# The University Senate Of Michigan Technological University

Minutes of Meeting 366

27 February 2002

**Synopsis:** The Senate

(1) heard that the administration approved Proposals 15-02, Procedures for a Financial Crisis; 17-02, Late Course Add Policy; 18-02, Amendments to Proposal 27-95, Academic Integrity Policy; and 19-02, 2002-2003 Academic Calendar.

(2) heard on a report on MTEPS.

(3) heard a report on advancement and marketing activities.

(4) heard a report on the investment of university reserves.

(5) elected Mike Roggemann to the Inquiry Committee.

(6) approved Proposal 13-02, Enterprise Minor.

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**1. CALL TO ORDER AND ROLL CALL**
President Bob Keen called University Senate Meeting 366 to order at 5:34 p.m. on Wednesday, 27 February 2002, in Room B45 EERC.

Secretary Craig Waddell called roll. Absent were At-large Senator Don Beck and representatives from Chemistry, Electrical and Computer Engineering, Fine Arts, Mining and Materials Processing Engineering, Physics, Keweenaw Research Center, Academic Services-Engineering, and Student Affairs and Educational Opportunity. Liaison in attendance was Becky Christianson (Staff Council).

**2. RECOGNITION OF VISITORS**
Visitors included Provost Kent Wray, Jay Meldrum (Director, Keweenaw Research Center), Fred Hensley (Vice President for Advancement), Gail Mroz, (Director of Finance and Operations), Marcia Goodrich (*Tech Topics*), Emily Fossum (*Michigan Tech Lode*), David Stone (Electrical and Computer Engineering), and the following MTU students: Toby McCalister, Steve Black, Jon Verville, Alan Karna, Brent Schermerhorn, and Michael Brzozkowski

**3. APPROVAL OF AGENDA**
Keen presented the agenda and proposed inserting a new item A: a report from the Senate Representative to MTEPS, Kelly Strong. Keen proposed that the other items on the agenda be re-lettered appropriately.

Keen asked for other proposed adjustments to the agenda. There were none. Keen asked if there were any objections to the agenda as modified. There were none. [**Appendix A**. NOTE: Only official senate and library archival copies of the minutes will contain a full complement of appendices.]

**4. APPROVAL OF MINUTES FROM MEETING 364**
Keen presented the minutes from meeting 364 and asked for corrections. There were none. The minutes were declared approved.

**5. PRESIDENT'S REPORT**
Keen reported that the senate had forwarded to Provost Wray and President Tompkins three proposals

approved by the senate: 17-02, Late Course Add Policy; Proposal 18-02, Amendments to Proposal 27-95, Academic Integrity Policy; and Proposal 19-02, 2002-2003 Academic Calendar. **[Appendices B-D]**

Keen said that the senate had received administrative approval of these three proposals as well as of Proposal 15-02, Procedures for a Financial Crisis. **[Appendices E-H]**

Keen reported that the Senate Executive Committee met on February 11 and reviewed the activities of senate committees for the remainder of the year and discussed the proposal on consensual relationships.

Keen said that Senator Bruce Barna will serve on the Benefits Liaison Group as the co-chair of the Senate Finance Committee.

Proposal 16-02, Procedures for Financial Stress, is being modified. The provost will send the proposal to the university's attorney for review. The proposal will then return to the senate.

The search procedures for deans and officers that the senate passed last spring are being reviewed and will be sent to the university's attorney for legal review.

The search procedure for university president that was passed by the senate last spring will go to the university's attorney and to the Board of Control for their review.

Keen said that the proposal on consensual relationships turned out to be more complex than it first appeared. Many people will be affected by this proposal; hence, the senate will organize a meeting of representatives from the Provost's Office, Human Resources, the Affirmative Action Office, graduate students, undergraduate students, and Student Affairs.

**6. COMMITTEE BUSINESS/REPORTS**
**A. Report on Recent Activities Involving MTEPS**
Faculty MTEPS Representative Kelly Strong said that he would present what he knew. He would not defend or criticize anyone involved.

