

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2003-04

(session year)

Assembly

(Assembly, Senate or Joint)

**Committee on
Colleges and
Universities
(AC-CU)**

(Form Updated: 11/20/2008)

COMMITTEE NOTICES ...

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**



SUE JESKEWITZ

State Representative • 24th Assembly District

OCTOBER 7, 2003

**TESTIMONY OF REPRESENTATIVE SUZANNE JESKEWITZ
ASSEMBLY BILL 377 – FUNDING PAID SABBATICAL LEAVE FOR
UNIVERSITY OF WISCONSIN FACULTY BY GIFTS AND GRANTS**

Dear Chairperson Kreibich, members of the committee, please accept my regrets for not being able to attend today's hearing and my thanks for the opportunity to submit testimony today on AB 377.

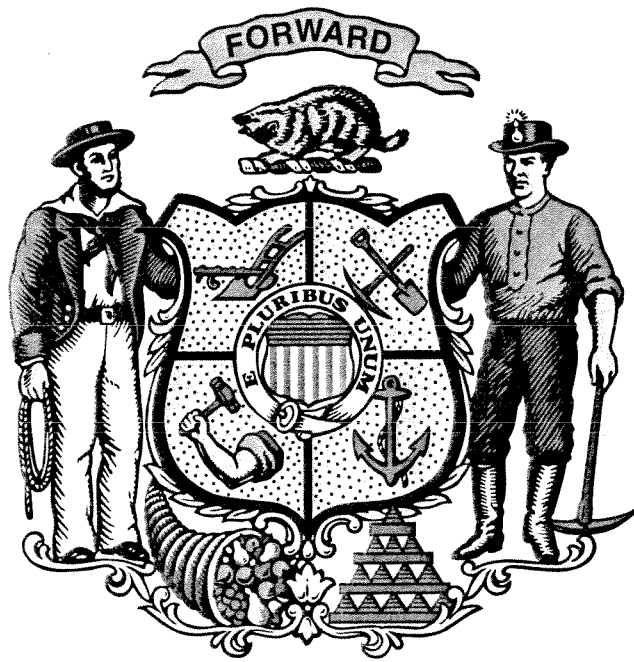
I introduced this legislation along with our colleague, Jeff Wood after discovering that the University of Wisconsin Board of Regents planned to spend \$26 million in taxpayer dollars over the next biennium on 227 sabbatical leaves.

\$26 million was an exorbitant amount of taxpayer dollars to be spent even if we were not experiencing a severe budget deficit. We drafted this bill to address that concern.

AB 377 would require the UW to pay for faculty sabbaticals out of the UW's gifts and grants fund, which currently holds a balance in the hundreds of millions. This shift in funding would result in a savings to the taxpayer without taking away the UW's ability to offer sabbaticals. The UW would simply have to offer sabbaticals from the set of funds they currently use for such tasks as research and faculty development. This bill would likely have the side benefits of encouraging the UW Board of Regents to reprioritize the numbers of sabbaticals offered, their rationale behind them, and the level of accountability of the faculty who receive sabbaticals.

This year the UW Board of Regents raised instate tuition by 14% and 18%. At the same time, we in the legislature saw our office and travel accounts cut and many of us chose to return our pay raise. I see no reason why UW faculty should not have to bite the bullet and share in the reality of tough times with their students.

It's a tough time in this state for taxpayers too, and my constituents, as taxpayers want their resources managed as responsibly as possible. The taxpayers of Wisconsin are one of the only funding sources for government and they deserve to decide how their money gets spent. I have listened to them, and they have told me that they don't want their dollars going to pay for a year long sabbatical for some English professor who wants to write a play on the women in the Niger Delta. While this bill will not stop the UW from offering that sabbatical – it will force them to pay for it out of their own funds, not our taxpayers pockets.



October 7, 2003

Testimony of Rep. Jeff Wood RE: AB 377 – Funding paid Sabbatical Leave for University of Wisconsin System Faculty by Gifts and Grants

Thank you Mr. Chairman and members of the Committee. I am here to testify in favor of Assembly Bill 377 relating to eliminating GPR funding of University System faculty Sabbaticals.

As you all know, the history of the sabbatical program goes back to 1975 where GPR funding for sabbaticals was included in the budget repair bill. \$200,000 was appropriated system wide. In today's dollars that amounts to \$701,000.

In 2003-2004, \$13 million GPR will be spent on more than 200 sabbatical leaves system wide. That is 19 times more funding for sabbaticals since the onset of this program in 1975.

Originally faculty leaves were not to exceed 1.5% of unclassified positions. Today, system wide, 3.5 percent of faculty will be on sabbatical this year and 4% of Madison's faculty will be out on sabbatical.

While the University has continuously cut back or limited enrollment due to budget constraints, I think it is now more important than ever that every single dollar that goes to the University is spent on educating students.

The reason, I'm told, why they've cut back in enrollment is that faculty are already stretched to their limit and they have to maintain a minimum student to faculty ratio. At the same time, the University says faculty would not have extra time to generate funding for a sabbatical. They are also making a claim that over 200 faculty members can take a sabbatical this year and that teacher's assistants and other colleagues can fill in to cover the workload. If faculty has extra time to fill in for colleagues, then why can't they offer more classes and accept more students instead?

If the \$13 million per year going to faculty who are on sabbatical leave were to be spent on professors teaching in the classroom, 1680 more students would be able to attend a university this year without altering the faculty to student ratio. That is the true opportunity cost of the faculty sabbatical program.

Currently, Wisconsin faces a budget crisis. The Governor and several legislators have attempted or succeeded at raiding transportation funds which were meant to be spent on our highways and the Patient Compensation Fund which is intended to keep our cost of

health care costs in control.

The UW-Foundation, with a balance of over 1 billion dollars in which one of the primary functions is to support research is off limits to fund fund sabbaticals. Last year, the foundation spent over \$109 million in supporting the UW System budget but raised almost \$130 million with the remaining difference, according to the 2002 Financial Report, being added to the principle of the endowment fund. Last year, investments averaged 4.75% generating over \$23 million in interest in addition to gifts.

Furthermore, GPR and gifts through the Foundation are currently used to fund the Faculty Development Program. According to the University of Wisconsin Faculty Development Plan, the top two options are sabbaticals and UW System Faculty Development Grants.

The Professional Development and Recognition Committee works with the administration, the UW-Foundation and the faculty to locate or create funding resources for professional development. The grants provide released time for renewal, retraining, and development by adding to their competencies, either through acquiring new skills within their principal fields or through work in a related field.

I want to stress that AB 337 does not eliminate sabbaticals. It simply removes taxpayer dollars as the source of funding so the University can use gifts and grants instead. All campaigns generating gifts and grants ask for a general gift first to be used for the universities greatest need. Many gifts are given to particular schools as a general gift and then the University assigns the dollars to a specific need. In the future, campaign drives could specify sabbaticals as a need of the university to maintain research excellence or the University can reprioritize how gifts and grants are allocated to enhance the vibrancy of faculty.

