

## WISCONSIN IDEA PARTNERSHIP

### Summary of Proposal to Provide Management Flexibilities for All University of Wisconsin System Institutions

The primary purpose of the Wisconsin Idea Partnership is to advance the Wisconsin Idea by providing the maximum flexibility to all University of Wisconsin Chancellors to lead their institutions in the most effective and efficient manner possible, for the benefit of their students, faculty, staff, and local communities. To accomplish this, the UW System proposes amending the proposed 2011-13 biennial budget bill to provide all UW campuses and UW-Extension with new management flexibilities within the current Board of Regents of the University of Wisconsin System governance structure. These statutory flexibilities are necessary to ensure that all UW institutions can operate more efficiently and effectively, with the tools to manage significant budget cuts and compete effectively for outside resources, and attract high quality students, faculty, and staff.

This Wisconsin Idea Partnership provides UW-Madison with all the operational flexibilities proposed by Governor Walker, but within a unified System framework. This option avoids the creation of a new public authority that would separate UW-Madison from all other UW institutions. By preserving existing law that governs UW institutions, this straightforward approach addresses many concerns about student, faculty, and staff shared governance, student access, tuition rates, academic freedom in teaching and research, and the appointment of a new and separate governing board.

If this language is included in the 2011-13 budget, the Board of Regents will delegate these new management flexibilities to the UW campuses and UW-Extension to the fullest extent possible, while ensuring transparency and appropriate levels of Board oversight and public accountability.

The Wisconsin Idea Partnership is focused on the following areas: Budgeting, Tuition/Pricing, Human Resources, Capital Planning and Construction, Financial Management, and Purchasing and Procurement.

## **Budgeting**

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Currently, general-purpose revenue (GPR) dollars and other funds are allocated to the UW System in earmarked “silos,” providing campuses little or no ability to move funds among appropriations, or the flexibility to reprioritize available funds in one area to address emerging state and university needs in another. This limits the tools that Chancellors may use to “manage to the bottom line.”

Under the Wisconsin Idea Partnership, the Board of Regents would receive from the state a single “GPR block grant,” replacing the current appropriation structure of line-item funding earmarked for utilities, debt service, pay plan, health insurance, and new initiatives. UW institution-specific block grants would allow the UW campuses and UW-Extension to use GPR, fees, and other program revenues for any appropriate university purpose. Institutions would continue to retain additional revenues from institution-specific tuition increases and from new enrollment growth.

The Wisconsin Idea Partnership would permit UW institutions to reallocate funding among all budget lines to address institutional priorities and regional needs. Savings from utilities, fringe benefits, and other areas could be used to fund core academic operations, technology transfer, educational services for small businesses, competitive compensation for faculty/staff, financial aid, or other priorities.

## **Tuition/Pricing**

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Wisconsin Statutes grant tuition revenue generating authority to the UW System Board of Regents, but the law also restricts the use of these funds so that resident undergraduate tuition rates are by and large determined by actions taken by the Governor and legislature during the biennial budget process.

Approval of the Wisconsin Idea Partnership would provide the Board of Regents with authority to set tuition levels for UW campuses so that all institutions have the ability to meet the needs of students and employers while maintaining high levels of educational quality. All UW institutions would be able to enhance educational quality, address competitive compensation challenges, improve student services, boost retention rates, and increase graduation rates based upon their individual circumstances. This change, in conjunction with the budgeting changes that remove multiple tuition appropriations, would improve the budgeting and planning process for all UW campuses.

Policies would be developed to ensure that UW campuses remain affordable for Wisconsin citizens. This tuition flexibility would allow individual campuses to generate funding for unique value-added services and programs, establish niches within the higher-education marketplace, or implement new pricing models.

## **Human Resources**

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Today, UW faculty and academic staff employees are governed by the same laws that govern virtually all other State of Wisconsin employees. Titles, pay ranges, pay plans, benefit plans, and other human resources decisions are now made by the Office of State Employment Relations (OSER), and are generally applied uniformly across all agencies, ignoring UW's unique need to compete in a global market for human capital.

The Wisconsin Idea Partnership would provide all UW Chancellors with freedom to address growing challenges associated with recruiting and retaining the quality and diversity of staff needed to further their institutions' missions. The Wisconsin Idea Partnership would address the need to provide incentives for innovative practices and reward creativity and initiative on the part of faculty, academic staff, and limited appointees (unclassified staff), non-represented classified employees, and represented classified employees.