Strong said that the Michigan Tech Enterprise SmartZone (MTEPS) agreement defines the properties in the cities of Houghton and Hancock that qualify for tax capture from the state. The Board of Control approved this agreement at its 14 December 2001 meeting. The MTEPS agreement sets forth obligations and organizations that have to be created. One of these organizations is the Michigan Tech Enterprise Corporation (MTEC), a not-for-profit organization that serves as the operating arm of the overall effort. MTEC has representatives from the Keweenaw Industrial Council, the City of Houghton, the City of Hancock, Michigan Tech, and at-large representatives. MTEC has not yet been formed; its by-laws are currently being drafted.

After being approved by the Board of Control, the MTEPS agreement went to the state where it was modified. Consequently a final agreement has not yet been signed.

MTEC is the operating group for the agreement. It has no money; however, it will have employees. Money to pay these employees comes from the Local District Financing Authority (LDFA). The LDFA consists only of the cities of Houghton and Hancock. The LDFA receives two types of funds from the state: (1) grant money ($2 million) to purchase a building--this is no longer a loan; and (2) tax recapture--some of the taxes that the state collects within the city limits will be returned to the cities to spur business development. The LDFA also has a third source of revenue: rent from the business incubator building.

There needs to be an agreement or contract between the LDFA and MTEC as to how much the LDFA will give MTEC to pay MTEC employees.

The LDFA will own the business incubator building. To qualify for the state grant, the LDFA must purchase a building that has space available for new businesses. Currently, the target property for this incubator is the Republic Bank Building (formerly the D&N Building) in Hancock. It costs about $300,000 per year to operate that building. The building is currently about half leased; the other half is available for use as a business incubator. This means that there is some operating risk: someone must pay to operate the building until it is filled with new businesses. Michigan Tech did not want to assume that risk; neither did the cities of Houghton and Hancock. JBH Realty, a company owned by Michigan Tech Board of Control Vice Chair J. Bronce Henderson, proposed signing a master lease for the building. JBH Realty would lease the entire building from the LDFA and then sublease to the current tenants and to any new tenants. In return for taking this risk, JBH Realty had the option of buying the building from the LDFA in 16 years for a relatively modest price.

Bronce Henderson has or had three privately held companies. One of these companies, Detroit Center Tool (DCT), has recently been forced into involuntary bankruptcy. Some of DCT's assets and contracts were sold to Utica Enterprises. The remaining assets are locked under involuntary bankruptcy, which means that Henderson didn't voluntarily file for bankruptcy; one or more of his creditors forced him into it. The creditors froze his assets; hence, he couldn't make certain payments.

Henderson also owns JBH Realty, which was going to master-lease the MTEPS business incubator. JBH leases buildings to DCT; hence, JBH is a creditor to DCT, but the same person owns both companies. It's not clear what would happen if Utica were to pick up the leases and send rent to JBH Realty while DCT is in bankruptcy.

Henderson has recently formed a third company called HanTech LLC, a limited liability corporation, which is slightly different than a sole proprietorship. This company is based in Hancock and is not a DCT spin-off. It employs some former DCT employees and provides software and design services. It is not a hard-asset company like DCT was. HanTech is currently a tenant in the Republic Bank Building.

Since JBH is encumbered, Henderson has proposed to the LDFA creating another real-estate-holding company called HF Partners LLC, which would become the master lessee of the Republic Bank Building. The LDFA is reviewing its options.

Strong asked Provost Wray if he would like to add anything.

Wray said that Michigan Tech has no commitment to underwrite MTEPS. The university has no financial obligation to MTEPS and will have no financial obligation to MTEPS. The only contribution Michigan Tech has to MTEPS is the Michigan Tech name, which the university has the right to withdraw at any time if MTEPS is not headed in the right direction. Wray said that Strong's summary had captured all of the information available to the administration. Because of the way the DCT Chapter 7 event happened, even Bronce Henderson may not have known that it was going to happen when it did. Wray asked if he could answer any questions.

Senator Dana Johnson said that DCT had a loan with Comerica, and Comerica's policy required that companies that have significant loans with them have a yearly financial audit. Typically, such an audit includes a management review. As a result of this, the company should have received a letter from the auditors within the past few years indicating DCT's plight and the plight of the automotive industry. Comerica deals primarily with automotive suppliers. Hence, it's surprising that this bankruptcy would be unexpected.

Wray said that he couldn't really comment on that.

Strong asked if there were other questions.

Senator Carl Vilmann asked if the realty company would control the business incubator.

