



Office of the President

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March 29, 2005

The Honorable Scott Fitzgerald, Co-chair
Joint Committee on Finance
317 East, State Capitol
Madison, WI 53702

The Honorable Dean Kaufert, Co-chair
Joint Committee on Finance
308 East, State Capitol
Madison, WI 53702

Dear Senator Fitzgerald and Representative Kaufert:

My University of Wisconsin System colleagues and I are grateful for the opportunity to address the Joint Committee on Finance. As I mentioned to you last week, I will not be able to join you at the March 29 agency briefing, but I did want to share with you the UW System's suggested adjustments to the Governor's budget recommendations. These suggestions will help us achieve efficiencies and budget reductions, while still fulfilling our mission to students and the state.

The Board of Regents' 2005-07 budget proposal assigned high priority to "Student Access and Wisconsin Success." We are committed to ensuring a quality, affordable higher education for our students, and to contributing significantly to Wisconsin's economy and quality of life.

The Governor's 2005-07 budget would reinvest \$49 million of state general purpose revenue (GPR) in the university. This would begin to reverse the trend of the last two biennia, when the UW System took a disproportionately greater share of state funding cuts. Both the Board of Regents' budget request and the Governor's budget are student-focused, and we are supportive of many aspects of the Governor's proposed budget, including:

- Recommendations to increase financial aid; add 125 new faculty to our classrooms; and keep tuition manageable and predictable for our students and their families.
- A faculty retention fund (\$5 million) and domestic partner benefits (\$1 million) that can help us attract and then keep the very best scholars, teachers, and researchers.
- Funding (\$1.1 million) to support our efforts to increase the number of Wisconsin citizens who hold bachelor's degrees with an emphasis on working adult students (NOTE: The Committee on Baccalaureate Expansion – COBE – a joint task force of the UW System and the Wisconsin Technical College System identified 13 potential "brain gain" strategies). Ultimately, this increase can add to our average per capita income and an improved overall economy for Wisconsin.

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- Investments in Alzheimer's research at the UW-Madison campus (\$3 million) which would add to our capacity to discover knowledge that can serve patients and their families.
- Support (\$582,000) for the UW-Platteville/UW-Rock County engineering initiative.
- A capital budget (passed by the State Building Commission on March 18) that makes significant new investments in academic facilities, as well as maintenance and renovation of existing facilities. Overall, the capital budget for the UW System matches the state's investment of about \$280 million with \$280 million of gifts, grants, and program revenue.

However, the Governor's budget does present some very real challenges for the UW System, including:

- Lack of funding for a competitive pay plan. At the end of the 2003-04 fiscal year, UW System faculty and staff salaries continued to rank well below those of our peers. The Regents' proposed 3 percent annual pay plan reinvestment would keep this pay gap from growing, increase our ability to retain our talented faculty and staff, and allow us to attract the best talent.
- Cutting 200 additional "administrative" positions as part of \$35 million in administrative savings over the biennium. These reductions are on top of the more than 200 positions we have already eliminated over the last several biennia. Many of these "administrative" positions will directly impact academic and student support services. If we are forced to make these reductions, it would mean that when it comes to academic and student services, we will be doing less with less. Our retention and graduation rates, too, will be impacted.
- Anticipating savings of \$30 million by restructuring state procurement contracts (\$10 million) and improving asset management (\$20 million). The UW System would be better able to achieve these savings if the Legislature lifted mandates that currently reduce our flexibility.

In summary, we are asking the Joint Committee on Finance to help us with the following:

1. **Include funding to address the Board of Regents' competitive pay plan.** A 3 percent annual increase is necessary to retain and recruit top quality UW System faculty and staff. This would require \$55.4 million in GPR and \$24.6 million in tuition over the biennium. This would increase tuition 1.8 percent above the Governor's recommendations, assuming a traditional state/student share of costs.
2. **Maintain and improve the GPR increases proposed by the Governor.** The Governor's budget included \$49 million over the biennium (an average annual increase of 1.27 percent over two years) which includes, in addition to the items I identified on pages one and two, \$10 million for Lawton Undergraduate Minority Retention Grants and the Advanced Opportunity Program. The Governor did grant the Wisconsin Higher Education Aids Board – another state agency – nearly \$47 million for financial aid for eligible students, an investment that is extremely important to UW students and all of us in the university.

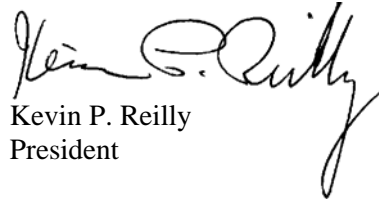
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3. **Lift mandates that impede UW System's ability to determine the best ways to produce savings and be more efficient.** The Governor's proposal is to generate the \$35 million in administrative savings through the elimination of 200 positions, many of which directly serve students. At a minimum, if these reductions must be made, please consider moving the date of required staff reductions from 2005-06 to 2006-07.
4. **Establish a "safety net" to insulate students from further service cuts** if DOA assumptions about \$30 million of proposed savings from enterprise-wide state procurement contracts and improved asset management are not realized.
5. **Support the capital budget recommendations passed by the Building Commission.** That budget recognizes higher education as a vital priority for the state and its significant contributions to the Wisconsin economy.

We are also requesting some statutory and technical language changes (see attachment) that we believe can help us to operate even more effectively and efficiently.

Thank you for your time and consideration. We appreciate that you and many of your legislative colleagues recognize the UW System took more than its fair share of budget reductions in the 2003-05 biennium. The Governor's budget recommendations take some important steps toward reinvestment in the university. We look forward to working with you to strengthen that reinvestment as we use our resources more effectively to benefit Wisconsin.

Sincerely,



Kevin P. Reilly
President

Attachment

Copy: Members, Joint Committee on Finance
Senator Judy Robson
Senator Dale Schultz
Representative John Gard
Representative James Kreuser
Governor Jim Doyle
Regents
Chancellors
DOA Secretary Marc Marotta