within All Sports	All Division I	Public Institutions	Private Institutions	Football Subdivision	Bowl Subdivision	Football Championship Subdivision	Division I (Non-Football)
Bowling (34)	NA	NA	NA	NA	957	948	976	985		949	973
Cross Country (341)	988	983	50th-60th	60th-70th	981	978	988	984		978	982
Fencing (22)	NA	NA	NA	NA	978	974	981	973		991	969
Field Hockey (78)	NA	NA	NA	NA	990	987	992	987		992	989
Golf (254)	1000	1000	90th-100th	90th-100th	985	982	990	987		984	983
Gymnastics (62)	NA	NA	NA	NA	988	988	993	988		993	985
Ice Hockey (34)	987	990	40th-50th	60th-70th	987	984	989	989		994	981
Lacrosse (91)	NA	NA	NA	NA	987	986	987	990		988	982
Rowing (84)	991	987	60th-70th	70th-80th	986	983	988	984		990	983
Skiing (12)	NA	NA	NA	NA	983	975	994	968		994	985
Soccer (321)	986	990	60th-70th	60th-70th	980	976	987	981		977	981
Softball (288)	957	964	10th-20th	20th-30th	978	974	988	981		975	978
Swimming (196)	995	1000	70th-80th	80th-90th	985	983	988	985		984	986
Tennis (321)	1000	1000	90th-100th	90th-100th	982	980	986	985		980	982

* Denotes data representing three or fewer student-athletes. In accordance with FERPA's interpretation of federal privacy regulations, institutions should not disclose statistical data contained in this report in cells made up of three or fewer students without student consent.

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⁹ Denotes that team's APR data is under review.

Appendix D

Graduation Success Rate Report

2002 - 2005 Cohorts: University of Wisconsin, Madison

Men's Sports			Women's Sports		
Sport	GSR	Fed Rate	Sport	GSR	Fed Rate
Baseball	-	-	Basketball	82	62
Basketball	40	33	Bowling	-	-
CC/Track	82	70	CC/Track	96	83
Fencing	-	-	Crew/Rowing	96	89
Football	65	51	Fencing	-	-
Golf	89	78	Field Hockey	-	-
Gymnastics	-	-	Golf	90	89
Ice Hockey	53	35	Gymnastics	-	-
Lacrosse	-	-	W. Ice Hockey	95	87
Mixed Rifle	-	-	Lacrosse	-	-
Skiing	-	-	Skiing	-	-
Soccer	91	66	Soccer	94	88
Swimming	90	68	Softball	85	71
Tennis	100	78	Swimming	100	77
Volleyball	-	-	Tennis	100	100
Water Polo	-	-	Volleyball	100	82
Wrestling	59	56	Water Polo	-	-
Men's Non-NCAA Sponsor. Sports	-	-	Women's Non-NCAA Sponsor. Sports	-	-

Appendix E

Student Athlete Majors vs. Student Body Majors (As of 8.10.2012)			
Major	# S-A Majors	S-A %	Student Body %
Ag Business Management	9	1.11%	.21%
Agronomy	1	.12%	.08%
Animal Sciences	1	.12%	.48%
Anthropology	3	.37%	.54%
Art	4	.50%	.96%
Art Education	1	.12%	.06%
Art History	1	.12%	.21%
Asian Studies	2	.25%	.28%
Astronomy	1	.12%	.07%
Biochemistry	4	.50%	1.49%
Biological Aspects of Cons	2	.25%	.33%
Biological Systems Engineering	5	.62%	.42%
Biology	20	2.49%	4.34%
Biomedical Engineering	8	1.00%	1.15%
Bus: Accounting	5	.62%	1.38%
Bus: Finance, Invest & Bank	14	1.74%	2.01%
Bus: International Business	1	.12%	.51%
Bus: Management & Hum Res	7	.87%	1.21%
Bus: Marketing	10	1.24%	1.51%
Bus: Operations & Tech Management	1	.12%	.08%
Bus: Real Estate & Urban Econ	4	.50%	.42%
Bus: Risk Man. & Insurance	2	.25%	.67%
Chemical Engineering	4	.50%	1.45%
Chemistry	8	1.00%	.66%
Chinese	1	.12%	.20%
Civil & Environmental Engr PHD	1	.12%	-
Civil Engineering	9	1.11%	1.45%
Communication Arts	17	2.11%	1.71%
Communicative Disorders	2	.25%	.44%
Community & Env Soc	3	.37%	.18%
Community & Nonprofit Leadership	11	1.37%	.31%
Comparative Literature	1	.12%	.04%
Computer Engineering	5	.62%	.68%
Computer Sciences	1	.12%	.74%
Consumer Affairs	34	4.23%	.49%
Consumer Science	1	.12%	.01%
Economics	18	2.24%	2.68%
Educational Leadership MS	3	.37%	-
Electrical Engineering	2	.25%	.90%
Elementary Education	6	.75%	1.08%
English	12	1.49%	1.70%
Environment & Resources MS	1	.12%	-
Environmental Studies	2	.25%	.59%
Family, Cons and Comm Ed	3	.37%	.05%

Food Science	4	.50%	.39%
Food Science MS	1	.12%	-
Major	# S-A Majors*	S-A%	Student Body %
French	2	.25%	.33%
Gender & Women's Studies	2	.25%	.36%
Genetics	1	.12%	.88%
Geography	1	.12%	.25%
Geological Engineering	1	.12%	.18%
Geology & Geophysics	4	.50%	.25%
History	12	1.49%	1.93%
Human Development & Family St	14	1.74%	.73%
Industrial Engineering	2	.25%	.72%
Interior Design	1	.12%	.29%
International Studies	5	.62%	1.43%
Journalism	2	.25%	1.50%
Kinesiology	35	4.35%	1.59%
Legal Studies	4	.50%	.81%
Life Sciences Comm	36	4.48%	.42%
Materials Science & Engineering	2	.25%	.22%
Mathematics	2	.25%	1.08%
Mechanical Engineering	9	1.11%	2.31%
Microbiology	2	.25%	.51%
Music	1	.12%	.42%
Nuclear Engineering	2	.25%	.40%
Nursing	19	2.36%	2.41%
Nutritional Sciences	10	1.24%	.81%
Personal Finance	7	.87%	.21%
Pharmacy	5	.62%	.11%
Philosophy	2	.25%	.54%
Political Science	14	1.74%	2.93%
Portuguese	1	.12%	.04%
Psychology	11	1.37%	3.28%
Rehabilitation Psychology	2	.25%	.35%
Rehabilitation Psychology MS	1	.12%	-
Retailing	4	.50%	.37%
Russian	1	.12%	.13%
Social Welfare	5	.62%	.7%
Sociology	73	9.08%	1.45%
Spanish	9	1.11%	1.77%
Special Education	2	.25%	.21%
Textile and Apparel Design	3	.37%	.35%
Urban & Regional Planning MS	1	.12%	-
Wildlife Ecology	3	.37%	.31%
Zoology	15	1.87%	.98%
Undecided	220	27.36%	25.68%
Grand Total	804		