Strong said that they would manage the incubator.

Vilmann asked if the LDFA would have any control over what companies would be tenants in the incubator.

Strong said that the master-lease agreement specifies that tenants have to be high-tech, their rents cannot be subsidized, and that there is a range of rents that the realty company can charge. These are consistent with the requirements of the Michigan Economic Development Corporation (MEDC), the state entity that supervises the establishment of MTEPS. Strong asked Keweenaw Research Center Director Jay Meldrum if he had anything to add.

Meldrum said that the LDFA will not be responsible for running MTEPS. In addition to providing funds for the purchase of the business incubator, the $2 million grant from the state will include operating money for a staff, including a director of MTEC, whose job will be to recruit incubator companies.

Vilmann asked whom the director would work for.

Meldrum said that the director would be paid by the LDFA.

Strong said that the organization sounds complicated, but that it is not comparable to Michigan Tech Ventures because the money people (the LDFA) and the people who hire and administer the business incubator (MTEC) are separated.

Vilmann said that the restrictions on the lease agreement could be hard to enforce. For example, what counts as "high-tech?"

Strong said that all of the SmartZones in Michigan are operating under the same high-tech charge. He said that he didn't know whether the state had a standard definition of "high-tech," but that there are some standard definitions of this phrase.

**B. Advancement and Marketing Report**

Keen introduced Senior Vice President for Advancement and Marketing Fred Hensley and Director of Finance and Operations (Michigan Tech Fund) Gail Mroz.

Hensley said that he would first present an overview of the Division of Advancement and Marketing and then discuss the Tech Fund.

With administrative reorganization at Michigan Tech in the last few years, the current elements of the Division of Advancement and Marketing are Alumni Relations, Corporate Relations (which includes only the areas related to corporate fund-raising), International Advancement, the Michigan Tech Fund, and University Relations.

Hensley read the second sentence of the mission statement of the Michigan Tech Fund: "Existing solely for the benefit of Michigan Technological University and its students, the Michigan Tech Fund was created to promote, receive, invest, and disburse gifts for educational goals and needs." Hensley said that the Tech Fund has no reason to exist for its own benefit. It exists solely to support the activities of the university.

The Leaders for Innovation Campaign originally had a five-year time line, beginning on July 1, 1997 and closing on June 30, 2003. The campaign had five objectives: faculty enrichment, with a target of $30 million; student enrichment, with a target of $35 million; innovation and technology, with a target of $35 million; facility renovation and integration, with a target of $20 million; and university enrichment, with a target of $20 million. Hence, the overall goal of the campaign was $140 million. The original goal was $100 million, which was increased to $140 million about a year and a half ago when it appeared that the campaign would be able to exceed its original goal.

At their October 2001 meeting, the Michigan Tech Fund Board of Trustees voted to close the Leaders for Innovation Campaign one year early. Hence, the campaign will now close on June 30, 2002. This decision was made because (1) the campaign's revised goal was about to be exceeded; and (2) Michigan Tech has other needs that are not addressed by the five objectives of the Leaders for Innovation Campaign; hence, closing the campaign early will allow the Tech Fund to better address some of those needs.

The $140 million revised goal was exceeded on December 28, 2001. In advance of the June 30, 2002 deadline, the Tech Fund will continue to focus on major gift solicitations and wrapping up the gift proposals that are currently outstanding.

Hensley referred the senate to a series of seven overhead projections of charts compiled by Director of Finance and Operations Gail Mroz. As of December 31, 2001, the campaign had received gifts and pledges totaling $141,013,580. This total breaks down as follows:

Cash Gifts: $60,508,208

Gifts-in-Kind: $24,910,374

(this includes a software gift of $18,637,703 from GeoQuest)

Pledges Receivable: $17,839,519

Planned Gifts: $37,755,479

Hensley said that the above distribution fits the formula for most university capital-campaign structures.

