



JOHN J. MACCO

STATE REPRESENTATIVE • 88TH ASSEMBLY DISTRICT

To: Assembly Committee on Colleges and Universities

From: Representative John Macco

Date: Wednesday, December 8th 2021

Chairman Murphy and Committee Members,

Thank you for holding a hearing on Assembly Bill 568, authored by Sen. Duey Stroebel and myself, relating to investment of certain University of Wisconsin System revenues.

Under current Wisconsin law, the UW System Board of Regents can only invest the revenues from gifts, grants and donations using three different options: directly employing a financial manager, selecting a private firm through a bidding process, or utilizing the State of Wisconsin Investment Board (SWIB). Historically, the Board of Regents have opted to utilize SWIB to manage their investment funds which has been successful in generating additional interest on the revenues. According to the UW System Office of Trust Funds, as of December 31st, 2018, the total assets were approximately \$561 million.

SWIB consistently delivers outstanding results and has proven they are a trusted entity which is capable of investing money in fiscally responsible ways. Managing \$144 billion in assets across the state, SWIB is responsible for the Wisconsin Retirement System (WRS) which is among the 10 largest public pension funds in the U.S.. In the last five years, SWIB's work has resulted in the WRS trust funds adding an additional \$1.9 billion of value above their benchmark returns. These are results that SWIB can deliver across the board.

Under AB 568, the UW System Board of Regents will be granted additional authority to invest otherwise idle cash accounts into SWIB which will accrue additional interest and be productive assets for our UW System. These will be made in low-risk, intermediate-term investments and follow previously set rules for investments.

Thank you for your consideration of AB 568.



DUEY STROEBEL

STATE SENATOR • 20TH DISTRICT

Testimony on AB 568

December 8, 2021

Thank you Chairman Murphy and members of the Assembly Committee on Colleges and Universities for holding a public hearing on Assembly Bill 568, a bill I authored with Rep. Macco to extend the existing investment authority for UW gifts, grants and donations to other sources of UW System revenue, which is primarily comprised of tuition dollars and auxiliary revenues from housing, dining, athletics, conferences, parking, etcetera. The cash balances less liabilities attributed to these additional revenue sources is commonly referred to as an institution's "working capital."

Under current law, the UW System Board of Regents is authorized to invest revenues from gifts, grants and donations through a directly employed financial manager, a private investment firm selected through a competitive bidding process, or through a contractual agreement with SWIB.¹ It's my understanding that the UW System entered into a contractual agreement with SWIB in 2018 for the investment of revenues from gifts, grants and donations, which has been working well since its inception. In light of that existing agreement, we made sure to seek out SWIB's input during the bill drafting process and incorporated some changes based on SWIB's feedback.

Many of the UW System's peer institutions have the basic authority to invest their working capital in a manner similar to that prescribed in AB 568. As it currently stands, the UW System's idle cash balances effectively sit in different accounts without the ability to accrue interest and generate additional revenue prior to be drawn from to cover various expenses.

AB 568 would allow the working capital of UW System institutions to be invested in liquid, low-risk, intermediate-term investments while maintaining protections to the financial position of the state and the UW System.² Over time, the additional revenues that could be generated under this expanded investment authority would serve to supplement the tuition and fee dollars and the GPR dollars that fund a large share of UW System operations.

Thank you for your consideration of AB 568. I hope you will join Rep. Macco and me in supporting this legislation.

¹ § 36.11(11m)(a), Wis. Stats.

² See the Uniform Prudent Management of Institutional Funds Act (§ 112.11, Wis. Stats.), which is also found in the UW System Board of Regent's Investment Policy Statement (Regent Policy Document 31-9)



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DATE: December 8, 2021
TO: Members of the Assembly Committee on Colleges and Universities
FROM: Tommy G. Thompson, UW System Interim President
RE: Written Testimony on Assembly Bill 568