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE
ATHLETICS**

Madison, Wisconsin

**STATEMENT OF REVENUES AND
EXPENDITURES – BUDGETARY BASIS**

For the Year Ended June 30, 2011

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

AND REPORT ON AGREED-UPON PROCEDURES

REQUIRED BY THE PROVISIONS OF NCAA CONSTITUTION 3.2.4.16

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

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INDEPENDENT AUDITORS' REPORT

To the Chancellor
University of Wisconsin-Madison
Madison, Wisconsin

We have audited the accompanying statement of revenues and expenditures – budgetary basis of the University of Wisconsin – Madison Division of Intercollegiate Athletics (the "Athletic Department") for the year ended June 30, 2011. The statement of revenues and expenditures – budgetary basis is the responsibility of the Athletic Department's management. Our responsibility is to express an opinion on the statement of revenues and expenditures – budgetary basis based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and expenditures – budgetary basis is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and expenditures – budgetary basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of revenues and expenditures – budgetary basis presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the statement of revenues and expenditures – budgetary basis of the Athletic Department is intended to present the changes in financial position of the State of Wisconsin that are attributable to the transactions of the Athletic Department. The financial statement does not purport to, and does not, present fairly the financial position of the State of Wisconsin as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Athletic Department prepares its statement of revenues and expenditures – budgetary basis following the accounting principles used in managing its operations in accordance with its budgetary procedures (the "budgetary basis") which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

To the Chancellor
University of Wisconsin-Madison

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the revenues and expenditures of the Athletic Department for the year ended June 30, 2011 in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Chancellor, management of the University of Wisconsin and Athletic Department, or an authorized representative of the National Collegiate Athletic Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Silly Verchow Kroun, CP

Madison, Wisconsin
January 30, 2012

UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS

STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
For the Year Ended June 30, 2011

	FOOTBALL	MEN'S BASKETBALL	MEN'S HOCKEY	WOMEN'S BASKETBALL	OTHER SPORTS	NON-PROGRAM SPECIFIC	TOTALS
REVENUES							
Ticket Sales	\$ 18,285,170	\$ 5,369,181	\$ 3,398,978	\$ 138,893	\$ 141,008	\$ -	\$ 27,333,230
Away Sales and Guarantees	300,000	-	28,000	-	-	-	328,000
Contributions	7,126,375	1,119,408	861,442	920,079	475,552	4,408,302	14,911,158
Direct Institutional Support	1,462,142	234,933	188,663	260,829	2,366,055	41,279	4,553,901
Facilities and Administrative Support	-	-	-	-	-	2,664,000	2,664,000
NCAA and Conference Distributions	13,844,389	8,644,350	128,329	-	112,243	2,296,097	25,025,408
Broadcasts and Internet Rights	-	-	-	-	-	3,559,814	3,559,814
Programs, Concessions and Parking	1,878,366	662,844	629,987	82,214	135,749	6,582,307	9,971,467
Royalties and Advertisements	193,348	52,241	34,904	33,662	506,540	2,430,393	3,251,108
Sports Camp Revenue	191,307	264,876	105,494	69,919	1,074,902	1,350	1,707,848
Endowment and Investment	-	-	-	-	-	1,238,150	1,238,150
Other	15,502	5,480	3,571	2,314	8,238	1,689,002	1,724,107
Total Revenues	43,296,599	16,353,313	5,379,368	1,507,930	4,820,287	24,930,694	96,285,191
EXPENDITURES							
Athletics Student Aid	2,715,117	425,410	584,169	440,858	5,449,701	43,209	9,638,464
Guarantees	2,325,722	475,353	98,045	30,500	23,440	-	2,953,060
Head Coach Salaries and Benefits	2,308,323	1,991,772	381,021	500,980	2,419,693	1,652	7,603,441
Assistant Coaches Salaries and Benefits	2,902,506	659,464	293,021	351,926	2,325,039	12,668	6,544,624
Support Staff Compensation	821,031	186,477	224,803	193,678	577,152	19,036,231	21,039,372
Recruiting	204,181	53,252	50,882	62,948	394,120	-	765,383
Team Travel	3,163,686	943,269	523,828	597,105	3,050,772	286,502	8,565,162
Equipment, Uniforms and Supplies	295,402	63,218	152,195	32,105	833,490	104,167	1,480,578
Game Expenditures	1,358,982	417,920	359,947	191,717	153,091	3,847,977	6,329,634
Fundraising, Marketing and Promotion	-	-	-	-	-	2,435,109	2,435,109
Sports Camps Expenditures	74,468	155,461	20,941	34,314	423,381	17	708,582
Direct Facilities and Maintenance	6,989,341	934,993	1,169,082	935,053	2,623,873	5,776,094	18,428,436
Spirit Groups	-	-	-	-	-	701,099	701,099
Indirect Facilities and Administrative	-	-	-	-	-	2,684,000	2,684,000
Medical Expenditures	219,298	34,842	53,287	32,792	1,647,806	-	1,988,025
Memberships and Dues	1,695	710	480	1,525	10,208	-	14,618
Other	283,174	52,406	83,604	80,636	511,379	2,732,559	3,743,758
Total Expenditures	23,662,926	6,394,547	3,975,306	3,486,137	20,443,145	37,661,284	95,623,345
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 19,633,673	\$ 9,958,766	\$ 1,404,062	\$ (1,978,207)	\$ (15,622,858)	\$ (12,730,590)	\$ 664,846

See accompanying notes to statement of revenues and expenditures - budgetary basis.

