



## Board of Regents

1860 Van Hise Hall  
1220 Linden Drive  
Madison, Wisconsin 53706  
(608)262-2324

DATE: August 13, 2014

TO: Members of the Board of Regents

FROM: Jane S. Radue, Executive Director and Corporate Secretary *JSR*

### PUBLIC MEETING NOTICE

Meetings of the UW System Board of Regents and Committees, to be held at  
UW-Oshkosh, Alumni Welcome and Conference Center,  
625 Pearl Avenue, Oshkosh, Wisconsin 54901  
on August 21 and 22, 2014

#### **Thursday, August 21, 2014**

- 7:45 a.m. Audit Committee – Sodexo Grand Ballroom C
- 9:00 a.m. Research, Economic Development, and Innovation Committee – Sodexo Grand Ballroom AB
- 9:00 a.m. Capital Planning and Budget Committee – Sodexo Grand Ballroom C
- 10:45 a.m. Education Committee – Sodexo Grand Ballroom AB
- 10:45 a.m. Business and Finance Committee – Sodexo Grand Ballroom C
- 12:15 p.m. Lunch – Great Hall
- 1:15 p.m. All Regents – Sodexo Grand Ballroom AB

1. Calling of the Roll
2. Updates and Introductions
3. Host-Campus Presentation by UW-Oshkosh Chancellor Richard Wells: “We're in this Chancellorship Together: UW Oshkosh's Campus, Academic, Collaborative and Reputational Transformation Since 2000”
4. President Cross's Introduction to 2015-17 Biennial Funding Recommendations
5. Presentation and Discussion: 2015-17 Biennial Funding Request  
[Resolution 5.]

6. Presentation and Discussion: 2015-17 Biennial Capital Budget Request  
[Resolution 6.]
7. Presentation: “Looking Back, Looking Forward: Taking Stock of the UW System’s Progress on Diversity”
8. Closed session  
Move into closed session to: (1) consider two student requests for review of two UW-Madison decisions, as permitted by s. 19.85(1)(a) and (g) *Wis. Stats.*; and (2) confer with legal counsel regarding pending or potential litigation, as permitted by s. 19.85(1)(g), *Wis. Stats.*

**Friday, August 22, 2014**

9:00 a.m. All Regents – Sodexo Grand Ballroom AB [See Friday agenda]

*The closed session agenda item may be considered during any recess in the regular meeting agenda on either Thursday or Friday.*

*Information about agenda items can be found at <http://www.uwsa.edu/bor/meetings.htm> or may be obtained during the week of the meeting from Jane Radue, Executive Director, Office of the Board of Regents, 1860 Van Hise Hall, Madison, WI 53706, (608)262-2324. The meeting will be webcast at <http://www.uwex.edu/ics/stream/regents/meetings/> on Thursday, August 21, 2014, from approximately 1:15 p.m. until 4:00 p.m. and on Friday, August 22, 2014, from 9:00 a.m. until approximately 11:30 a.m.*

BOARD OF REGENTS

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the submission of:

- (1) the Board's 2015-17 Biennial Operating Budget request, totaling \$95.2 million biennially in GPR/Tuition, for building the "Talent Development Initiative;"
- (2) performance measures for 2015-17; and
- (3) recommended statutory language changes related to compensation, modifying the tuition and fee report, and reconciling the auxiliary balance reporting requirements.

In addition, the Board of Regents delegates authority to the UW System President to approve standard budget increases as allowed by the Department of Administration (DOA) and to seek an extension of the September 15, 2014 submission date, if needed, with the amount of the standard budget increases to be provided to the Board of Regents in October.



# **2015-17 Biennial Operating Budget**

The University of  
Wisconsin System  
August, 2014

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# BOARD OF REGENTS 2015-17 BIENNIAL BUDGET

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## A. EXECUTIVE SUMMARY AND BACKGROUND

## **2015-17 BIENNIAL BUDGET REQUEST**

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

The Board of Regents is required to submit a budget request to the Department of Administration by September 15 of each even numbered year. In order to meet this submission deadline, the UW System President develops the budget request for review and approval by the Regents at the Board's August meeting.

In developing his budget request recommendation, President Cross has reached out to stakeholders across the state. In listening sessions he has engaged campus, community, and business leaders, legislators, and key administration officials. These stakeholders identified a number of key challenges: growing Wisconsin's economy, creating jobs, and developing the state's workforce. President Cross's biennial budget recommendations embrace these and other challenges facing the state and more closely align the investments in the UW System to address them.

More specifically, the recommended biennial budget request creates a Talent Development Initiative aimed at more closely aligning the UW System's world class institutions with the talent necessary to lead Wisconsin's economy in the future. The budget request seeks to build: (1) a talent path to put students of all ages on a course for success; (2) a talent infrastructure to ensure our institutions have the people and tools to educate tomorrow's leaders; and (3) a talent-based economy that spurs innovation and entrepreneurial growth. The recommendation also addresses the long-term financial viability of the UW System and its individual institutions in a collaborative manner through prioritization and focused efforts, as well as additional investments.

Although the Governor's Major Budget Policy memo directs most state agencies to assume there will be no new funding other than for unavoidable inflationary costs (also known as standard budget adjustments), UW System leaders have had discussions with the Governor's Office indicating the intent to seek additional investment for the purpose of addressing the talent development needs of the state.

#### **REQUESTED ACTION**

Approval of Resolution 5. This resolution approves the submission of the 2015-17 Biennial Operating Budget request, totaling \$95.2 million biennially in GPR/Tuition for the "Talent Development Initiative;" performance measures; and recommended statutory language changes. This resolution also delegates specified authority to the UW System President to facilitate the submission of the budget request.