The UW System states that if they were to fund sabbaticals out of gifts and grants that donors would be less likely to donate. However, UW-Eau Claire is currently in a \$35 million fund raising campaign. They project that 30% of the funds raised will be spent on faculty and staff development.

The UW System argues that other states all have sabbatical programs. However, our neighboring state of Iowa does not have a sabbatical program. They have Faculty Development Assignments which were funded last year for a total of \$544,322.

Minnesota boosted their sabbatical budget last year to \$1.1 million annually to encourage more faculty to participate in the program. The general public in Minnesota is not nearly as enthusiastic about sabbatical benefits especially at state Universities.

Sure, nearly all universities have some type of faculty development program but I don't believe they are as deluxe as the program designed in Wisconsin without any legislative oversight. The University of Colorado sabbatical program does have legislative oversight

where all sabbatical policies are subject to review by the senate and house education committees and the Colorado commission on higher education.

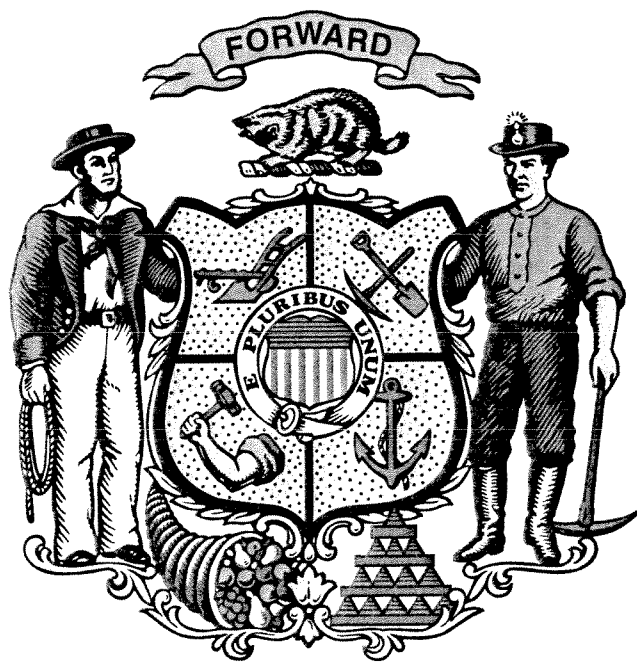
It seems, that Katherine Lyall set the tone for switching funding from taxpayer dollars to the Universities gifts and grants program. Lyall stated in a 1994 Board of Regents meeting, "that operating plans for the next several years must be drawn on the assumption of very limited growth in available resources; and that the UW must look increasingly to private contributions and program revenues to provide the margin of excellence promised to its students. To survive and to thrive in this environment will be challenging," President Lyall stated. "Better ways must be found to encourage and reward creative performance, whether in the classroom, the laboratory, or administration; and the UW must expect to have to continue to fund needs by moving existing resources from lower to higher priority programs."

With the explosion in sabbaticals from their inception in 1975, it has become essential that the legislature must provide the oversight needed to ensure that our priorities of educating our kids comes first. We could either potentially micromanage the sabbatical program as Colorado does or we can eliminate GPR funding and let the University set its priorities and determine the merits of sabbaticals without interference from the legislature.

Not only is Wisconsin a budget crisis but we are lagging behind our neighbors in an economic recovery. Wisconsin remains over dependent on a manufacturing base. Minnesota is recovering rapidly due to a larger professional service sector. Wisconsin has only 22% of its workforce with a degree while Minnesota has over 29%. If we are to bridge that gap we have to find innovative ways to boost our number of college graduates without increasing the burden on taxpayers.

Again, if the UW continued its commitment to sabbaticals through gifts and grants, an additional \$13 million in GPR could be used for instruction allowing those 1,680 an opportunity to achieve their dreams instead of a rejection letter.

Thank you Mr. Chairman and members.



Ladwig, Chris

From: Morgan Betsy L [morgan.bets@uwlax.edu]
Sent: Tuesday, October 07, 2003 8:04 AM
To: rep.kreibich@legis.state.wi.us; rep.gottlieb@legis.state.wi.us; rep.balow@legis.state.wi.us; rep.black@legis.state.wi.us; rep.jeskewitz@legis.state.wi.us; rep.krawczyk@legis.state.wi.us; rep.nass@legis.state.wi.us; rep.pocan@legis.state.wi.us; rep.schneider@legis.state.wi.us; rep.shilling@legis.state.wi.us; rep.towns@legis.state.wi.us; rep.underheim@legis.state.wi.us
Cc: klyall@uwsa.edu; cmarrett@uwsa.edu; Magerus John E
Subject: Faculty response to Assembly Bill 377

Dear Legislators,

I am writing to you while on sabbatical from the University of Wisconsin La Crosse. Although I can understand that sabbaticals appear to be an "odd" program from outside the univerisity, I'm writing to assure you that sabbaticals are an integral and important component of high quality education at universities.

I have been at UW-L for 10 years. I am tenured and have been promoted to associate and full professor. I chair the psychology department. My traditional teaching load is 4 courses in the fall and 4 in the spring (reduced by 2 due to the administrative load). Not only is scholarship required for my position, I enjoy it and it helps me be a better teacher. By engaging in my own scholarship, I stay close to the most current research but I also stay close the the PROCESS of schlolarship that I convey to my students daily in a variety of ways. I have published throughout my time at UW-L.

I applied for the sabbatical when I wanted to complete a project that would be impossible to complete without full-time attention. I am writing a gender psychology textbook. I have a contract with Allyn and Bacon. The full text is due in Fall 2004. I am using this sabbatical time to complete a first draft. I will than be able to tinker after I return to the classroom.

How does the university and the larger community benefit from my sabbatical?

1. This is professional development for me. I have no "reason" to complete this book accept to stay current and pursue my interests.
2. I could not complete this project without the sabbatical. In fact, my contract with the publisher was contingent on receiving the sabbatical. The book will carry the name of the UW system to thousands of students if it adopted. I hope it will be of high quality and convey the values of the system too. A 12 credit teaching load is a full time job and scholarship and service are on top of that. I average a 55-60 hour week. The type of writing and research needed for a book is simply not possible without long stretches of time to think and write.
3. I teach psychology of women. The research I've completed for the book will systematically update and transform the material I provide in class. While I try to keep my course current, this sabbatical provides a chance to review all of the material on a huge subject.
4. My research keeps me current with the process of reseach. I teach our Honors seminar in which approximately 15 students develop their own research and grants. After five weeks of learning how to use all of the new technology during my current sabbatical, I am already able to take back a greatly altered view of the assignments I give to students regarding using the library.

Overall, sabbaticals are important component of professional development for academics. This is what we are trained to do. We are trained to completely envelope ourselves in our subjects in order to produce high quality scholarship. Most doctoral programs take approximately 7 years to complete and we are being trained to be scholars. Sabbaticals are an important support for our continued training.