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

**INDEX TO NOTES TO STATEMENT OF
REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011**

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**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

**NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying statement of revenues and expenditures – budgetary basis has been prepared on the budgetary basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The budgetary basis for the University of Wisconsin-Madison Division of Intercollegiate Athletics represents the accounting principles used in managing its operations in accordance with its budgetary procedures. The Governmental Accounting Standards Board establishes generally accepted accounting principles for states and local governmental units, including the University of Wisconsin-Madison Division of Intercollegiate Athletics. The most significant differences between the budgetary basis and GAAP (full accrual basis) are as follows:

- > Capital asset acquisitions funded by revenues are reported as expenditures rather than as capital assets.
- > Capital asset acquisitions funded by debt proceeds or from the State of Wisconsin are not reported.
- > Depreciation on capital assets is not reported.
- > Long-term debt proceeds are not reported as other financing sources or as a liability.
- > Principal payments on long-term debt are reported as expenditures rather than as a reduction of a liability.
- > In-kind contributions are reported as revenues and expenditures in the year the goods were received or services provided to the Division of Intercollegiate Athletics.

See also Note 1B.

The format of the statement of revenues and expenditures – budgetary basis is based upon the prescribed format of the National Collegiate Athletic Association.

A. REPORTING ENTITY

The Division of Intercollegiate Athletics (the "Athletic Department") of the University of Wisconsin-Madison (the "University") is responsible for intercollegiate sports programs of the University. The Athletic Director is responsible for the day to day operation of the Athletic Department. The Athletic Department is ultimately governed by the University's Chancellor through the authority delegated by the Board of Regents of the University of Wisconsin System, which is part of the State of Wisconsin.

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

**NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

This report includes the statement of revenues and expenditures – budgetary basis of the Athletic Department's intercollegiate sports programs. All functions related to these intercollegiate sports programs are included. The University Ridge Golf Course financial activity has not been included except for the payments for the UW Men's and Women's Golf Teams use of the golf course. Officially recognized booster organizations have been established to aid the Athletic Department with its outreach booster efforts. These organizations are not component units of the University and are not under the direct accounting control of the University or Athletic Department. As such, the accompanying statement of revenues and expenditures – budgetary basis excludes the financial activity of these booster organizations. However, the accompanying statement of revenues and expenditures – budgetary basis includes, upon satisfying all donor restrictions, those cash or in-kind contributions made to the Athletic Department by the recognized booster organizations.

Expenditures of these organizations are excluded from the accompanying statements. The recognized booster organizations at June 30, 2011 are as follows:

Badger Basketball Boosters
Mendota Gridiron Club, Inc.
National "W" Club, Inc. and Subsidiary

B. BASIS OF ACCOUNTING

The accompanying statement of revenues and expenditures – budgetary basis has been prepared on the budgetary basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Under the budgetary basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Athletic Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include most operating revenues. Contributions from recognized booster organizations generally are recorded as revenues when received in cash or in-kind because they are not measurable or available until actually received. Cash receipts from advance ticket sales related to athletic events to be held in the subsequent year are deferred and will be recognized as revenues during the year the event takes place.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a liability when expected to be paid with expendable available financial resources. Guaranteed payments to nonconference football opponents are reported as expenditures. Ticket sales shared with conference opponents are netted against gross ticket revenues.

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

**NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. BASIS OF ACCOUNTING (cont.)

Tuition waivers are recorded as athletic scholarships and tuition waivers. The value of the Adidas merchandise received is reported under the sports or other team expenditure categories while revenue is recorded under corporate sponsorships.

C. MEASUREMENT FOCUS

The measurement focus of the statement of revenues and expenditures – budgetary basis is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays funded by operating revenues and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are not recognized as current expenditures. These related expenditures are recognized when the liabilities are liquidated.

D. GENERAL CAPITAL ASSETS

General capital assets acquired for Athletic Department purposes are recorded as expenditures in the statement of revenues and expenditures – budgetary basis when they are funded by operating revenues. Capital assets funded by debt proceeds and the State of Wisconsin are not reported.

Depreciation is not recorded on capital assets and is not reflected in the statement of revenues and expenditures – budgetary basis.

E. COMPENSATED ABSENCES

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Employees are allowed to accumulate unused sick leave and vacation time and carry it forward to future periods. The Athletic Department is charged for sick leave by the State of Wisconsin as the sick leave is earned. Amounts are accumulated by the State of Wisconsin in the accumulated sick leave fund in the state's Comprehensive Annual Financial Report. Therefore, no sick leave liability exists for the Athletic Department. Total vested vacation time and other compensated absences at June 30, 2011 were \$1,860,952.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Vested benefit liabilities are determined on the basis of current salary rates and include salary related payments.

F. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as expenditures if all the conditions of Governmental Accounting Standards Board pronouncements are met. There were no significant claims or judgments at year end.

The Division of Intercollegiate Athletics is a unit of a state governmental body. The Board of Regents of the University of Wisconsin System and DIA, as a unit of this state agency, cannot be sued because they have governmental immunity. Claims arising out of employment or agency (excluding employment discrimination claims) must be brought against state employees or agents individually under § 895.46, Wis. Stats.

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. CONTRIBUTIONS

The Athletic Department receives contributions in support of various intercollegiate sports programs. All contributions for the Athletic Department are initially remitted to the University of Wisconsin Foundation (the "Foundation") which is the official not-for-profit fund raising corporation for the University of Wisconsin-Madison.

The Athletic Department applies some of the contributions for capital outlay (capital assets). Other contributions are used to support the annual operations of the Athletic Department. These contributions are reported as fundraising revenues. Contributions are recorded as revenues when they are drawn from the Foundation.

NOTE 2 – LONG-TERM DEBT

The State of Wisconsin has issued various general obligation bonds, portions of which were for construction of various Athletic Department projects.

The general obligation bonds are backed by the full faith and credit of the State of Wisconsin. The Athletic Department's share of these bonds will be retired by Athletic Department program revenues.

In 2010-11, the Athletic Department's debt service payments consisted of the following:

	2010-11
Principal on bonds	\$ 5,548,978
Interest on bonds	4,377,678
Total	<u>\$ 9,926,656</u>

The following represents the unpaid balance of all long-term general obligation debt for which the Athletic Department is financially responsible:

	Issue Year	Original Debt	Maturity Date	Average Interest Rates	Balance 6/30/11
Utility System Improvement	1998	627,278	4/15/17	5.50%	\$ 607,351
	2004	48,155	4/15/19	5.00%	48,155
	2005	140,509	4/15/18	5.00%	140,509
	2007	31,802	4/15/20	5.00%	31,802
Total Utility System Improvement					<u>827,817</u>

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011

NOTE 2 – LONG-TERM DEBT (cont.)

