

**JOINT COMMITTEE ON FINANCE AGENCY BRIEFING
2009-11 BIENNIAL BUDGET**

Testimony submitted by
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Representative Pocan, Senator Miller, and Members of the Committee...

On behalf of the entire University of Wisconsin System, I want to thank you for allowing [Regent President Bradley and] me to appear before you to discuss the 2009-11 biennial state budget bill and its impact on the University.

Joining us will be...

- Chancellor Carlos Santiago from UW-Milwaukee
- Chancellor Rick Wells from UW-Oshkosh
- Regent Colleene Thomas – a UW-Madison grad student who will offer her unique viewpoint as both a student and a member of our governing board, about the importance of preserving the value of a UW education.

Two years ago, I came before this committee to discuss the UW System's Growth Agenda for Wisconsin – our long-range effort to create more seats in UW classrooms, produce more graduates for Wisconsin, and create more innovation-economy jobs to support a robust State economy and a high quality of life.

I talked two years ago about the silent crisis confronting our state and our nation... as the number of college-educated adults in the United States slips further and further behind other leading nations.... As the proportion of Wisconsin workers with four-year degrees slips further and further behind Minnesota and other leading states.

Two years ago, the chorus of voices in support of the Growth Agenda included students, community members, business leaders, and many of you and your fellow legislators. You provided a prudent investment of about \$22 million in GPR – all coming in the second year of the 2007-09 budget into the Growth Agenda for Wisconsin. You should know that we've already begun to leverage those funds, which only arrived last July, in ways that will help reinvigorate the State economy.

Let me share two examples....

- Over the last two years, the UW Colleges and UW-Extension have worked with all UW System campuses on the Adult Student Initiative. Two years ago, UW-Extension reallocated its resources to get the project underway even before \$1.6 million in new GPR funding became available last year. With that head start, the effort has been able to reach over 34,000 Wisconsin adult students – all former UW students who had not yet completed their bachelor’s degrees. Later this month, I will send a personal letter to 12,000 prospective students, inviting them to check out our “UWin” web portal. Through this dedicated site, adult students can access specialized information and services related to admissions, financial aid, degree completion, and career services. As a result of this project, 1,700 new applications have been submitted by adult students to UW System campuses, 900 of those students have been admitted, and 650 have actually re-enrolled. Another result of this initiative is that the UW Colleges now offers blended face-to-face and online courses in accelerated five- and seven-week formats at eight campuses. These new, accelerated courses have been incredibly successful with busy adults.
- A second example is UW-Green Bay’s Northeastern Wisconsin Growth Agenda. That campus is part of the New North economic development region, and this initiative, funded in the last biennial budget, positions the University to better serve this growing area where the percentage of college graduates is well below the national average. The six-year plan called for increasing enrollment at UW-Green Bay by about 2,100 students to better serve adults, technical college transfers, and a growing minority community. It was developed in response to regional needs identified by community and business leaders. With a down payment of \$1.7 million in 2007-09, UW-Green Bay is hiring new faculty in high-demand areas such as Business, and Human Biology, creating enough new capacity to expand enrollment this coming fall. We expect that a good number of them will be first-generation college students. UW-Green Bay Chancellor David Ward was planning to be here to share more about this progress, but scheduling conflicts kept him away.
- UW-Oshkosh Chancellor Rick Wells is here to describe similar efforts at his institution to expand the student body
- Today, you’ll also hear from Chancellor Santiago about progress being made at his institution to significantly expand research capacity.

I am proud of these and other significant steps the University has taken to strengthen the state economy. We could not have done it without the support of our Legislature, the business community, and others. I am very cognizant, as we all are, of the State and the Nation’s financial challenges. I will not ask you to spare the UW System from all budget cuts. Rather, I’m asking that the cuts not be so deep that they effectively undo the investment you made just last

year. I'm asking that we find a way to work together to preserve the forward momentum we are now achieving with the Growth Agenda for Wisconsin.