Hensley's second overhead presented the following distribution of the $60,508,208 in cash gifts:

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School of Business and Economics:       $2,198.514
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College of Engineering: $20,729,893
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School of Forestry and Wood Products:   $1,112,279
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College of Sciences and Arts:   $1,157,200
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School of Technology:   $177,320
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Buildings:      $17,651,612
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*Other: $17,481,390
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(*this includes scholarships)

Hensley's third overhead showed the distribution of the $141,013,580 total with respect to the fund-raising goals for each of the campaign's five objectives:

| Objective | Goal | Actual | % |
|---|---|---|---|
| Faculty | | | |
| Enrichment | $30,000,000 | $15,015,318 | 50% |
| Campus | | | |
| Enrichment | $20,000,000 | $20,610,063 | 103% |
| Student | | | |
| Enrichment | $35,000,000 | $39,292,450 | 112% |
| Innovation | $35,000,000 | $34,454,935 | 98% |
| Facilities | $20,000,000 | $31,640,814 | 158% |

The fact that faculty enrichment is 50 percent behind the campaign's goals is one reason why the Tech Fund Board of Trustees decided to close the campaign early and focus on areas such as faculty enrichment, including endowed professorships and endowed chairs.

Hensley's fourth overhead indicated that the dollar amount of donor-sponsored demand and endowed scholarships awarded has grown from over $500,000 in 1995-96 to almost $2 million 2001-2002.

Hensley's fifth overhead was a bar graph showing cash distributed to Michigan Tech from Tech Fund accounts between 1994-1995 and 2001-2002.

Hensley's sixth overhead was a bar graph showing the market value of the Tech Fund for each fiscal year from 1990 through 2002. This graph indicated that the market value of the Tech Fund peaked in 2000 and has declined since then because of the decline in the market. The current value of the endowment is $40-

42 million. Hensley pointed out that the endowment pledges receivable as of December 31, 2001 were about $4.7 million, and the endowment planned gifts were about $31.8 million. These are dollars promised to the endowment when those pledges and planned gifts mature. Hence, about $36.5 million are waiting to mature or waiting to be paid by the person who has pledged the gift.

The seventh overhead was a bar graph of the Tech Fund's giving history between 1994-1995 and 2001-2002. During the 1996-1997 academic year, giving totaled $5.3 million. Giving peaked at $47.7 million during the 1998-1999 academic year at the height of the Leaders for Innovation Campaign. During the 2000-2001 academic year, giving totaled $32.9.

Hensley said that he expected giving during the 2001-2002 academic year to total about $10-12 million. Hence, the long-term effect of the Leaders for Innovation Campaign may be not only to fund some of Michigan Tech's immediate needs, but also to increase annual giving from $5-7 million to $10-12 million. This is a result of more people becoming familiar with and in the habit of supporting Michigan Tech. The next campaign should have a similar effect.

Hensley said that over the next few months, the Division of Advancement and Marketing will be trying to maximize the success of the Leaders for Innovation Campaign by closing the gifts that are currently being discussed with prospective donors. Advancement and Marketing will also begin the transition into a mini-campaign phase. Hensley has a list of 40-50 potential mini-campaigns, ranging from $15-20,000 to $50-52 million campaigns, which need to be prioritized.

Advancement and Marketing will also review the Leaders for Innovation Campaign to see what worked well and what did not work well and begin planning for the next major campaign, which will be a campaign for the endowment and will address many of the needs for faculty enrichment. One of the goals will be to build the endowment to protect the financial security of Michigan Tech. An endowment of $40-42 million is low for an institution like Michigan Tech. Donors and alumni Hensley has spoken with over the past few months recognize this and are committed to helping in this area.

Hensley said that over the next few months and into the next year, Advancement and Marketing will be examining ways in which to creatively integrate alumni into the life of Michigan Tech. The alumni want to know more about what's going on at Michigan Tech. Advancement and Marketing will try to develop alumni chapters in various geographic areas, especially in the Southeast, and to organize substantive alumni events.

Hensley said that Michigan Tech needs to create a vision in which people want to invest, and we need to find ways to bring Michigan Tech to our alumni rather than wait for them to come back to us. We need to establish greater name recognition for Michigan Tech and bring added brand equity to a Michigan Tech degree. Alumni feel that their degrees are valuable, but they are not sure that other people value their degrees as much as they do.

Hensley asked if there were any questions.

Senator Bill Gregg asked to see the third overhead, which showed the distribution of the $141,013,580 total with respect to the fund-raising goals for each of the campaign's five objectives. He asked which category gifts-in-kind were assigned to.