	Issue Year	Original Debt	Maturity Date	Average Interest Rates	Balance 6/30/11
Goodman Softball Complex	2004	74,838	4/15/19	5.00%	\$ 74,838
	2005	218,366	4/15/21	5.00%	218,366
	2007	31,802	4/15/20	5.00%	49,423
Total Goodman Softball Complex					342,627
Kohl Center	1998	11,653,139	10/15/17	5.50%	11,282,949
Environmental Management Center	1998	223,729	10/15/17	5.50%	216,622
	2002	210,732	4/15/15	5.50%	125,851
	2003	130,251	4/15/23	4.62%	42,486
	2004	2,628	4/15/19	5.00%	2,627
	2004	132,960	4/15/20	4.99%	129,787
	2004	96,262	4/15/20	5.00%	95,844
	2005	7,668	4/15/18	5.00%	7,668
	2007	31,802	4/15/20	5.00%	48,746
Total Environmental Management Center					669,631
McClimon Track	1993	519,091	4/15/13	5.03%	143,539
Camp Randall	1998	22,092	10/15/12	5.24%	3,549
	2002	3,661	4/15/13	5.50%	3,659
	2003	15,000,000	4/15/23	4.83%	6,258,021
	2002	2,638,329	4/15/22	4.00%	170,008
	2004	30,000,000	4/15/24	4.90%	12,613,488
	2004	373,454	4/15/20	4.94%	373,454
	2004	10,000,000	4/15/24	4.53%	6,017,060
	2004	15,000,000	4/15/25	4.70%	11,102,959
	2005	7,113,428	4/15/25	4.84%	7,113,428
	2005	4,366,472	4/15/15	5.00%	2,005,000
	2005	622,599	4/15/17	5.00%	622,596
	2007	17,362,138	4/15/20	5.00%	17,362,138
	2011	431,577	4/15/22	5.00%	431,577
Total Camp Randall					64,076,937

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011

NOTE 2 – LONG-TERM DEBT (cont.)

	Issue Year	Original Debt	Maturity Date	Average Interest Rates	Balance 6/30/11
Nielsen Stadium	2004	657	4/15/19	5.00%	\$ 657
	2004	611	4/15/20	5.00%	611
	2005	4,586	4/15/20	5.00%	4,586
	2007	31,802	4/15/20	5.00%	811
	2011	511	4/15/21	5.00%	511
Total Nielsen Stadium					<u>7,176</u>
Crew House	2003	264,305	4/15/23	4.25%	86,212
	2004	13,896	4/15/20	4.81%	13,896
	2004	5,822,000	4/15/24	4.94%	2,447,853
	2007	2,023,000	4/15/20	5.00%	2,023,000
Total Crew House					<u>4,570,961</u>
University Ridge Golf Course	2008	172,338	4/15/28	5.00%	<u>155,906</u>
Hockey/Swim Facility	2011	9,000,000	4/16/31	5.00%	<u>9,000,000</u>
Total					<u>\$ 91,077,543</u>

Future general obligation debt repayment schedule:

Fiscal Year	Principal	Interest	Total
2011 – 2012	\$ 6,021,535	\$ 4,600,006	\$ 10,621,541
2012 – 2013	6,338,890	4,183,503	10,522,393
2013 – 2014	6,446,279	3,854,369	10,300,648
2014 – 2015	6,726,656	3,517,063	10,243,719
2015 – 2016	7,095,162	3,167,625	10,262,787
2016 – 2021	30,938,932	11,205,678	42,144,610
2021 – 2026	21,407,344	3,877,118	25,284,462
2026 – 2031	<u>6,102,745</u>	<u>1,373,995</u>	<u>7,476,740</u>
Totals	<u>\$ 91,077,543</u>	<u>\$ 35,779,357</u>	<u>\$ 126,856,900</u>

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

**NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011**

NOTE 2 – LONG-TERM DEBT (cont.)

ADVANCE REFUNDING OF DEBT

In fiscal year 2010-11, the State of Wisconsin issued general obligation bonds to advance refund portions of prior year's debt issuances. The economic gain or loss on the advance refunding is computed on the entire refunding issues of the State of Wisconsin and is not separately calculated for the Athletic Department. The Athletic Department's share of this advance refunding issue was \$432,088 and the amount refunded was \$541,395.

NOTE 3 – LONG-TERM CAPITAL LEASE

On July 28, 2010, The Athletic Department entered into a lease/purchase contract with the State of Wisconsin to purchase a Tennant sweeper/scrubber. The original cost of the equipment was \$61,580.

Future lease payment schedule:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011 – 2012	\$ 20,401	\$ 2,900	\$ 23,301
2012 – 2013	21,644	1,657	23,301
2013 – 2014	11,311	399	11,710
Totals	<u>\$ 53,356</u>	<u>\$ 4,956</u>	<u>\$ 58,312</u>

NOTE 4 – EMPLOYEES' RETIREMENT SYSTEM

All eligible Athletic Department employees participate in the Wisconsin Retirement System ("system"), a cost-sharing defined benefit multiple-employer public employee retirement system (PERS).

All permanent employees expected to work over 600 hours a year (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the system. Covered employees are required by statute to contribute 6.5% of their salary to the plan through June 28, 2011. Beginning June 29, 2011 and thereafter covered employees in the General category are required by statute to contribute 5.8% of their salary. The Athletic Department makes these contributions to the plan on behalf of the employees through June 28, 2011. Thereafter, employees are required to fund their contribution subject to terms of employment contracts and which employee group they are a member of. The total contributions by the Athletic Department for the year ended June 30, 2011 are unknown.

Details of the plan are included in the Comprehensive Annual Financial Report of the State of Wisconsin for the year ended June 30, 2011.