When you look at our UW System budget, you're looking at one of the country's most effective and productive systems of public higher education. We will do more, and we're proud of the steps we've already taken to control costs and boost output. For instance:

- As you may have seen in yesterday's announcement, enrollment in the UW System has now topped 175,000 students. Over the past 10 years, total enrollment has grown by 12 percent. That's an increase of more than 20,000 students. At the same time, the number of state-funded employees in the UW System shrank by 1 percent. We now confer about 32,000 degrees each year.
- When I became President of the UW System five years ago, our cost-per-student was about \$1,200 below the national average. Today, we spend about \$1,500 less than our peers in state support per student, putting us at 36th in the nation. Compared to Minnesota, we spend about \$1,900 less per student.
- The cost of public higher education in Wisconsin (the UW and the Tech Colleges) to its citizens is \$229 per capita, which ranks us 33rd in the nation.
- I also want to emphasize that our administrative overhead is just over 6 %, the lowest in our peer group. Comparable universities spend an average of about 10% on administration.
- Looking at the number of "executive" or "managerial" positions in our UW system, you'll see that we employ about one-third fewer people in these categories than comparable institutions. Over the past two years, the number of executive employees at our universities has grown by 10 percent, while UW System has seen a 2 percent decline.

Not content with these achievements, we're making other efforts to become even more productive and efficient for Wisconsin's taxpayers. For example, we are looking closely at our array of academic programs, seeking opportunities to realign or trim certain programs. We are analyzing enrollment and graduation data from the last 10 years to assess issues of degree program productivity, competitiveness, and sustainability. As we look at opportunities to consolidate degree programs, we'll take a statewide view, to ensure that we maintain the right mix of specialized educational opportunities available to our citizens, while eliminating those that don't appear to have a future.

We're also exploring the possibility of establishing an accelerated three-year baccalaureate degree. Already, UW-Stout, UW-La Crosse, UW-Eau Claire, and UW-Stevens Point have expressed interest. In doing this, we are studying the European model, commonly referred to as "the Bologna approach," as well as looking at several institutions in the United States that offer a three-year track for undergrad students.

This could help reduce costs to students, parents, and universities alike. For highly motivated students and certain nontraditional students seeking to complete degree requirements within a shorter period, this could be a very efficient option.

Another area where we are looking to reduce expenses for both institutions and students is textbook costs. The rising cost of textbooks is a very complex challenge. To the extent that this is an academic issue, we are working with the faculty to promote and facilitate “early adoption” – the practice of identifying required texts long before the semester starts, so that students have time to search out the best bargain prices, or take advantage of textbook swaps. We’re also looking at textbook rental programs. Nationwide, about 1% of all universities have such rental programs in place. Here 7 of our 13 four-year campuses – more than half – already offer some form of textbook rental program.

Even as we seek more long-term efficiency gains, we know that the UW System needs to do its part to address the daunting State deficit. We are very aware of, and share, the economic pain of the global recession, which continues to deepen.

Based on a number of conversations with DOA, we had anticipated a GPR cut of about \$100 million might be in the works. In the final stages of the budget building process, when the State decided it had to impose an additional 1% “across-the-board” cut. With that, our cuts grew by nearly 75%, and we’re now faced with the very real prospect of up to \$174 million in reductions and reallocations.

Those cuts come in three forms:

- A \$100 million cut in GPR -- \$65 million in FY 2010 and \$35 million in FY 2011.
- That 1% “across-the-board” cut to non-Federal program revenue. This amounts to \$49 million for the UW System, including \$20 million in GPR, in addition to the \$100 million I just mentioned, and ...
- A reallocation of \$25 million in auxiliary reserves from our campuses.

Looking at the 1% across-the-board cut, please remember that, unlike other state agencies, we get less than one-quarter of our total revenue from State GPR, so that across-the-board reduction hits about 75% of our revenue that comes from other non-State sources. In this way, this kind of budget cut affects us disproportionately, compared to other state agencies that are more dependent upon GPR revenue.

This is where we need your help. As I mentioned, we were originally making plans to manage a \$100 million cut, and we’d like to find a way to get back to that amount. While the 1% across-the-board cut sounds innocuous enough, for us it’s fully 50% more than what we were anticipating. If there is one thing you can do to make this budget more reasonable for UW students, it would be to shrink the base of the UW’s 1% cut back down to a figure that recognizes our budget is three-quarters non-tax revenue.

If you could find a way to make that happen, we'd still be left with a \$100 million cut, and the loss of \$25 million more in reserves. That's a lot of money, and reductions of that magnitude will be challenging for our campuses and students. However, if we can get down to a \$100 million cut in operational revenues, we will be able to preserve more momentum in the Growth Agenda and position the State to be more competitive coming out of the recession.

On a more positive note, the proposed 2009-11 Biennial Budget does provide some noteworthy investments in higher education.

The Governor accepted our recommendation to provide a bold new investment in financial aid, at a time when hardworking Wisconsin families need it most. In addition to \$12 million of GPR provided to the UW System for need-based aid, there's another \$24.5 million for the Higher Education Aids Board (HEAB) for the same purpose. That's great news.

