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February 22, 2006

State Representative Jeff Wood
7 North, State Capitol
Madison, WI 53708

State Senator Glenn Grothman
20 South, State Capitol
Madison, WI 53707-7882

Dear Representative Wood and Senator Grothman:

Given that the state tax support for the University of Wisconsin System has increased at less than the cumulative increase in the rate of inflation over the last 30 years, you might wonder why I requested to speak to your committees last week about the Taxpayers' Protection Amendment.

One analysis I've seen suggests that, if this amendment had been in place, revenues available to the university could be as much as \$200 million less than what the university actually received, assuming that the university revenues had declined at the same rate as those available to the state as a whole. It would mean the university would look very different today and could look very different ten years from now. Two hundred million dollars is the equivalent of the state tax support for 50,000 undergraduate resident students, the total state tax support for at least seven of our four-year comprehensive campuses, the equivalent of a thirty three (33%) percent increase in tuition, or a decrease in revenues at each campus of twenty (20%) percent or some combination of the above. If this is not a fair analysis, I would ask that you have the fiscal bureau provide us your own estimates. I understand these could not anticipate the passage of all referenda, but some round numbers should be possible.

My main concerns with the amendment going forward are:

- how it could limit the state's prosperity and entrepreneurship,
- the potential to hamper the state's ability to deliver a skilled workforce,
- cost in state jobs and economic activity, and
- that it removes the ability of the public to hold elected officials accountable for their actions.

Limit the state's prosperity and entrepreneurship

In the 21st century, prosperity and growth will favor states where the workforce is well-educated and skilled in biosciences, nanotechnology, engineering, computer science, and other high tech, high demand fields. The university is the premier provider of this education and the research which spins off new companies and new jobs. Currently Wisconsin is below the national average in the number of its citizens who hold college degrees and this trend needs to be reversed if our economy is to grow.

Hampers the state's ability to deliver a skilled workforce

Already the state is beginning to experience shortages of health care professionals, math and science teachers, and engineers. The UW System educates 90% of the state's pharmacists, 72% of the state's nurses, and 60% of the states teachers. Further reductions in funding availability will hamper the ability to meet the state's needs in these and other areas.

Costs in state jobs and economy activity

Consider the problems that would be created by the bonding provisions in the amendment. The state has a considerable investment in university facilities comprising approximately 60 million square feet of space, valued at over \$7.5 billion. The UW campuses depend on bonding proceeds for repair and renovation of 1,800 buildings. In recent biennia, the state has been investing in backlogged maintenance, estimated to exceed \$700 million. With this investment we have been able to address some of our most critical issues. Without this investment, we would be forced by building codes to close deteriorating facilities for health and safety reasons.

In addition, the major capital projects which are investments in new and remodeled facilities are critical to our ability to provide quality education to students. Almost all major projects have partner investors such as private donors, grants, or students. Many buildings are funded with bonds that are repaid with revenue from university operations and student fees. As far as we can determine, the constitutional amendment would limit bonding for these facilities even though there are no state funds involved in paying for the facilities.

The capital budget provides economic growth for every region of the state. We know that the UW capital projects alone provide thousands of private sector jobs in skilled trades, professional services, and manufacturing. These are good-paying jobs that Wisconsin families cannot afford to lose.

The state already utilizes an unofficial check on borrowing. Specifically, the Department of Administration and State Building Commission limit annual general fund debt service to no more than four percent of annual general purpose revenue. This check has served the state well by controlling borrowing while investing in Wisconsin's physical assets.

Another facility consideration is that counties currently pay for the buildings for the UW Colleges two-year transfer institutions. These thirteen institutions that provide affordable access to the first two years of a college education for about 12,000 students would be hit twice by the constitutional limits in the proposal -- first by limits placed on counties and then by limits placed on state spending which funds the programs offered in the county-provided buildings. A similar situation exists with UW Extension staff who are charged with sharing research to improve the efficiency of local government, assist small business start-ups, and improve productivity of farmers and manufacturers. These staff are funded by county and state sources.

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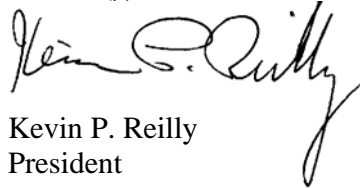
Removes the ability to hold elected officials accountable

Our forefathers established a constitution full of checks and balances to provide citizens the ability to hold the excesses of government or the people in check. If the Taxpayers' Protection Amendment passed, elected officials can claim that the constitution doesn't allow them to represent their constituents' views. Elected officials no longer could effectively balance competing priorities, or respond quickly to unexpected federal law changes that could reduce state revenues, or add to state obligations. Discretionary spending like higher education would be further squeezed out for funding by federal programs that require a state match, or are required by other state statutes such as the two-thirds pick up by the state of K-12 education costs. We need to be sure that citizens can hold their elected officials responsible for the decisions they make. Elections are the best way to do this.

I understand your desire to conduct a hearing that would allow for substantive input and thus the need to limit your speakers at your first hearing, but hope that you will provide us the opportunity to share our concerns with your committee in the near future. I again request the opportunity to speak at the next public hearing.

Thank you for your careful consideration of changes to our constitution which could have long-term implications for the state's future prosperity and accountability of elected officials. Let me reiterate, at a time when successful economies are built with knowledge workers, we must not allow Wisconsin to lose its competitive edge by creating a forced disinvestment in higher education for which nobody can be held accountable.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin P. Reilly". The signature is fluid and cursive, with a large, stylized "K" and "R".

Kevin P. Reilly
President

cc: Regents
Chancellors
Cabinet