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

**NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011**

NOTE 5 – COMMITMENTS AND CONTINGENCIES

During the ordinary course of business, the Athletic Department enters into various long-term commitments with third parties. These commitments vary in duration and in the amount of resources required to fulfill each commitment. A description of the major commitments in effect at June 30, 2011, and the expiration date of the current agreements are summarized below:

<u>Description of Long-Term Commitment</u>	<u>Expiration Date of Current Agreement</u>
Dane Co. Arena / Bob Johnson Hockey Facility agreement	June 30, 2011
Employment contract – football head coach	January 31, 2016
Employment contract – men's basketball head coach	May 31, 2016
Employment contract – men's hockey head coach	June 30, 2016
Employment contract – women's basketball head coach	May 31, 2016
Employment contract – men's track head coach	June 30, 2014
Employment contract – wrestling head coach	May 31, 2014
Employment contract – volleyball head coach	January 31, 2014
Employment contract – women's hockey head coach	June 30, 2016
Employment contract – men's crew head coach	June 30, 2014
Employment contract – director of strength and conditioning	June 30, 2011
Employment contract – assistant football coach	June 30, 2012
Employment contract – assistant football coach	January 31, 2016
Employment contract – assistant football coach	June 30, 2012
Employment contract – assistant football coach	June 30, 2012
Employment contract – assistant football coach	June 30, 2012
Employment contract – assistant football coach	June 30, 2012
Employment contract – assistant football coach	June 30, 2012
Employment contract – men's tennis head coach	June 30, 2014

From time to time, the Athletic Department is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Legal Affairs Office that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Athletic Department's statement of revenues and expenditures – budgetary basis.

NOTE 6 – ADIDAS CONTRACT

A five year contract with Adidas Promotional Retail Operators was entered into on August 20, 2010. During each contract year, Adidas shall be the exclusive supplier of athletic footwear and apparel to UW Intercollegiate Athletic teams, and Adidas shall provide compensation in the form of goods, services and monetary contributions to benefit the University, Athletic Department and the Madison community.

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

**NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011**

NOTE 7 – RELATED PARTY TRANSACTIONS

The University provides various administrative and accounting services to the Athletic Department. The cost of these services is charged to the Athletic Department. In addition, the Foundation provides various administrative and accounting services to the Athletic Department. The Athletic Department pays the Foundation for these costs.

NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 7/01/10	Additions	Deletions	Balance 6/30/11
Land	\$ 2,975,678	\$ -	\$ -	\$ 2,975,678
Buildings and fixtures	225,459,943	591,867	-	226,051,810
Construction in progress	1,080,245	1,440,776	-	2,521,021
Improvements other than buildings	9,705,093	-	-	9,705,093
Equipment	7,250,296	445,682	-	7,695,978
Total Capital Assets	<u>246,471,255</u>	<u>2,478,325</u>	<u>-</u>	<u>248,949,580</u>
Less: Accumulated depreciation for:				
Buildings and fixtures	56,160,607	5,660,264	-	61,820,871
Improvements other than buildings	5,648,487	373,597	-	6,022,084
Equipment	6,310,721	438,112	-	6,748,833
Total Accumulated Depreciation	<u>68,119,815</u>	<u>6,471,973</u>	<u>-</u>	<u>74,591,788</u>
Capital Assets, Net of Depreciation	<u>\$ 178,351,440</u>			<u>\$ 174,357,792</u>

NOTE 9 – SIGNIFICANT CONTRIBUTIONS

In fiscal year 2010-11, the Foundation received a significant contribution for the Athletic Department in the amount of \$4.5 million related to the new swimming and hockey facility. A significant contribution is defined as any individual constituting greater than ten percent of all contributions received by the Foundation for Athletic Department purposes.

NOTE 10 – RISK MANAGEMENT

The Athletic Department participates in the State of Wisconsin's Risk Management Fund. It is the general policy of the State not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the State believes it is more economical to manage its risks internally and set aside assets for claim settlement in its Risk Management Fund. The fund services most claims for risk of loss to which the State is exposed, including damage to State owned property, liability for property damages and injuries to third parties, and worker's compensation.

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

**NOTES TO STATEMENT OF REVENUES AND EXPENDITURES – BUDGETARY BASIS
For the Year Ended June 30, 2011**

NOTE 10 – RISK MANAGEMENT (cont.)

In addition, the Athletic Department participates in the Wisconsin Department of Employee Trust Funds. The Wisconsin Department of Employee Trust Funds operates four public entity risk pools: health insurance, group income continuation insurance, protective occupation duty disability insurance, and long-term disability insurance. Information regarding these risk pools can be found in the State's Comprehensive Annual Financial Report.

NOTE 11 – CONTRIBUTIONS AND ENDOWMENTS HELD BY THE UNIVERSITY OF WISCONSIN FOUNDATION

As of June 30, 2011 the Athletic Department had \$99,041,997 of fundraising, endowment and other investments held at the Foundation. The Athletic Department will draw funds from the Foundation as needed to finance expenditures of the Athletic Department.

SUPPLEMENTAL INFORMATION



Baker Tilly Virchow Krause, LLP
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bakertilly.com

INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES FOR BOOSTER ORGANIZATIONS

To the Chancellor
University of Wisconsin-Madison
Madison, Wisconsin

We have performed the procedures enumerated below, which were agreed to by the University of Wisconsin-Madison Division of Intercollegiate Athletics (the "Athletic Department") and the National Collegiate Athletic Association (the "NCAA"), solely to assist you with respect to complying with NCAA Constitution 3.2.4.16 for the year ended June 30, 2011. The University of Wisconsin-Madison Division of Intercollegiate Athletics is responsible for compliance with the requirements of NCAA Constitution 3.2.4.16. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

- a. We obtained a list of recognized booster organizations ("organizations") and related statements of changes in cash of recognized booster organizations presented in Exhibit A for the year ended June 30, 2011, or comparable period. No audit procedures were performed on these statements in connection with our audit of the statement of revenues and expenditures – budgetary basis.
- b. We confirmed with the appropriate office of the recognized booster organizations the cash receipts and disbursements of the organizations for the year ended June 30, 2011, or comparable period as shown in Exhibit A.
- c. We obtained a schedule of expenditures of the recognized booster organizations for or on behalf of the Athletic Department's intercollegiate athletic programs or employees and reconciled those expenditures to the revenues recorded on the Athletic Department's accounting records.
- d. We received the financial statements of the National "W" Club, Inc. and subsidiary for the year ended June 30, 2011, and the financial statements of the Mendota Gridiron Club, Inc. for the year ended December 31, 2010, both of which had been audited by other independent auditors who expressed unqualified opinions on these statements.