These funds will allow the UW System to offset all tuition increases for resident undergraduates with documented need whose families earn up to the state's median family income of \$60,000. This will benefit an estimated 38,000 students and families. I hope this sends a strong message to Wisconsin families well up into the middle class that a UW education will continue to be affordable for their sons or daughters.

The budget also recognizes the University's need to keep talented people in our classrooms and labs, with a \$15 million Recruitment and Retention Fund. Other budget provisions would allow Domestic Partner Benefits for all State employees, including UW System faculty and academic staff. In a competitive environment where other universities, and many Wisconsin corporations, offer this benefit, the change would help the UW System attract and keep top talent.

There is also funding for three cutting-edge scientific research endeavors at UW-Madison in cellular biology, bioenergy, and genomics. We intend these efforts to lead to continued breakthroughs in health and renewable energy that will benefit Wisconsin residents, and people around the globe.

I should also note that the proposed budget starts by fully funding our fixed costs and Standard Budget Adjustments, including Debt Service, and Utilities.

The budget includes language that would protect important veterans' educational benefits while requiring that federal benefits under the new Post-9/11 GI Bill be used first. Since the federal program is aimed at veterans who served after September 2001, UW System will continue to provide tuition remissions to hundreds of Wisconsin veterans who served prior to that date. Bottom line -- over the 2007-09 biennium, the cost of remissions provided by UW System to veterans and their dependents will be around \$40 million, of which only about \$9 million is to be reimbursed by the state. So, legislation that preserves benefits while taking full advantage of available federal funds is welcome news.

In today's tough international economic climate, these investments are good news indeed. However, I want to emphasize that these are targeted, restricted, earmarked investments. They can't be used to fund classroom instruction for undergraduate students – our core operation.

Our budget as a whole is composed of discrete pots of money, and increases in one pot can't be used to offset decreases in another. Our total GPR reduction of \$120 million, which will come from the core of our educational operations, amounts to a 5.2% cut in our GPR base over the biennium. To put it in another perspective, \$120 million is more than five times the \$21.5 million GPR investment in our Growth Agenda in the last biennium.

In keeping with our goals laid out in the Growth Agenda for Wisconsin, we do not want to reduce enrollments, as other universities and colleges are threatening to do, or are actually doing.

The cuts proposed for our institutions in this budget are real, and they are challenging. Cuts of this magnitude will certainly impact our plans to increase enrollments, and they will hurt the education our current students receive.

Theoretically, tuition could be used to offset all budget cuts. But that ignores the real size of these cuts, the corresponding tuition increases, and the real “sticker shock” that would ensue.

As I told our Board of Regents earlier this month, today's economic climate prevents us from viewing tuition revenues as a big safety net. To offset the \$120 million in GPR cuts alone, UW System would need to increase tuition by double digits in the coming academic year. Believe me, nobody would be happy with that prospect – and it's not going to happen. We've been working to preserve affordable access to college, and that commitment will not change.

At a time when we've been working hard to enroll more students – when the need for more college-educated citizens has never been greater – such a large increase would send the wrong message to our families and students, and thereby worsen the state's economic prospects for coming out of this recession in the best shape possible.

I don't want to make this all doom and gloom. As I stated, there are some clearly positive signs for higher education and the UW System in this proposed biennial budget.

We're mindful of the broader, \$5.7 billion context here. That's a huge shortfall, and I don't envy the tough choices that you and your fellow legislators will need to make in the coming weeks and months.

Once again, we know that the UW System must do its part in helping the State meet its difficult financial goals. By the same token, we're eager to do our part in creating a resurgent Wisconsin economy. We believe the UW is a revenue generator for the state and an economic engine – one that needs an adequate amount of fuel to do its work.

We want to work with you, other legislators, and Governor Doyle, to help balance this budget in a way that preserves the momentum of the Growth Agenda and positions Wisconsin for a brighter economic future.

To accomplish that, we need your help, so let me reiterate our two main requests:

- First, we seek your help getting some of the flexibilities in our building program so that we can operate that part of our business more effectively and cost-efficiently.
- Second, we ask you to help us narrow the base of our budget cuts, looking closely at that 1% across-the-board cut, and how it will affect the university disproportionately. If you can help us get back down to the \$100 million cut we were expecting, we'll be in much a better position to keep the Growth Agenda moving forward.

Thank you for the opportunity to begin this dialogue about our 2009-11 Biennial Budget.

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