Finally, as a chair, I am very worried about hiring and retention if we cannot provide the same kind of support that is offered at other high quality universities - some of which provide sabbaticals as a matter of form. We compete for these rare opportunities and are not eligible until we've completed 7 years.

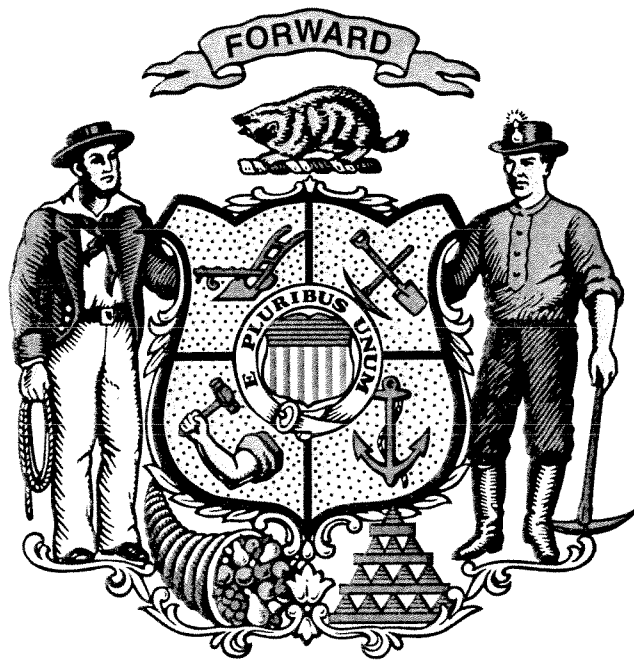
While sabbaticals may seem like a "fringe," in fact, they are a building block of an

academic community.

Thank you for your attention,

Betsy L. Morgan, PhD

Chair & Professor
Psychology Department
UW - La Crosse
1725 State Street
La Crosse, WI 54601
608-785-6885
FAX: 608-785-8443
<http://www.uwlax.edu/psychology/>



**From the Office of Representative Jeff Wood
AB 377—Eliminate GPR Funding of Sabbaticals**

SABBATICAL POLICY:

• **Eligibility**

- Faculty member must have taught for at least six years in the System
- Faculty must not have taken a sabbatical in the previous six years
- Faculty must agree to return to their institution for at least one year following the sabbatical (if they do not, they must pay the university their salary for that time)

University Salary Policy:

- Faculty can receive 100% salary and full benefits for a 6 month sabbatical
- Faculty receive 65% salary and full benefits for a 1 year sabbatical

Current law. The Board of Regents of the University of Wisconsin System offers paid sabbatical leave which is funded by GPR. AB 377 changes the funding source for sabbatical leaves from including GPR to gifts and grants.

When were sabbaticals enacted? GPR for sabbaticals was included in the 1975 State Budget Repair Bill and with a maximum funding of \$200,000 system wide. The limit was repealed in 1977.

In today's dollars that amounts to \$701,000.

In 2003-04, \$13 million GPR will be spent on sabbaticals.

That is 19 times more for funding since the onset of GPR funded sabbaticals.

The beginnings of the Sabbatical program. In 1975, Governor Lucey vetoed the language that sabbaticals were for conducting research or any other scholarly activity. Governor Earl put the language back in 8 years later making the definition of sabbaticals even broader.

Faculty eligibility yesterday and today. Originally faculty leaves were not to exceed 1.5 % of unclassified positions. This was increased to 3% in 1983 and in the same year repealed all together. According to the UW-System office, 3.5 percent of faculty will be on sabbatical this year. The Board of Regents approved 227 for 2003-04. 4% of UW-Madison's faculty will be on sabbatical this year. (See all campus breakouts at the end of this document for 2003-2004 sabbaticals)

Gifts and Grants. Sabbaticals are about research and this bill is about funding them in the same way other research is funded at UW-System campuses. Through gifts and grants or profits generated by the success of that research.

Royalties. UW-Madison continues to bring in royalties from patents. Last year \$24 million was generated from the 650 active licenses which are managed by WARF which is put back into research at the UW-Madison.

Invention profits. Research faculty who have licensed patents are guaranteed 20 percent from funds generated by their inventions.

What do other states do?

North Carolina. The University of North Carolina, a 16 campus university, is one of the top research universities that does not have a sabbatical or faculty leave program.

Iowa. The University of Northern Iowa, Iowa State University and the University of Iowa do not have a Sabbatical program. The Board of Regents oversees Faculty Development Assignments which are funded for a total of \$544,322 in 2004. The universities are requesting approval for 147 faculty members. SUI requests 68 or 6.8% of eligible faculty. ISU requests approval for 39 or 2.7% of eligible faculty. UNI requests approval for 20 or 4.7 of eligible faculty. Faculty are typically on assignment for one semester with faculty equally divided over the two semesters.

Michigan. The University of Michigan is comprised of 3 campuses. This year 933 out of 6,500 teaching faculty are eligible for a sabbatical. Of those faculty, 197 will be taking a sabbatical. There are roughly 3500 tenured faculty at the U of M. In other words, 5% of tenured faculty will be on sabbatical. The *eligible* pool was 1591 which is where the UW-System obtained their 12.4% figure.

Minnesota. Boosted their sabbatical budget to \$1.1 million annually to encourage more faculty to participate in the program. The general public in Minnesota is not nearly as enthusiastic about sabbatical benefits especially at state universities.

National Education Association Perspective. "Today's colleges must demonstrate increased productivity, but many institutions are cutting back on professional development opportunities to increase short-term "efficiency" and to save money in tight financial times. Many institutions, for example, now define sabbaticals—a standard employment practice for faculty in most colleges—as a **privilege** that managers may provide; **not as a right**. The approval process for sabbaticals is becoming more difficult and uncertain.

Why shouldn't taxpayers pay for sabbaticals? Because when universities ask for gifts from alumni one of reasons they ask for money is for faculty development. For example, the goal of UW-Eau Claire is to raise \$35 million during a five-year campaign which began in 2000. At the halfway mark \$25 million has already been raised. 30% of the funds raised are projected to be spent on faculty and staff development.

This is not micromanaging the UW-System. There is no legislative review of sabbatical policies. In fact, there should be because it is the responsibility of the

legislature to spend taxpayer dollars wisely. The UW doesn't want to be micromanaged. We're just supposed to write a blank check and have no checks and balances for our investment. In Colorado, the legislature and education committees review sabbatical policies.

Faculty fundraising. Chancellor Wiley has stated that each of the Madison faculty bring in about \$238,000 each in extramural funding annually.

Most successful areas for patent developments. The Medical School, the College of Engineering and the College of Agricultural and Life Sciences.

The UW Institutional Faculty Development plan. The plan includes faculty Development Options. The top 2 options are Sabbaticals and UW-System Faculty Development Grants.