The results of these procedures are summarized in the following statement of changes in cash of recognized booster organizations.

To the Chancellor
University of Wisconsin-Madison

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accompanying statements of changes in cash of recognized booster organizations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Chancellor, management of the University of Wisconsin and Athletic Department, or an authorized representative of the National Collegiate Athletic Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Victor Krause, LLP
Madison, Wisconsin
January 30, 2012

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

STATEMENT OF CHANGES IN CASH OF RECOGNIZED BOOSTER ORGANIZATIONS
For the Year Ended June 30, 2011

	Beginning Cash Balance	Revenue Transfers From/(To) Foundation	Booster Cash Receipts	Expenditures On Behalf of Athletics	Expenditures On Behalf of Booster Organization	Ending Cash Balance
Badger Basketball Boosters	\$ 44,715	\$ -	\$ 86,621	\$ -	\$ (101,059)	\$ 30,277
Mendota Gridiron Club, Inc.	84,029	115,000	64,116	(278)	(182,694)	80,173
National "W" Club, Inc. and Subsidiary	1,219,479	-	7,115,249	(623,084)	(6,385,494)	1,326,150
TOTALS	\$ 1,348,223	\$ 115,000	\$ 7,265,986	\$ (623,362)	\$ (6,669,247)	\$ 1,436,600

See independent auditors' report on applying agreed-upon procedures and notes to statement of changes in cash of recognized booster organizations.

**UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INTERCOLLEGIATE ATHLETICS**

**NOTES TO STATEMENT OF CHANGES IN CASH OF
RECOGNIZED BOOSTER ORGANIZATIONS
For the Year Ended June 30, 2011**

(1) Cash Receipts

Cash receipts represent funds deposited by recognized booster organizations in their checking accounts during their fiscal year. These amounts are proceeds from club activities. Individual gifts made in support of particular sports are made directly to the University of Wisconsin Foundation and, therefore, are not reflected as a booster organization receipt in the Statement of Changes in Cash of Recognized Booster Organizations. These amounts are recognized as revenues when they are transferred to the Athletic Department.

(2) Expenditures

Cash disbursements are made by the recognized booster organizations for various purposes.

Disbursements that are reflected on the Statement of Changes in Cash of Recognized Booster Organizations as expenditures on behalf of the Athletic Department include the following:

- a. Annual sport banquet, parent weekend and senior day expenses
- b. Products used specifically by department staff

Disbursements that are reflected on the Statement of Changes in Cash of Recognized Booster Organizations as expenditures on behalf of support organizations include the following:

- a. Cost of goods sold (where the organization sells products or services)
- b. Administrative expenses
- c. Athletic Department sanctioned club activity expense
- d. Other miscellaneous disbursements

In addition to these expenditures, the Athletic Department may expend funds from specific Foundation funds to assist support organizations in their club activities. These amounts are included in the Athletic Department's statement of revenues and expenditures – budgetary basis.



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INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES FOR THE
UNIVERSITY OF WISCONSIN – DIVISION OF INTERCOLLEGIATE ATHLETICS

To the Chancellor
University of Wisconsin-Madison
Madison, Wisconsin

We have performed the procedures enumerated below, which were agreed to by the University of Wisconsin-Madison Division of Intercollegiate Athletics (the "Athletic Department") and the National Collegiate Athletic Association (the "NCAA"), solely to assist you with respect to complying with NCAA Constitution 3.2.4.16 for the year ended June 30, 2011. The University of Wisconsin-Madison Division of Intercollegiate Athletics is responsible for compliance with the requirements of NCAA Constitution 3.2.4.16. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

- a. We compared and agreed each operating revenue category reported in the statement of revenues and expenditures – budgetary basis to supporting schedules provided by the Athletic Department.
- b. We traced a sample of operating revenue receipts to supporting documentation including:
 1. Confirmed Big Ten Conference receipts directly with Big Ten Conference management.
 2. Confirmed WCHA Conference receipts directly with WCHA Conference management.
- c. We compared each major revenue account to prior period amounts and budget estimates and obtained and documented significant account variations.
- d. We compared and agreed each operating expenditure category reported in the statement of revenues and expenditures – budgetary basis to supporting schedules provided by the Athletic Department.
- e. We tested a sample of operating expenditures to supporting documentation for the following:
 1. Athletic Department disbursements
 2. University of Wisconsin Foundation disbursements on behalf of the Athletic Department
 3. Athletic Department payroll disbursements



To the Chancellor
University of Wisconsin-Madison

- f. We compared each major expenditure account to prior period amounts and budget estimates and obtained and documented significant account variations.
- g. We obtained the Athletic Department's schedule of capital assets, additions and improvements summarized by type.
- h. We tested significant capitalized fixed assets greater than \$25,000 incurred during the reporting period and reconciled the recorded cost to supporting documentation.
- i. We obtained a list of individual contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization to determine whether it was 10 percent or more of all contributions received for intercollegiate athletics during the reporting year.
- j. We disclosed the source of funds, goods and services, as well as the value associated with these items within the notes to the financial statement if they exceeded 10 percent of all contributions.
- k. We obtained repayment schedules for all outstanding Athletic Department debt and reconciled the audited year's activity to amounts reported by the Athletic Department.
- l. We reviewed the Capital Expenditure Survey content and compared the reported amounts to those in the financial statements and related footnotes.
- m. We obtained NCAA EADA report submission and compared the reported amounts to those in the financial statements and related footnotes.

There are no findings to report as a result of these procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Chancellor, management of the University of Wisconsin and Athletic Department, or an authorized representative of the National Collegiate Athletic Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Vinchow Krause, LLP
Madison, Wisconsin
January 30, 2012



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INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON
PROCEDURES FOR THE UNIVERSITY RIDGE GOLF COURSE

To the Chancellor
University of Wisconsin-Madison
Madison, Wisconsin

We have performed the procedures enumerated below, which were agreed to by the University of Wisconsin-Madison Division of Intercollegiate Athletics (the "Athletic Department"). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed related to the University Ridge Golf Course for the period July 1, 2010 through June 30, 2011 are summarized as follows:

- a. We compared each major revenue account to prior period amounts and budget estimates and obtained and documented significant account variations.
- b. We tested a sample of operating expenditures to supporting documentation for the following:
 1. Athletic Department disbursements for University Ridge activity.
 2. Athletic Department payroll disbursements for University Ridge personnel.
- c. We compared each major expenditure account to prior period amounts and budget estimates and obtained and documented significant account variations.
- d. We tested individual capital assets greater than \$25,000 to supporting documentation.
- e. We obtained repayment schedules for all outstanding capital leases of the University Ridge Golf Course and agreed the payments reported by the Athletic Department to the schedules.