The Wisconsin Idea Partnership would provide for oversight by the statewide Board of Regents within the constraints of the budget authority provided, while reducing costly and unnecessary reports and duplicative oversight by OSER.

With these recommended changes, the UW Board of Regents would be responsible for setting pay plans and approving collective bargaining agreements for all UW System employees, and for determining the appropriate job classifications for all staff, within the constraints of its budget.

## **Capital Planning and Construction**

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UW institutions face many state capital planning and construction policies and oversight mechanisms that significantly increase the time it takes to complete a construction project and the project's overall cost. These project costs could be reduced significantly by streamlining the planning, design, and approval processes, and by placing the responsibility and accountability closer to the users – typically those who are also paying for the project.

Under the Wisconsin Idea Partnership, the Legislature would continue to enumerate all projects funded with General Fund Supported Borrowing (GFSB) or Program Revenue Supported Borrowing (PRSB) over \$500,000. The State Building Commission would approve all projects over \$500,000 regardless of source of funds. The Division of State Facilities (DSF) would have control of and manage all projects funded with GPR or GFSB. The Board of Regents would have authority to undertake and oversee the management of projects funded entirely from sources other than GPR and GFSB such as program revenue and gifts and grants.

UW campuses could manage all aspects of non-GPR, non-GFSB projects, including hiring architects and engineering consultants, bidding, contracting, and project supervision. The Board and institutions would be responsible for funding overhead costs and the DSF would continue to be able to charge a management fee on GPR and GFSB projects.

The Board would be able to accept gifts of land or other real property or to allow privately-owned or operated facilities on University land.

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## **Financial Management**

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Under current law, UW institutions cannot manage their own finances and investments. The State invests all revenues, and UW institutions are credited for interest earnings on certain funds. The state keeps investment earnings on most program revenue funds, while statutes restrict the UW to managing and investing only gifts and trust funds.

The Wisconsin Idea Partnership would allow the Board of Regents to oversee revenue and interest earnings on program revenue funds (tuition, auxiliaries operations, and other revenues earned through program revenue operations). In order to preserve the State's cash flow capabilities, program revenue funds would be required to be placed in the local government fund, but the University would retain interest earnings from those funds. Additionally, the Board would gain authority to invest any and all surplus funds, and retain interest earnings on those funds. Statutory limitations on income accumulation in funds holding specific gifts, grants, and bequests would be removed. Finally, the Board of Regents would be able to determine the percentage of trust funds that may be held in common stocks.

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## **Purchasing and Procurement**

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All University of Wisconsin System institutions must adhere to strict laws and regulations that govern the procurement of goods and services. These laws apply uniformly to all State

agencies, ignoring the specialized needs of UW campuses and prohibiting the use of other purchasing tools that could enhance UW operations and reduce costs.

Except as specifically delegated, the Department of Administration (DOA) would continue to have primary oversight over procurement. The Board of Regents would be delegated the authority to enter into contracts for specialized, University-related materials, supplies, equipment, and services. This authority would be further delegated to UW campuses and UW-Extension. The Board of Regents would be authorized to enter into consortium purchasing agreements with other higher education institutions and UW institutions could purchase from any vendor included in those purchasing agreements. Additionally, the UW institutions would manage their vehicle fleets in lieu of management by DOA. The Board of Regents would also have the opportunity to manage its own worker's compensation program and insurance contracts provided a six-month notice of such intent was provided to DOA.

## Conclusion

Wisconsin is at a crossroads. To thrive in a global economy that rewards innovation and knowledge, our state needs more college graduates and more jobs to employ its citizens. The University of Wisconsin System has an ambitious, detailed plan to help on both counts in order to move Wisconsin forward but it needs an equally detailed commitment from Wisconsin people and their government.

As UW's share of state support has deteriorated from 12 cents on the dollar to 8 cents in 2009-11 to a proposed 6.1% in 2011-13, the need for new management flexibilities at all UW institutions has never been more urgent. We look forward to the day when the State of Wisconsin renews its financial commitment to its public university and reverses this trend of declining support. In the meantime, the Wisconsin Idea Partnership will help the UW institutions survive these perilous times and enable 30,000 dedicated faculty and staff to provide a high quality education to 182,000 students.