Mroz said that they went into the Innovation category.

Gregg said that many donors had preferred to give to student enrichment and suggested that Advancement and Marketing continue to solicit funds in this area. He said that tuition-giveback burdens the general fund. If tuition-giveback could be moved out of the general fund to the endowment, general fund monies could then be used for other purposes.

Hensley said that most donors don't want to give in order to have their funds replace university money; they want to give in order to enhance an effort.

Provost Wray said that prior to the Leaders for Innovation Campaign, both Michigan's Tech's endowment and the annual rate of giving to Michigan Tech were modest. The university allocated a significant sum of the general fund monies to support financial aid in the form of scholarships and grants. This has reduced tuition by about 30 percent. This tuition rebate or tuition discount is larger than that offered by most other universities in Michigan or by most other universities of Michigan Tech's size.

Wray said that in working to balance Michigan Tech's budget, he had asked the Office of Financial Aid to reduce the amount of general fund money used to support grants and scholarships by $500,000. At that time, Wray was told that due to the increase in endowments inspired by the Leaders for Innovation Campaign, this amount could be replaced from earnings from the endowment. If Michigan Tech continues along this course, within about three years, our tuition discount rate should be comparable to the rates of most other universities in Michigan.

Hensley said that over the next few years, endowed chairs, endowed professorships, and endowed scholarships will be top priorities.

Strong said that the Leaders for Innovation Campaign has exceeded goals on buildings. Hence, we have built a lot of buildings in the past five years. It takes a lot of money to operate those buildings, and that operating money is not coming from endowments, but from the general fund. We have also increased student scholarships, which, hopefully, will help to attract more students. If we have more students and more buildings to teach them in, at some point, we're going to have to hire more faculty. Full-time equivalent faculty lines have not grown in four years at Michigan Tech. The money that's going into buildings is not available to hire faculty.

Senator Bruce Barna said that he was trying to follow the endowment growth trail. In 1996, the endowment was about $26 million; it's currently about $40 million. The Leaders for Innovation Campaign raised about $60 million in cash, which was not invested in the endowment.

Hensley said that this was correct.

Barna asked if this $60 million had been spent immediately.

Mroz said that most of it had been spent immediately, including demand money that went to departmental accounts and $17 million that went to buildings. Mroz said that about three years ago, Michigan Tech increased its endowment in cash by only about $6 million; two years ago, Tech increased its endowment in cash by only about $2 million; and last year, Tech increased its endowment in cash by only about $1 million. Hence, most of the money raised by the Leaders for Innovation Campaign went into either the demand accounts or the holding accounts, which means money-in, money-out. That's why the next capital campaign will focus on the endowment.

Barna said that if Michigan Tech had $40 million in demand accounts, it should show up dramatically somewhere on campus in goods or services.

Mroz looked through her materials for numbers on demand accounts, but was unable to find them.

Hensley said that not all of the growth in the endowment was from new gifts; some was investment growth.

Barna said that if the endowment started with $20 million in 1996, it should have grown to $40 million in investment growth alone.

Mroz said that some of the investment growth is expended on scholarships, including $2 million in one recent year. Mroz said that the endowment currently has about $42 million under investment.

Hensley said that the Michigan Tech Fund has total assets of about $80 million.

Mroz said that in addition to the $42 million endowment, this $80 million total includes all of the money that the Tech Fund holds on behalf of the university, including about $30 million in demand accounts, holding accounts, and pledges. She said that very little has come in to grow the endowment.

Waddell asked if the amounts identified in the overheads were for donations pledged or for donations received.

Mroz said that they represented a mixture of both. The Leaders for Innovation Campaign has raised $141 million. Of this, $60 million is in cash; $37 million is in planned gifts, which are receivables; $17-18 million in receivables, which are actual pledges; and then gifts-in-kind.

Waddell asked if this meant that $17-18 million that has been pledged has not been received.

Mroz said that this was correct.

Hensley said the Leaders for Innovation Campaign allowed a five-year pay-out; hence, it could take five years before pledges are completely paid.

Senator Tom Swaner noted that Hensley had said that a $42-million endowment is small for a university like Michigan Tech. He asked what a benchmark would be.

Mroz said that Michigan Tech's endowment is about $6,000 per student. The average for our benchmark universities is about $30,000 per student.