There are no findings to report as a result of these procedures.

To the Chancellor
University of Wisconsin-Madison

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Chancellor and management of the University of Wisconsin and Athletic Department, and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Silly Virchow Krause, LLP

Madison, Wisconsin
January 30, 2012

Appendix G



TO: Barry Alvarez, Walter Dickey, Katie Smith
Dale Bjorling, Darrell Bazzell

CC: Elizabeth Dionne
Randy Marnocha

FROM: Ed Ruotsinoja *Ed Ruotsinoja*

DATE: August 16, 2012

SUBJECT: NCAA Compliance Office Examination

We have completed this year's section of our examination of the NCAA rules compliance program. This examination was conducted to comply with Bylaw 22.2.1.2 [e] of the NCAA manual that requires every Division I institution to have its athletic rules-compliance program evaluated at least every four years by an authority outside of the athletics department. Our examination included the recommended audit procedures suggested by the basic program in the Guide to Audits of NCAA Division I Athletics Compliance published by the Association of College and University Auditors (ACUA). This basic program provides for a general understanding of the compliance system with limited substantive work involving testing and data examination. This was an examination of fourteen of the fifteen compliance areas (identified below).

- | | |
|---|----------------------------------|
| 1. Governance and Organization | 8. Camps and Clinics |
| 2. Initial Eligibility Certification | 9. Rules Education |
| 3. Continuing Eligibility Certification | 10. Extra Benefits |
| 4. Transfer Eligibility Certification | 11. Playing and Practice Seasons |
| 5. Academic Performance Program | 12. Student Athlete Employment |
| 6. Financial Aid Administration | 13. Amateurism |
| 7. Recruiting | 14. Commitment to Compliance |

Our examination was planned to cover all compliance areas by cycling the teams and sections over a four year period. Investigations and self-reporting, the only section not covered this year, was covered September 2011. For each compliance area, we reviewed policies and procedures, as well as tested documentation and monitoring activities as suggested in the ACUA audit program. This report is the fourth issued in the four year cycle. The first report was issued March 9, 2009; the second was issued

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September 3, 2010; the third was issued September 20, 2011. Over the last four years we have completed our review of fifteen of the fifteen compliance areas for the major revenue sports. A new cycle will begin during the summer of 2013.

Based on this examination, it is our opinion that there is an adequate system in place to monitor compliance in each of the functioning areas, exclusive of three documentation limitations within Article 7- Recruiting, Article 17- Playing and Practice Seasons, and Article 18- Student-Athlete Employment, as discussed below. Our assessment is derived from a review of formal documented policies, monitoring procedures, and training programs for compliance in the areas we tested.

Recruiting

Limitation: Telephone logs are maintained to report on compliance with NCAA limits on telephone contact with high school recruits. NCAA limits vary by sport and differ for each communication medium (i.e. in person, telephone call, and social media). NCAA rules include restrictions on the number of contacts and the time period in which those contacts may occur. The telephone log reports the name of a prospect, telephone number, date, and has a comment section. The off-campus recruiting logs report date, time, contact or evaluation, name of prospect, prospects institution, and location of contact or evaluation.

We found these forms do not have an area listing age of the recruits. Knowing the age of the recruit is necessary to determine if the contact, evaluation, or telephone call was in compliance with NCAA legislation. Additionally, the forms are not always filled out completely, making it impossible to determine if recruiting is in compliance with NCAA legislation. We believe more education on how to fill out these forms is necessary to ensure all recruiting rules per NCAA are being followed.

Playing and Practice Seasons

Limitation: CARA forms are used by each team coach to report monthly on their team's compliance with NCAA limits on hours and type of activities. These NCAA limits vary by sport and include individual, group, and team activities such as conditioning, skill instruction, meetings, and clinics. The form includes a roster of student-athletes for each day of the month.

We found the forms were not being filled out correctly, making it hard to determine whether sports were in compliance with NCAA legislation. We believe more education is necessary on what

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activities need to be reported on the CARA logs, and how to fill out the individualized skill instruction sheet.

Student Athlete Employment

Limitation: Student-athletes complete forms disclosing planned academic and summer employment. Employers complete forms that are reviewed for compliance with NCAA rules. Reports are sent to employers requesting information on student-athlete employment.

We found the reports were not sent to employers for the 2011-2012 academic year. While forms filled out by employers are not necessary per NCAA rules, it does help to verify that student athletes are reporting accurate information.

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Appendix H

2011-2012 Summary of Secondary NCAA Violations

Sport	Date	Bylaw	Type of violation
Administrative	Apr-11	12.5.1.6	Impermissible camp advertisement
	Sep-11	15.01.5, 14.3.5.1.1	Institutional violation
	June-11	17.1.6.5	Impermissible practice on required day off
M. Basketball	Apr-11	16.6.1.2	Impermissible family lodging at postseason event
	May-12	13.1.3.1	Impermissible telephone call to prospect
M. Rowing	Jan-12	13.1.3.1	Impermissible telephone call to prospect
Football	Aug-11	12.5.2.2	Impermissible promotional activities
	June-11	13.10.2	Impermissible comments regarding prospective student-athlete
	Aug-11	13.1.2.1	Impermissible contact with prospect
	Jan-11	13.1.3.1	Impermissible telephone call to prospect
M. Ice Hockey	Apr-12	12.1.2.1.6, 16.11.1.5	Impermissible meal to student-athlete
M. Tennis	Apr-11	17.1.6.3.2.1	Impermissible practice after competition
M. Wrestling	May-11	14.3.2.1.1	Impermissible participation by nonqualifier
	Oct-11	12.5.1.6	Impermissible private camp advertisement
W. Rowing	March-12	13.2.1.1	Impermissible meal to prospective student-athlete and parents
W. Ice Hockey	Sept/Oct-11	13.6.4.1	Official visit 48-hour period exceeded
Softball	Aug-11	11.7.4, 13.1.2.7	Impermissible contact with prospect; exceed limit of coaches recruiting off-campus
W. Swimming	Nov-11	13.02.5.4	Impermissible evaluation of and contact with prospect
	June-11	13.11.3.10	Impermissible participation before physical and summer school enrollment
W. Tennis & M. Tennis	Sep-11	13.1.2.1	Impermissible contact with prospect
W. Track	Jan-12	13.5.2.6	Impermissible transportation for prospect's parent
W. Volleyball	Apr-12	13.02.5.4	Impermissible contact with prospect