UW-System Purpose for Sabbaticals. According to UW System, GPR funded sabbaticals are granted by the UW System Board of Regents to recognize and enhance teaching efforts and research skills of academic staff. The sabbatical is intended to recognize teaching or research excellence. In addition, sabbaticals enable UW institutions to maintain quality by renewing the vibrancy of the teaching and scholarship of faculty members.

Sabbaticals give teachers and schools released time to engage in intensive study in order to become more effective teachers and scholars. These development programs are expected to enhance the university's research and teaching mission and benefit the students and colleagues of the sabbatical holder after returning to the campus.

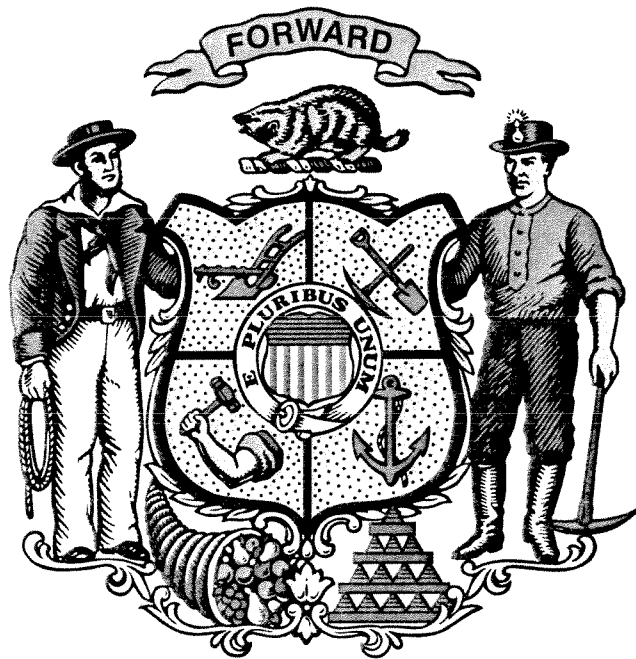
UW-System Faculty Development Grants. The Professional Development and Recognition Committee works with the administration, the UW Foundation and the faculty to locate or create funding resources for professional development.

The grants provide released time for renewal, retraining, and development by adding to their competencies, either through acquiring new competencies within their principal fields or through work in a related field.

Academic Staff Professional Development Grants also provide an opportunity for academic staff to enhance their effectiveness in meeting changing needs and roles in higher education. According to the UW, this is a concern for higher education, for UW System institutions, and is a particular concern for individual academic staff members in their own career development.

Board of Regents Approved 227 Sabbaticals for 2003-2004

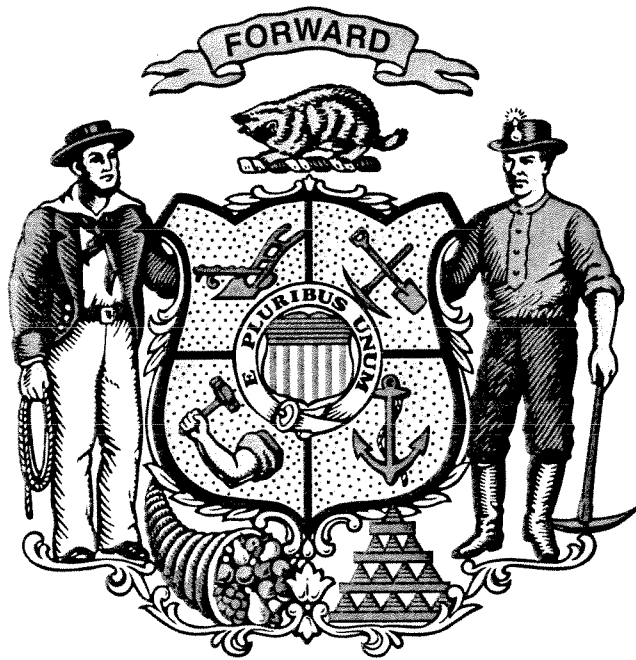
UW-Eau Claire	19
(11 full-year 8 semester)	
UW-Green Bay	3
(All single semester)	
UW-LaCrosse	8
(1 full-year 7 semester)	
UW-Madison	84
(48 full-year 36 semester)	
UW-Milwaukee	44
(16 full-year 28 semester)	
UW-Oshkosh	11
(5 full-year 6 semester)	
UW-Parkside	5
(1 full-year 4 semester)	
Platteville	3
(All single semester)	
UW-River Falls	6
(2 full year 4 semester)	
UW-Stevens Point	12
6 full-year 6 semester	
UW-Stout	14
(2 full-year 12 semester)	
UW-Superior	4
(All single semester)	
UW-Whitewater	13
(5 full-year 8 semester)	
University of Wisconsin Colleges	3
(2 full-year 1 semester)	



>
> Sabbaticals
>
> The Council of Letters and Sciences Deans of the University of Wisconsin
> System is seriously concerned about the proposed elimination of general
> program revenue funding for sabbatical leave programs for faculty at our
> institutions. Assembly Bill 377 currently under consideration by the
> Assembly Committee on Colleges and Universities would be detrimental to
> the mission of the university system which is both to transmit knowledge
> and to create knowledge.
>
> The value of sabbatical leave programs for students, faculty, the
> universities, and the state of Wisconsin is unquestionable and
> demonstrable. Sabbaticals are granted on a competitive basis and
> proposals are reviewed to assess their impact on advancing an
> institution's mission. To receive a sabbatical faculty members must
> present a carefully developed proposal that demonstrates a direct impact
> on their teaching as well as their professional development. The impact
> of the reassigned time associated with sabbaticals extends well beyond
> the recipient. Students benefit directly through their contact with
> actively engaged scholars, through new program development,
> undergraduate research opportunities, and innovative classroom
> teaching. The broader academic community profits from the new knowledge
> created. And the local institutions often benefit from extramural grant
> proposals and funding opportunities developed, and in some cases
> submitted, during the sabbatical leaves.
>
> The sabbatical leave program enables the University of Wisconsin system
> to remain competitive in recruiting highly competent, quality educators
> for our classrooms. Even in a time of budgetary crisis, general purpose
> revenue funding of sabbatical leaves is an investment in the future
> viability of our universities that we adamantly believe must be
> maintained.
>
> John E. Magerus, Dean
> College of Liberal Studies
> University of Wisconsin-La Crosse
> 1725 State Street
> La Crosse, Wisconsin 54601
> 608-785-8116