Gregg asked what Michigan Tech's alumni giving rate was.

Hensley said that it was about 21 percent, which is the highest in Michigan.

Gregg said that Harvard's rate is 65 percent.

Mroz said it would be good if 50 percent of Tech's alumni gave.

Hensley said that the national average for a public university is about 15 percent.

In response to Barna's earlier question about the $40 million in demand accounts, Strong said that according to one of the overheads presented, $25 million of that amount went to departments, and $17.5 went to buildings.

Senator Scott Pollins asked what marketing efforts the Division of Advancement and Marketing was making to attract potential undergraduate students.

Hensley said that the goal of the Division of Advancement and Marketing was to market the entire university, not just enrollment management. However, the Division of Advancement and Marketing will try to assist the Office of Enrolment Management. Director of Enrollment Management Gary Neumann believes that the greatest need in recruiting undergraduate students is name-awareness and creating a presence of Michigan Tech down-state and in the Chicago and Minneapolis areas. Currently, recruiters in these areas must first explain what Michigan Tech is before they can explain what Michigan Tech offers. We need image enhancement and name recognition.

Senator Dana Johnson asked what role alumni might play in student recruitment.

Hensley said that alumni want to help with recruitment, but they need to be trained how to do it effectively.

Gregg said that *U.S. News and World Report* is becoming the major university ranking system. Academic reputation is their number-one criterion in ranking. The next criteria are student financial support and percent of alumni giving. These three factors are interrelated. If we can improve these, we will also improve Michigan Tech's visibility by improving our ranking.

Hensley said that people either respect Michigan Tech or don't know about it. Hence, Michigan Tech's academic reputation ranking is a function of lack of knowledge, not negative impressions.

Keen asked if there were any more questions. There were none.

**C. Investment of University Reserves**
Senator Jim Pickens, a member of the Investments and Financial Management Committee, said that this report was motivated by concerns several people have expressed about the stock investment of the Retirement and Insurance (R&I) Fund. The report will explain what those investments have done for Michigan Tech and what the risks are.

Pickens said that the R&I Fund is one of eight or nine funds, including the general fund, that Michigan Tech maintains. The R&I Fund pays certain expenses and holds money for certain reserve requirements. The R&I Fund holds the fringe-benefit budget each year; this was about $23 million last year. That money is not invested in stocks by the Investments and Financial Management Committee, which has been investing the R&I reserve funds. The R&I reserve funds stock investments, about $7 million, are reserves that are required for a variety of things, such as accrued vacation time ($2.5 million) and health and liability claims ($3.5 million).

Until 1994, this money was held in Michigan Tech's bank account, collecting 0 percent interest and incurring 0 risk. Bill McGarry thought that this money should be invested since the money consists of reserves that will never be spent. On June 30 of each year, Michigan Tech must satisfy the reserve requirement. If the university is deficient, money would have to be transferred to the reserve, most likely from the general fund, to compensate for the difference. The fact that the money will never be spent argues for aggressive investment. However, the fact that Tech must satisfy the reserve requirement each year argues for conservative investment.

The R&I reserve funds are used for a variety of purposes, including accounts payable and TIAA-CREF. This doesn't mean that Michigan Tech doesn't pay TIAA-CREF when employees are paid; it means that Michigan Tech has to set aside a certain amount. For example, last year, the last workday in June was payday, so the TIAA-CREF amount for that pay check went in on that day. However, employees had earned five more days of salary by that point, and the TIAA-CREF on those five days was set aside in this account.

Health and liability claims are a significant part of the R&I reserve fund. They include money that Michigan Tech has been told it owes but hasn't paid yet, expenses that haven't been billed but which the university knows will be billed, and workers compensation.

Pickens said that senate involvement in investing R&I reserve funds began in 1992 when then-Senate-President Terry Sharik asked Pickens to serve on a newly formed Investments and Financial Management Committee, an administrative committee formed by McGarry to advise him on investing these funds and on banking and auditing arrangements. Other senate constituents, including Jim Gale and Dean Johnson, also serve on that committee.