Appendix I

NCAA OVERSIGHT CERTIFICATION LETTER

November 15, 2012

Mr. Brent Smith, President, University of Wisconsin Board of Regents
Mr. Kevin Reilly, President, University of Wisconsin System
Van Hise Hall
1220 Linden Drive
Madison, WI 53706

Presidents:

In connection with your oversight of the University of Wisconsin-Madison's intercollegiate athletics program, we are confirming via this letter and supporting documents, to the best of our knowledge and belief, the following pertaining to 2011-2012.

There were no instances of any major compliance violations. We are aware of 22 secondary violations of non-compliance with NCAA rules and regulations which occurred during 2011-2012 (see Exhibit A).

There were no illegal acts or non-compliance with federal, state, or local law by individuals employed by the institution or representatives of the University of Wisconsin's athletics interests.

There are no monitoring reviews currently underway by the NCAA, law enforcement officials, or others, except for routine audits done annually or periodically.

There are no allegations of fraud or suspected fraud affecting intercollegiate athletics received in communication from employees, former employees, or others.

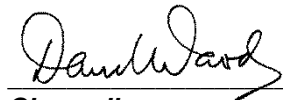
There have been no modifications to the institution's gender-equity plan from our previous self-study, dated 2008-2009, and all aspects of the plan have been fully implemented.

We have processes in place to ensure background checks are performed on all coaches, assistant coaches, contractors, volunteers, student employees, and any other individuals serving as an agent of the institution related to intercollegiate athletics. These processes apply to those involved with offering camps and clinics, and others who participate in activities involving children. Adverse outcomes of background checks are evaluated by Director of Human Resources Holly Weber.

We understand our fiduciary responsibilities to act in the best interest of the institution even if it conflicts with the immediate interests of the athletic department.

The athletic department has not intervened when a student-athlete is being disciplined under regular student conduct rules.

Very truly yours,



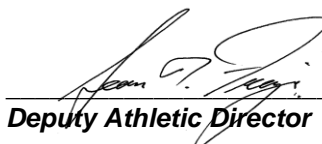
Chancellor



Athletic Director



Athletics Compliance Officer



Deputy Athletic Director

UNIVERSITY OF WISCONSIN SYSTEM BOARD OF REGENTS COMMITTEES

President: Brent Smith
Vice President: Michael Falbo

STANDING COMMITTEES*

Executive Committee

Brent Smith (Chair)
Michael Falbo (Vice Chair)
Jeffrey Bartell
Mark Bradley
Tim Higgins
Regina Millner
Charles Pruitt
José Vásquez
Gerald Whitburn

Research, Economic Development, and Innovation Committee

Mark Bradley (Chair)
Tim Higgins (Vice Chair)
John Drew
Tracy Hribar
Charles Pruitt
Mark Tyler
David Walsh
Gerald Whitburn

Business, Finance, and Audit Committee

Gerald Whitburn (Chair)
John Behling (Vice Chair/Audit Liaison)
Mark Bradley
Tracy Hribar
Katherine Pointer
Charles Pruitt
Gary Roberts
David Walsh

Personnel Matters Review Committee

Edmund Manydeeds (Chair)
John Behling
Mark Bradley
John Drew
Gary Roberts
Gerald Whitburn

Capital Planning and Budget Committee

Jeffrey Bartell (Chair)
Edmund Manydeeds (Vice Chair)
John Behling
Tony Evers
Regina Millner
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Gary Roberts
José Vásquez

Committee on Student Discipline and Other Student Appeals

John Behling (Chair)
Jeffrey Bartell
Tony Evers
Tim Higgins
Regina Millner
Katherine Pointer

Education Committee

José Vásquez (Chair)
Regina Millner (Vice Chair)
Jeffrey Bartell
John Drew
Tony Evers
Tim Higgins
Edmund Manydeeds
Mark Tyler

Committee on Faculty and Academic Staff Collective Bargaining

NA

*The Regent President and Vice President serve as ex-officio voting members of all committees.

**OTHER COMMITTEES*
& APPOINTMENTS**

**Academic Staff Excellence Awards
Committee**

Mark Tyler (Chair)
Tim Higgins
Tracy Hribar
Gerald Whitburn

Diversity Awards Committee

John Drew (Chair)
Tracy Hribar
Edmund Manydeeds
José Vásquez

Teaching Excellence Awards Committee

Charles Pruitt (Chair)
Katherine Pointer
Gary Roberts
Mark Tyler

**Higher Educational Aids Board – Regent
Member**

Gary Roberts

**Hospital Authority Board – Regent
Members**

Jeffrey Bartell
Michael Falbo
David Walsh

**Research Park Board – Regent
Member**

David Walsh

**Wisconsin Educational Communications
Board – Regent Member**

Regina Millner

**Wisconsin Technical College System
Board – Regent Member**

José Vásquez

**Special Committee for the UW-Eau Claire
Chancellor Search**

Edmund Manydeeds (Chair)
Jeff Bartell
John Behling
Tracy Hribar
Gary Roberts

**Special Committee for the UW-Madison
Chancellor Search**

Charles Pruitt (Chair)
Regina Millner
Katherine Pointer
Brent Smith
David Walsh

Wisconsin Partnership Program

Tim Higgins

**Liaison to Association of Governing
Boards**

Charles Pruitt

*The Regent President and Vice President serve as ex-officio voting members of all committees.

**UW SYSTEM BOARD OF REGENTS
REGULAR MEETING SCHEDULE – 2013**

February 7-8, 2013 – In Madison

March 7, 2013 – In Madison

April 4-5, 2013 – Hosted by UW-La Crosse

June 6-7, 2013 – Hosted by UW-Milwaukee

July 11-12, 2013 – In Madison

September 5, 2013 – In Madison

October 10-11, 2013 – Hosted by UW-Parkside

December 5-6, 2013 – In Madison

(Tentative: hosted by UW-Madison)