Council members on back

firstname	lastname	title	organization
Gorden	Hedahl	Dean	UW-River Falls
Mittie	Nimocks	Dean	UW-Platteville
Patricia	Bromley	Assistant Dean	UW-Platteville
Howard	Ross	Dean	UW-Whitewater
Mary	Pinkerton	Associate Dean	UW-Whitewater
John	Murphy	Dean	UW-Stout
Raymond	Hayes	Assistant Dean	UW-Stout
Carol	Blakshire-Belay	Dean	UW-Green Bay
Joyce	Salisburg	Associate Dean	UW-Green Bay
G.Richard	Meadows	Dean	UW-Milwaukee
Mark	Harris	Associate Dean	UW-Milwaukee
Charles	Schuster	Associate Dean	UW-Milwaukee
Michael	Zimmerman	Dean	UW-Oshkosh
John	Cross	Associate Dean	UW-Oshkosh
Adele	Newson-Horst	Associate Dean	UW-Oshkosh
Paul	Chase	CEO/Dean	UW Colleges-Barron County
Justus	Paul	Dean	UW-Stevens Point
Charles	Clark	Associate Dean	UW-Stevens Point
John	Magerus	Dean	UW-La Crosse
Mike	Nelson	Dean	UW-La Crosse
Ruthann	Benson	Associate Dean	UW-La Crosse
Charles	Martin-Stanley	Associate Dean	UW-La Crosse
Chris	Bakkum	Assistant Dean	UW-La Crosse
Karen	Palmer-McLean	Associate Dean	UW-La Crosse
Doug	Johnson	Associate Dean	UW-River Falls
Donald	Cress	Dean	UW-Parkside
Bernard	Duyfhuizen	Interim Dean	UW-Eau Claire
Janet	Philipp	CEO/Dean	UW Colleges - Rock County
Mary Anne	Fitzpatrick	Deputy Dean	UW-Madison
Gerard	McKenna	Dean	UW-Stevens Point
Nancy	Westphal-Johnson	Associate Dean	UW-Madison
Judi	Roller	Associate Dean	UW-Madison



2002
Annual Report
on Stewardship

University of Wisconsin Foundation

Micky Crothers
Professor Dept
UWEC Psychology

AB 377
Bad Idea
720 9107-
836-5499

2002

Financial Pages

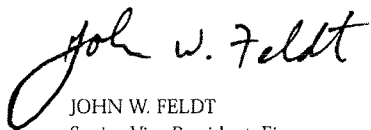
Financial Report

TO OUR CONTRIBUTORS:

For the University of Wisconsin Foundation, the year 2002 will be remembered as a challenging one. In a year where concerns of war, terrorism, recession and corporate misdeeds dominated the news, foundations and endowments generally struggled to maintain the level of their endowment assets. However, the generosity and dedication of our donors was as strong as ever, showing how special the University of Wisconsin is to so many people.

Although contributions of \$130.9 million showed a small decline from the previous year, the number of gifts to the Foundation actually increased from 98,916 to 110,077. Assets under management have grown from \$885 million to \$1.186 billion in the past five years. Our support to the University of Wisconsin increased from \$98 million to \$109 million in 2002, an increase of approximately \$11 million.

This year's financial report provides the current and prior year's balance sheet and income statement, 2002 gift reports including historical gift numbers, administrative expenses and reports on endowment funds, deferred giving and assets under management. The financial report was drawn from the University of Wisconsin Foundation audit completed by an independent accounting firm. Copies of the complete audit are available upon request. The University of Wisconsin Foundation complies with all applicable federal and state reporting requirements.



JOHN W. FELDT
Senior Vice President, Finance
University of Wisconsin Foundation

Statements of Assets and Liabilities Arising from Cash Transactions

Years ending December 31

ASSETS	2002	2001
Cash and receivables		
Cash and money market funds	\$8,515,252	\$32,314,811
Notes and land contracts receivable	1,905,767	1,328,952
	10,421,019	33,643,763
Investments—at cost		
Alternative Investments—Non-Marketable		
Limited Partnerships	159,361,243	159,757,209
Alternative Investments—Marketable Hedge Funds	67,649,743	45,800,000
Barclays Alpha Tilts Fund B	100,018,028	—
Barclays Equity Index Fund	—	87,490,852
Barclays Equity Value Fund	87,588,084	125,554,363
Bonds and debentures	115,132,447	119,682,917
Capital Guardian International Equity Fund	68,598,052	78,763,259
Common stocks	253,527,471	272,524,829
Federal agencies	42,776,941	47,411,921
Hilldale, Inc. common stock	210,000	210,000
Morgan Stanley International Equity Fund	—	30,991,143
Morgan Stanley International Small Capital Equity Fund	4,481,057	2,397,176
Morgan Stanley Offshore Emerging Markets Fund	909,823	920,661
Morgan Stanley Offshore International Equity Fund	42,798,772	—
PIMCO Bond Total Return Fund	145,555,601	140,746,550
PIMCO StocksPLUS LP Fund B	24,901,072	—
RCM Dresdner Equity Growth Fund	—	29,469,973
RCM Dresdner Small Capital Equity Fund	—	7,903,774
Russell 2000 Index Fund	6,389,525	5,949,892
S&P 500 Index Fund	15,936,383	14,797,948
S&P Midcap 400 Index Fund	9,154,164	8,931,802
U. S. Government securities	39,029,866	35,729,887
University of Wisconsin Foundation		
Collective Bond Fund	20,392,649	20,283,939
	1,204,410,921	1,235,318,095
Real estate—at cost or assigned value	7,019,992	3,100,947
Building, land, office furniture and equipment, net of accumulated depreciation of \$2,520,570 in 2002 and \$2,209,327 in 2001	8,053,025	7,229,646
Other assets	3,524,777	3,437,306
TOTAL ASSETS	\$ 1,233,429,734	\$ 1,282,729,757
LIABILITIES		
Long-term debt	\$ 2,905,930	\$ 2,967,143
Due to University of Wisconsin Hospital and Clinics Authority	163,901,803	154,211,021
Other	1,888,989	1,952,121
TOTAL LIABILITIES	168,696,722	159,130,285
FUND EQUITIES		
General Fund	66,819,174	82,913,250
Funds subject to restriction specified by donor	267,246,422	248,157,810
Principal of trust funds and life income and life estates	730,667,416	792,528,412
TOTAL FUND EQUITIES	1,064,733,012	1,123,599,472
TOTAL LIABILITIES AND FUND EQUITIES	\$1,233,429,734	\$1,282,729,757

Statements of Cash Receipts and Disbursements and Changes in Fund Equities

Years ending December 31

RECEIPTS	2002	2001
Contributions	\$130,943,570	\$146,624,593
Net income from investments	23,068,394	23,654,598
Net income from investments—final distributions	917,273	7,238,835
Gain (loss) on sale of investments	(82,330,544)	29,053,956
Net income from real estate	222,269	25,596
Interest income on notes and land contracts receivable	102,270	95,267
Loss on sale of real estate	(226,405)	(418,220)
Miscellaneous income	40,486	98,502
	72,737,313	206,373,127
DISBURSEMENTS		
Payments to or for University of Wisconsin	109,546,055	98,552,957
Distributions to University of Wisconsin Foundation from life income and life estates	917,273	7,238,835
Distributions to beneficiaries of life estates	3,770,761	3,590,915
Administrative expenses and investment fees	17,370,349	14,610,188
Tax expense (refund) on sale of short-term securities	(665)	33,044
	131,603,773	124,025,939
 EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	 (58,866,460)	 82,347,188
 Fund equities at beginning of year	 1,123,599,472	 1,041,252,284
Fund equities at end of year	\$1,064,733,012	\$1,123,599,472