Pickens said that the R&I funds were invested with the advice of the Michigan Tech Fund's investment advisor, the Ellwood agency of Chicago. When the Tech Fund terminated its relationship with Ellwood last year, the Investments and Financial Management Committee decided to move to indexed funds rather than try to beat the market. About 70 percent of the R&I reserve funds are now invested in an S&P 500 index fund; the remaining 30 percent of the funds are invested in a Wilshire 4500 index fund. Both funds are managed by the Vanguard Group. This mix approximates the entire US equity market.

Pickens said that the R&I fund liabilities were about $7 million in May of 1994. That money was invested, and the fund lost some money in the short-term bond market. The fund then made money in the stock market through the rest of the 1990s.

Pickens said that between 1996-1998, while he was not in the senate and, hence, inactive on the Investments and Financial Management Committee, about $3.9 million in excess of the fund's income was transferred out of the R&I fund to the general fund. Despite these transfers, the fund did not dip below the reserve requirement. The general fund is now suffering, but it would be in even worse condition if it had not been for the $3.9 million transferred from the R&I fund.

Recently, the fund has lost money on stocks. However, on February 1, 2002, the R&I Fund liabilities were $7,555,000, and the fund's investments were worth $7,989,000. Current practice is to maintain a 20 percent surplus in the investments before any reserves are removed. This is to protect the general fund from having to make up any deficit below liabilities on June 30 if the investments' value drops. At the next Board of Control meeting, if time allows, the Investments and Financial Management Committee will ask the Board of Control to make this practice BOC policy.

Pickens asked if there were any questions or comments.

Gregg asked if the current balance of the R&I reserve funds was 70 percent invested in an S&P 500 index fund and 30 percent invested in a Wilshire 4500 index fund.

Pickens said that this was correct, but that the exact balance changes with the values of the two funds.

Gregg asked when this change had occurred.

Pickens said that it had occurred during the summer of 2001, when the Investments and Financial Management Committee got tired of paying management fees and under-performing the market. Index funds still have market risk, but they avoid individual stock risks.

Strong asked if the entire fund was invested in equities.

Pickens said that it currently was, but that he hoped to move 20 percent to short-term bonds.

Keen asked if there were any other questions. There were none.

**D. University Committee Elections**
Keen said that the University Inquiry Committee, which consists of three members and one alternate, considers matters of scientific misconduct. The current members are Patrick Joyce, Marvin McKimpson, and Charles Kerfoot, whose term expired in August. Nominees to replace Kerfoot are Vernon Dorweiler (School of Business and Economics), Rosalie Kern (Education), and Mike Roggemann (Electrical and Computer Engineering).

Keen opened the floor for additional nominations. There were none. There were no objections to closing the nominations. Mike Roggemann was elected to a three-year term.

**7. UNFINISHED BUSINESS**
**Proposal 13-02, Enterprise Minor [See minutes, page 9455, for a copy of this proposal.]**
Keen said that the Curricular Policy Committee had delivered a positive report on Proposal 13-02 in December. The Finance Committee has now reported without objection to the proposal. Keen asked for a motion to approve.

Gregg MOVED and Oberto seconded the motion to approve Proposal 13-02.

Johnson asked that several new courses be added to the proposal including UN 4500 Seminar on Technological Entrepreneurship.

Keen said that these could be added as an editorial correction. He asked if there were any objections to this suggestion. There were none. Keen said that the floor was open for debate.

Barna said that the Senate Finance Committee had requested that the Dean of the College of Engineering address the issue of workload. This issue is addressed to some extent on page 4 of the addendum **[Appendix I]** to Proposal 13-02, which was circulated with the senate's agenda: "consideration of faculty resources suggests that more faculty effort will be required as the number of enterprises increases and that this will lead to an upper limit in the number of enterprises the faculty will support." The enterprise minor is labor intensive. If it grows to replace the normal design effort, it would require a significant increase in faculty.

The Finance Committee also requested regular reporting to the senate. The last sentence in section 3 of the addendum to Proposal 13-02 begins to address this issue: "We would be more than interested in having the University Senate also review the Business Plan on a similar schedule to that of the Advisory Boards."

Keen said that the senate could indicate in the memo of transmittal that this request needs further consideration.

Barna said that he had one last concern and that he had hoped that the Dean of the College of Engineering would be represented at this meeting.

Associate Professor David Stone (Electrical and Computer Engineering) said that he was representing the dean, since Associate Dean Mark Plichta was out of town.