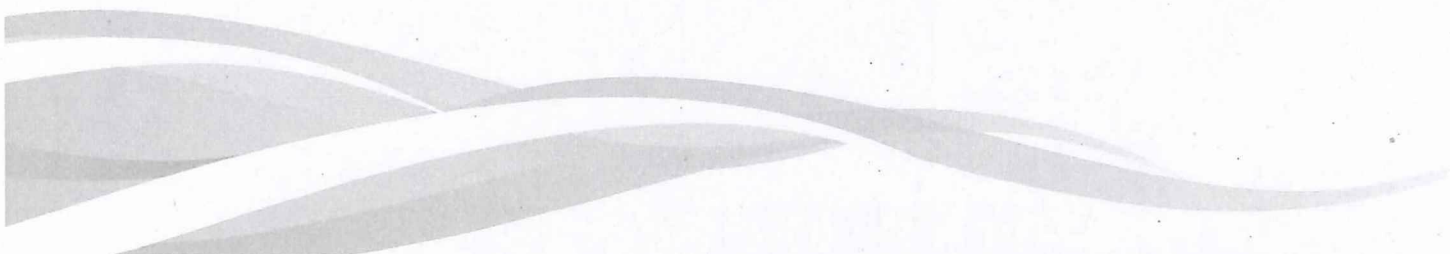
Thank you, Chair Murphy and committee members, for providing the UW System (UWS) an opportunity to submit testimony in support of Assembly Bill 568 (AB 568). This legislation provides UW System the ability to maximize our working capital to support our universities without an additional burden to students or Wisconsin taxpayers.

Under current state statutes, the Board of Regents (BOR) may invest revenues from gifts, grants, and donations by employing a financial manager, selecting a private investment firm, or contracting with the State of Wisconsin Investment Board (SWIB). Assembly Bill 568 expands this investment authority to any revenues designated to the BOR. This investment flexibility will allow UWS and our universities the ability to generate additional revenues with limited costs due to our current investment relationship with SWIB.

The ability to invest working capital is routinely done in the private sector and is a common investment tool amongst leading higher education institutions. The UW System budget is over \$6 billion dollars and we currently lack the ability to maximize the investment capital from our auxiliary and tuition revenues. We estimate an additional \$350 million could be invested with this expanded flexibility. Assuming a 3.2% return annually, an additional \$11.2 million would be generated for the benefit of our students, faculty, and the overall mission of the UW institutions.

We thank both Representative Macco and Senator Stroebel for introducing this legislation and recognizing the gains this investment flexibility will provide our universities.

Thank you again for the opportunity to provide testimony in support of this legislation.





WISCONSIN
UNIVERSITY OF WISCONSIN-MADISON

Assembly Committee on Colleges & Universities

2021 Assembly Bill 568

Investment of certain University of Wisconsin System revenues

December 8, 2021

Chairman Murphy and members of the Assembly Committee on Colleges & Universities:

My name is Rob Cramer, and I am the Interim Vice Chancellor for Finance & Administration at the University of Wisconsin-Madison. At UW-Madison, I serve as the chief budget officer for the campus and oversee several units, including budget and finance, businesses services, University Housing, Transportation Services, and UWPD. Thank you for the opportunity to provide testimony in support of Assembly Bill 568, relating to the investment of certain University of Wisconsin System revenues. We also want to thank Senator Stroebel and Representative Macco for advancing this important legislation.

The University of Wisconsin System's annual budget is over \$6 billion. UW-Madison's annual budget is over \$3 billion. Revenues at UW-Madison include state and federal support, private gifts, auxiliaries such as housing, conference services, athletics, parking, dining, and tuition. Like any university this size, UW-Madison has cash balances that ebb and flow throughout the year, in addition to certain reserves. This cash, minus any liabilities, is considered working capital at UW-Madison.

The University of Wisconsin System is uniquely constrained relative to peers, lacking the basic authority to manage much of its working capital. The ability to invest these revenues is standard practice at peer institutions and in the private sector.

Under current law the University's ability to invest its working capital is limited to the revenue generated from private gifts and grants. This is done working with the State of Wisconsin Investment Board (SWIB). We would like the authority to expand beyond gift and grant funds and invest other sources of revenue, notably auxiliary and tuition income.

Working capital at UW-Madison and other UW System campuses could be safely and prudently invested through SWIB without incurring any significant risks to the university or state. This

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proposal would expand UW's ability to invest a greater share of its working capital beyond gift and grant revenue, in turn generating valuable revenue. By expanding the types of UW funds that can be invested, we could generate revenue streams to fund priorities such as deferred maintenance and financial aid.

Thank you for the opportunity to testify on the impact this legislation would have on UW-Madison. I'm happy to answer questions from committee members.