2002 Gift Report

2002 Gift by Source

Corporations and Foundations	\$60,224,205	46.0%
Individual Alumni and Friends	42,002,660	32.1%
Bequests	22,972,535	17.5%
Campus Organizations, Friends and Alumni Group Gifts	4,134,139	3.2%
Corporate Matching Gifts	1,610,031	1.2%
TOTAL	\$130,943,570	100.0%

2002 Designation of Gifts

	Number of Gifts	Total
College of Agricultural & Life Sciences	4,607	\$ 6,191,531
Arboretum	426	312,430
Department of Athletics	26,699	9,586,720
School of Business	6,300	10,698,359
Division of Continuing Studies	105	37,056
School of Education	5,070	2,161,807
College of Engineering	6,926	9,072,977
Graduate School	774	3,976,374
School of Human Ecology	1,574	379,848
UW Hospitals and Clinics	2,188	1,696,041
Institute for Environmental Studies	432	363,788
International Studies Program	33	10,269
College of Letters & Science	17,994	15,654,727
Law School	2,307	1,359,826
Library	8,960	1,049,237
Medical School	7,671	47,991,325
Minority Program	1,046	329,528
Memorial Union	795	236,332
School of Nursing	1,577	661,257
School of Pharmacy	1,745	1,240,769
Student Services Unit	676	2,701,470
School of Veterinary Medicine	3,741	2,277,385
Miscellaneous Restricted	3,370	11,349,475
Unrestricted	4,652	708,732
UW-Green Bay	409	896,307
TOTAL	110,077	\$130,943,570

Historical Gift Report

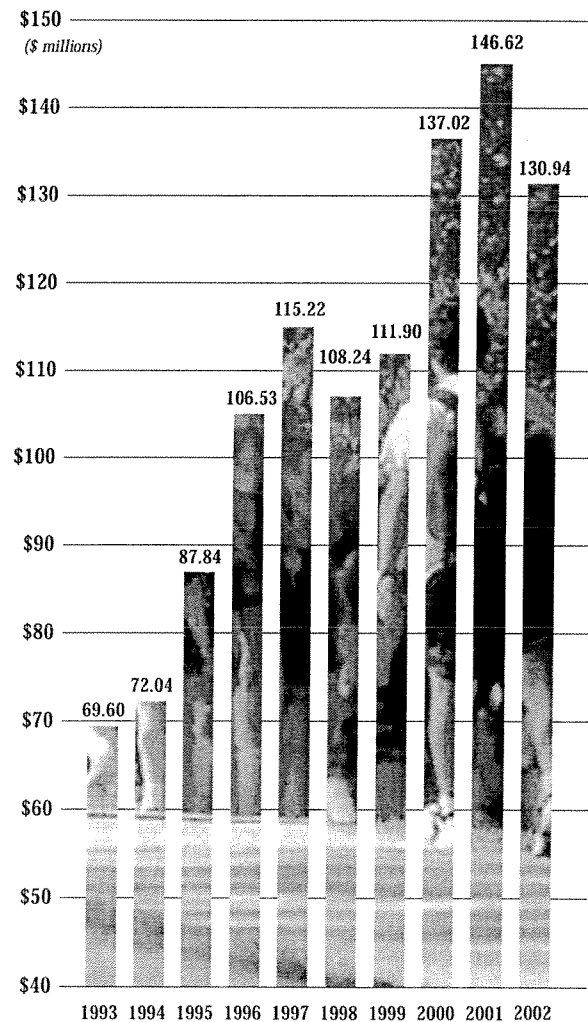
Total Gifts by Year 1945-2002

Year	Total Gifts
1945	\$ 95,378
1946	203,726
1947	277,732
1948	639,815
1949	363,542
1950	168,069
1951	313,862
1952	239,994
1953	173,882
1954	351,587
1955	234,378
1956	301,958
1957	317,207
1958	304,526
1959	515,226
1960	449,610
1961	448,284
1962	572,265
1963	1,233,633
1964	1,157,030
1965	1,297,219
1966	1,336,499
1967	934,646
1968	1,264,857
1969	1,745,026
1970	2,056,138
1971	2,330,404
1972	3,397,461
1973	3,440,969
1974	4,119,169
1975	5,705,695
1976	6,058,298
1977	6,959,410
1978	9,934,040
1979	10,196,098
1980	12,976,888
1981	16,521,529
1982	18,225,273
1983	20,097,153
1984	22,376,830
1985	28,141,975
1986	30,491,012
1987	35,229,223
1988	42,471,375
1989	52,797,210
1990	55,058,731
1991	59,588,859
1992	67,205,834
1993	69,603,286
1994	72,045,515
1995	87,849,468
1996	106,532,842
1997	115,224,440
1998	108,246,679
1999	111,902,746
2000	137,029,236
2001	146,624,593
2002	130,943,570
TOTAL	\$1,616,321,900

UW Foundation Stewardship Report 1945-2002

Total Gifts Received	\$1,616,321,900
Net Income and Gains on Investments	762,832,654
Total Receipts	\$2,379,154,554
Funds Transferred to the University	\$ 1,105,814,270
Expenses	208,607,272
Total Disbursements	\$1,314,421,542
Funds Held for the University	\$1,064,733,012

1993-2002 Total Gifts



2002 Expenses

The University of Wisconsin Foundation staff and board believe strongly that expense management is a top priority in achieving good stewardship. An important part of stewardship for a charitable organization is the ratio of administrative expenses to contributions.

Figures here show the Foundation's administrative expenses and contributions for the past five years. Administrative expenses, excluding investment expenses, are compared to contributions to reflect the cost of raising a dollar. Over the past five years, the UW Foundation's average cost of raising a dollar has been 7.5 percent, well below national averages.

Total administrative expenses include investment expenses incurred by the Foundation's external investment activity. These expenses are paid directly from the individual investment funds.