Barna said that it has recently come to the Senate Finance Committee's attention that the dean's office is charging space to the enterprises at about $10,000 per enterprise per year. With 15 enterprises, that could be as much as $150,000 per year in space rental. Since the dean's office doesn't purchase space, the committee wondered where this rental money goes.

Stone said that he has been with the program from the outset and advises the largest enterprise and has never heard of rental fees. The student fees go into the dean's budget. That money goes into computers and office equipment, not space.

Barna asked if of the $35,000 per year per enterprise paid by industrial sponsors, the enterprises were assessed a $10,000 fee by the dean's office.

Stone said that the funding is variable. He has not received a $35,000 per year sponsorship from industry. All of the enterprises are always in fund-raising mode. The agreement is that if an enterprise is fully funded with $35,000 per year from an industrial sponsor, the individual enterprise will receive 66 percent ($23,100), and the dean's office will receive 34 percent ($11,900). A table of expenses is included on page 1 of the addendum to

Proposal 13-02. This includes staff salaries, such as for Mary Raber.

Barna asked if this was included in the $199,000 enterprise operating expenses listed on page 1 of the addendum to Proposal 13-02.

Stone said that he didn't prepare the addendum and could not answer that question. He said that operating expenses should include costs of equipment and expendables.

Gregg asked where the space fee appeared in the table.

Barna said that it apparently is not a space fee, but a 34 percent charge to the dean's office.

Stone said that every enterprise finds space either within its own department or in shared facilities in the Minerals and Materials Building.

Gregg asked where the 34 percent was mentioned in the addendum.

Stone said that it is not mentioned in the addendum, that this it is just his understanding of how the enterprise program works.

Gregg asked if this would be included under the category Lab Fees.

Stone said that the lab fees would be from the students.

Barna said that this money doesn't show up in the addendum and that is one of the things that the Senate Finance Committee was surprised about.

Gregg asked if this was a transfer from the industrial partner's account to the dean's office.

Senator Tony Rogers said that for each sponsored enterprise, there is a $10,000 fee off the top that goes to the dean's office. The rest of the funds are available for the enterprises to spend on their work.

Barna said that he was wrong to call this a space fee; it's a 34 percent assessment.

Stone agreed and said it could be considered overhead. The dean's share supports the overall enterprise program; the individual enterprise's share goes directly into the student laboratories. Space is provided by the departments.

Barna asked if the dean's office accounts for the overhead charge to the enterprise program.

Stone said that if too much money accumulated in the dean's office, the various enterprises would move to reallocate it.

Barna asked if the money was being spent or was accumulating.

Stone said that it was being spent.

Barna said that defining this money as overhead meant that it didn't have to be accounted for.

Stone said that if "overhead" was the improper word, he would withdraw it.

Barna said that it must be either space or overhead. In either case, it becomes discretionary dean's money.

Stone said that the space in the Minerals and Materials Building is shared use, including office space, computers, system administration support, and machine shop support.

Barna asked if anyone was paying for this.

Stone said that money is spent there.

Barna asked if this was on renovation and capital purchases.

Stone said that he hadn't said anything about capital purchases.

Vilmann asked if there was at least one machine that is assigned to work with enterprise students as they build things and if money for that machine gets paid out of the dean's assessment.

Stone said that he wasn't sure.

Rogers said that his enterprise students in consumer product manufacturing, a Kimberly Clark sponsored enterprise, have had questions about this $10,000. The machine shop, for example, is not relevant to what these students are doing. Each enterprise seems to be assessed the same amount rather than being charged according to the expenses each incurs.

Stone said that these issues could be addressed.

Referring to page 1 of the addendum to Proposal 13-02, Senator Larry Sutter asked what the $20,000 Instructional Module Delivery expense was for.

Stone said that that is for faculty compensation.

Sutter asked if this included fringe benefits.

Stone said that he didn't know if module delivery had fringe benefits attached to it.

Keen asked if there were any further questions. There were none. The motion to approve PASSED on a voice vote by the academic departments with no dissent.

**8. ADJOURNMENT**

Pollins MOVED and Johnson seconded the motion to adjourn. The meeting adjourned at 7:12 p.m.

Respectfully submitted by Craig Waddell
Secretary of the University Senate