Total Administrative Expenses

	2002	2001
Salaries	\$6,541,762	\$ 5,540,930
Retirement plan contribution	427,970	495,787
Administrative expense—payroll	15,548	13,214
Brochures and printed matter	632,392	511,353
Computer equipment and software	367,599	350,881
Computer maintenance and supplies	86,451	62,862
Computer programming and processing	128,413	103,962
Consulting expense	17,158	145,595
Contracted services	130,858	120,438
Credit card fees	66,055	66,563
Depreciation expense—building	232,304	203,212
Depreciation expense—furniture and equipment	78,939	78,938
Equipment purchased	74,634	59,569
Insurance for employees	639,144	485,010
Insurance—general	75,346	53,236
Interest expense—building	199,667	203,676
Investment and administrative expenses		
Endowment Fund	4,552,524	3,374,555
Life Estates	388,204	395,704
Short-term investments	577,760	479,343
Mailing expense	101,992	86,060
Meeting expense	141,604	112,129
Miscellaneous expense	1,557	876
Moving expense	26,121	7,473
Postage and express	278,868	295,963
Professional services—accounting	35,645	33,745
Professional services—legal	15,926	2,627
Promotion and premiums	46,681	47,697
Purchased labor	29,863	20,123
Repairs and maintenance	8,262	8,870
Social Security taxes	453,708	385,984
Special events	108,723	105,569
Stationery and office supplies	138,221	118,376
Telephone	115,505	98,542
Travel and subsistence	530,573	426,239
Unemployment compensation	6,858	71
Utilities	97,514	115,016
TOTAL	\$17,370,349	\$14,610,188

	Administrative Expenses (excluding investment expenses)	Total Contributions	Administrative Expenses (excluding investment expenses) as % of Contributions	Total Administrative Expenses
2002	\$11,851,861	\$130,943,570	9.1%	\$17,370,349
2001	10,360,586	146,624,593	7.1%	\$14,610,188
2000	9,110,186	137,029,236	6.6%	14,024,460
1999	8,625,737	111,902,746	7.7%	12,647,580
1998	7,782,207	108,246,679	7.2%	11,012,483
5-year totals	\$47,730,577	\$634,746,824	7.5%	\$69,665,060

Endowment Funds

Endowment funds represent an important source of permanent assets invested to provide current and future revenues to the University of Wisconsin. The UW Foundation staff, with outside consultants, an investment committee and an alternative investment committee, continues to manage the endowment fund investments emphasizing a total return concept.

Investments are made to provide appreciation of principal and realized earnings with an acceptable level of risk. The Foundation allocates income to the endowment funds based on a spending plan rate of 4.75 percent. This rate, reviewed by the Foundation's Board of Directors each year, is multiplied by the average market value of the total endowment fund for the most recent 12 quarters.

Current investment managers include nine domestic equity, two international equity and 32 alternative investment managers. During the last five years, the total endowment fund grew from approximately \$479 million on December 31, 1997 to approximately \$621 million on December 31, 2002.

The charts to the right show the total return figures and asset allocation of the UW Foundation endowment fund on December 31, 2002. The long-term asset allocation target for the UW Foundation endowment funds is 50 percent domestic equities, 10 percent international equities and 40 percent alternative investments.

The endowment fund asset allocation targets have been established to ensure overall portfolio diversification, while providing return necessary to meet the investment objectives. It is important to remember when comparing these figures to other investment results (mutual fund returns, for example) that actual earnings (dividends and interest) are not reinvested in the endowment pool. They are used to supplement the quarterly income allocated to the endowment fund participants.

Performance

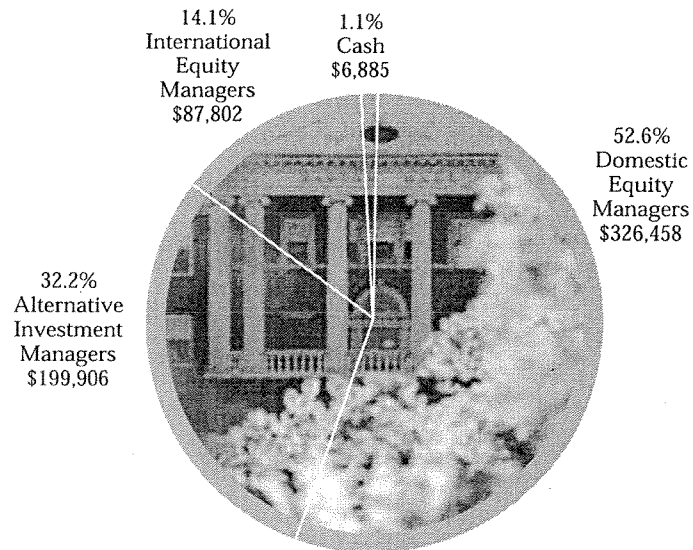
Average Annual Total Returns

3 Year =	-8.4%
5 Years =	1.6%
10 Years =	7.6%
Inception* =	11.9%

*Date of Inception 1/1/84

Asset Allocation as of December 31, 2002

Total Endowment Fund Assets: \$621,051,000



Investment Manager Dollar Amounts Shown in Thousands

Assets Under Management

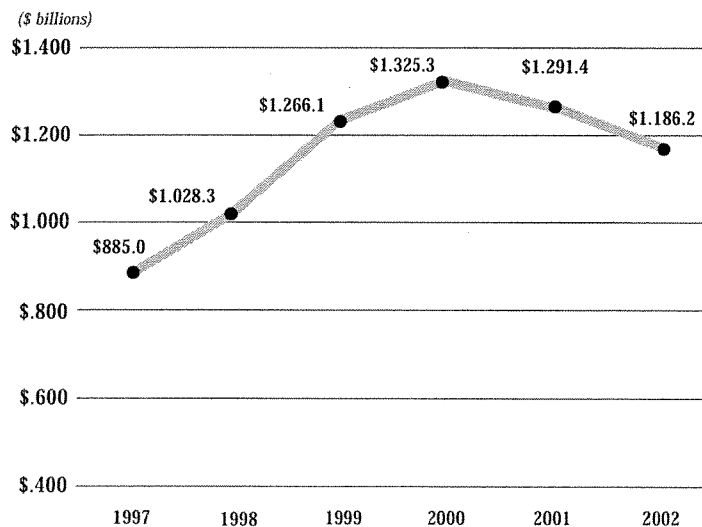
The year 2002 marked the third consecutive year of equity and stock market declines. As a result, the market value of total assets under management declined from more than \$1.2 billion as of December 31, 2001 to approximately \$1.1 billion as of December 31, 2002. Although the decrease can be attributed to the market decline in 2002, the University of Wisconsin Foundation has seen tremendous growth in its assets over the years. The Foundation's assets under management have grown more than 34 percent in the last five years. This increase can be attributed to the generosity of the Foundation's donors and the positive investment returns on assets under management over the long-term.

General and expendable funds are invested with a shorter time horizon and an emphasis on current income. These funds, which account for 39.86 percent of total investable assets, paid the recipients over five percent in income in 2002, while preserving the initial principal investment. The remaining UW Foundation assets consist of the endowment fund investments (54.84 percent) and the life income and life estates investments (5.30 percent).

The UW Foundation uses Jeffrey Slocum & Associates, Lyster Watson Company Investment Advisors and Cambridge Associates, Inc., to assist in the asset allocation decisions, manager selection process and review of investment performances over extended periods of time. They also

assist the Foundation's Investment Committees and staff in establishing investment objectives that are designed to meet the immediate and long-term needs of the UW Foundation. Together, a framework is created to balance the goals of the Foundation: to maximize total return, to provide steady earnings to the University and to minimize risk over a long-term horizon.

Assets Under Management 1997-2002



Deferred Gifts

A deferred gift is, quite simply, a gift commitment that is made today with actual gift proceeds received at some future time. The most common form of deferred gift is a bequest in a will or a trust provision in a revocable trust. This simple form of deferred giving usually accounts for more than 90 percent of all deferred gifts received by the Foundation, but a wide range of other deferred giving opportunities exist.

When planning a deferred gift, donors must first consider their goals. For some, it is simply an opportunity to support the University with a gift to be used for its greatest needs. For most, however, there is a desire to accomplish a more specific purpose and this often results in the creation of a permanent endowment fund.

Endowment funds represent gifts in which the donated principal is held and only annual distributions are used to support the designated University programs.

It is always advantageous for the Foundation to be involved in the planning of such gifts. Foundation staff can assist in identifying the correct legal names of departments and divisions of the University. They also work with the individual giver as well as the University to ensure that the gift can and will be used in a way that will carry out the donor's goals as well as the mission of the University.

In working with individuals, the Foundation also wants to appropriately recognize contributions. This may be through the LEGACY honor club, membership in the Bascom Hill Society or by other means.

The chart on this page details the planned giving results for 2002. The bequests, trusts and insurance

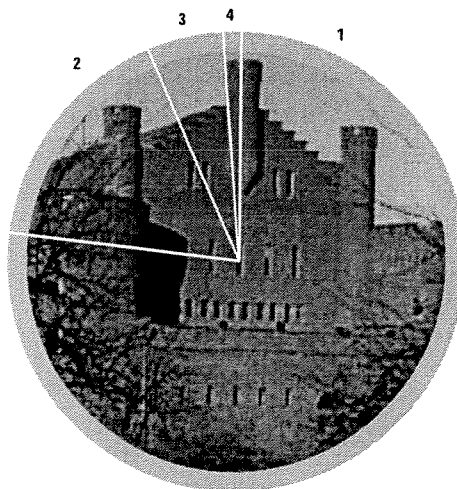
category indicates cash and assets received from individuals who have passed on and left gifts to the Foundation. The other categories all refer to various forms of life income gifts where someone, usually the donor, has made a gift, but continues to receive income.

Foundation employees working in the planned giving office are available to discuss various deferred gift opportunities with individuals and their advisors. Some of these arrangements offer the opportunity to make a gift using highly appreciated assets without recognizing capital gain, maintaining an income interest and getting a charitable deduction for a portion of the current fair market value.

Over the past ten years, the Foundation has received more than \$247 million in deferred gifts. This total includes bequests, gifts from simple trusts, matured insurance policies and contributions to life income gift plans that are managed by the Foundation. The chart on the next page shows the year-by-year total of these gifts. We would note that the extraordinarily high total in 2001 includes a single bequest of \$21.7 million received from the estates of Ira Baldwin and Ineva Reilly Baldwin.

2002 Deferred Gifts

1. Bequests, Trusts & Insurance	\$22,974,535.55
2. Charitable Remainder Trusts	6,890,959.53
3. Gift Annuities	1,195,544.53
4. Pooled Income Funds	20,578.00
Total Deferred Gifts	\$31,081,617.61



Your Estate Plan

When considering a deferred gift that will benefit the University, an individual has a number of choices. The gift may be for a specific item of property, a specific dollar amount through a will or trust, a percentage of the total value of the remaining estate, or even a gift that is contingent and would only be made if specific conditions were met.

Many gifts are intended to benefit some specific area of the University. The office of planned giving can assist donors and their advisors in the process, including providing sample will language to help define the way in which a gift is to be used.

It is important that the gift is directed to the University of Wisconsin Foundation. The University has long preferred that the Foundation receive, receipt, invest and manage all gifts. In addition, the

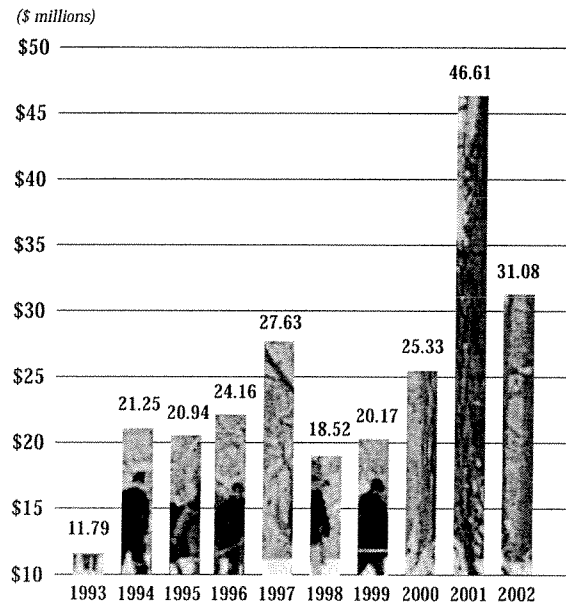
Foundation is committed to carrying out each donor's wishes. The Foundation reviews all requests for expenditures from gift funds to ensure that gifts are used for the purposes intended.

For a general gift to the University, we suggest language along the following lines:

I hereby give, devise and bequeath to the University of Wisconsin Foundation, a nonprofit, non-stock Wisconsin corporation with principal offices in Madison, Wisconsin, _____ percent of the rest, residue and remainder of my estate (or alternately "the sum of \$ _____") for the general benefit of the University of Wisconsin-Madison.

The Foundation can supply sample language for other gift situations that require more specificity.

History of Deferred Gifts 1993-2002



Continuing your Support

Your gift does make a difference! Every gift, whatever its size, is needed and appreciated by the University of Wisconsin-Madison.

The University of Wisconsin Foundation, established in 1945, raises, invests and distributes funds for the benefit of the UW-Madison and other donor-designated units of the UW System. An elected board of directors oversees the assets and activities of this independent, nonprofit, tax-exempt Wisconsin corporation.

The manner by which you choose to make a gift is a matter of personal preference and situation. The Foundation offers a variety of gift options you may wish to explore. Careful planning can maximize the positive effects of outright contributions such as cash, appreciated securities, life insurance policies, real estate and gifts of personal property, as well as deferred gifts such as bequests, testamentary trusts and life income trusts. A member of the UW Foundation staff would be happy to meet with you, at no obligation, to answer your questions about charitable contributions.

In addition to Foundation assistance, we recommend that you consult with your attorney or accountant for the legal and tax implications of any gift you make to charity.

For those contributors whose level of support represents a special commitment to the University, the Foundation provides recognition through its annual giving honor clubs. For exceptional support, the Foundation recognizes donors through the Bascom Hill Society. The basic eligibility for membership in the Society is a total of \$25,000 in gifts or irrevocable deferred gifts, paid over any time period. The Foundation's LEGACY honor club recognizes those donors who have made a deferred gift to benefit the University.

Another important expression of alumni support for the University is membership in the Wisconsin Alumni Association. Membership dues in WAA, entirely separate from contributions to the Foundation, cover the cost of alumni club activities, special events and projects. To complement your gift support of the University, the UW Foundation encourages your participation in other organizations that advance the mission of the University of Wisconsin.

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