## **DISCUSSION**

The University of Wisconsin System Talent Development Initiative seeks to address the talent needs through a four-step approach. The goal of the initiative is to more closely align the University of Wisconsin's education and research with the needs of the state of Wisconsin and the fulfillment of the Wisconsin Idea.

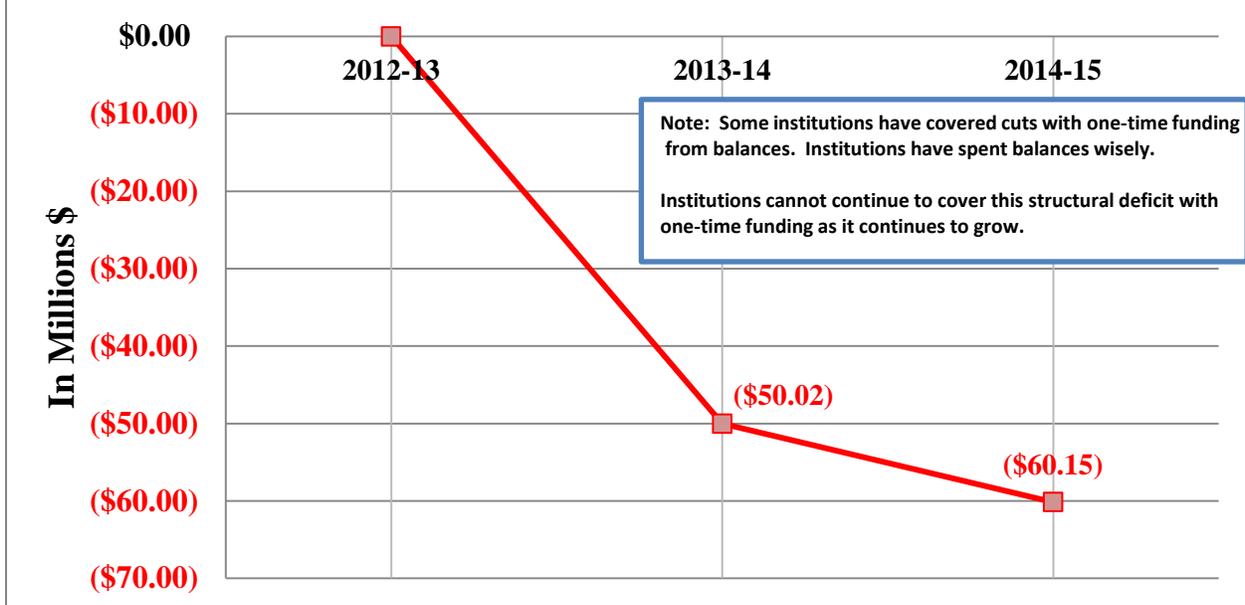
Step 1 involves a request for \$22.5 million of one-time GPR funding to leverage the creation of STEM-related (Science, Technology, Engineering and Mathematics) jobs through an initiative called "Building the Talent-Based Economy." This initiative builds upon the 2013-15 Economic Development Incentive Grants that were provided in the 2013-14 fiscal year.

Step 2 involves increasing the number of graduates while reducing the time to receive a degree. This initiative, called "Building the Talent Path," requests \$15.4 million GPR biennially (\$9.0 million in ongoing base) to fund the cost of the Course Options Program without requiring families to contribute while increasing the number of students who participate by 50%. In addition, it would increase the success of returning adult and first generation students who may require developmental support to be fully prepared to take on all the challenges of higher education. This step will lead to more students successfully graduating with less time to degree and cost to their families.

Steps 3 and 4 are essential to "Building a Talent Infrastructure" to ensure UW institutions have the people and tools necessary to educate tomorrow's leaders. Step 3 requests investment in programs that will focus on the state's need for college-degreed professionals in certain workforce areas, involve more students in internships with businesses, and build partnerships within communities. The UW System requests \$30 million GPR base funding (in the second year of the biennium) for competitive grants for which institutions could apply. These grants would be awarded based upon the defined outcomes for the funding provided. The grants would be base building because new program commitments would need ongoing resources to remain viable but would be reallocated if the proposed results are not achieved. The UW System would commit to providing first year funding (estimated at no more than half of the amount of the ongoing funding) to begin the hiring process and recruit students and businesses into the programs.

Step 4 requests \$27.3 million in GPR base funding in the second year of the biennium to maintain the quality of academic instruction and research in the UW System. The UW System currently funds the increase of any state pay plan with approximately 70% GPR funds and 30% Tuition funds). As a result of the tuition freeze, one-time revenues must be used to fund these costs. The number of campuses with insufficient balances to fund these costs is rapidly creating a structural deficit. The \$27.3 million, when combined with the 2013-14 base cut of \$32.8 million, reaches a total shortfall of \$60.1 million for UW institutions to manage during the 2013-15 biennium. See the graph below.

## University of Wisconsin System 2013-15 Structural Deficit (in Millions)



The chart on page vii shows that the shortfalls in revenue need to be taken in the “net GPR/Tuition for educating students” (\$2.266 billion), and cannot be apportioned among the full UW budget of \$6.98 billion. The chart on page viii shows that the amount of GPR funding dedicated to cost-to-continue items like fringe benefits, utilities and debt service has increased significantly since fiscal year 2006, leaving a smaller amount of general GPR to manage the shortfall.

To address the proposed initiatives during the 2015-17 biennium, **the UW System requests \$95.2 million of GPR biennially.**

UW System institutions will continue to be frugal managers of available GPR/tuition resources.

**Administrative costs for the UW System are half of the national average per student.**

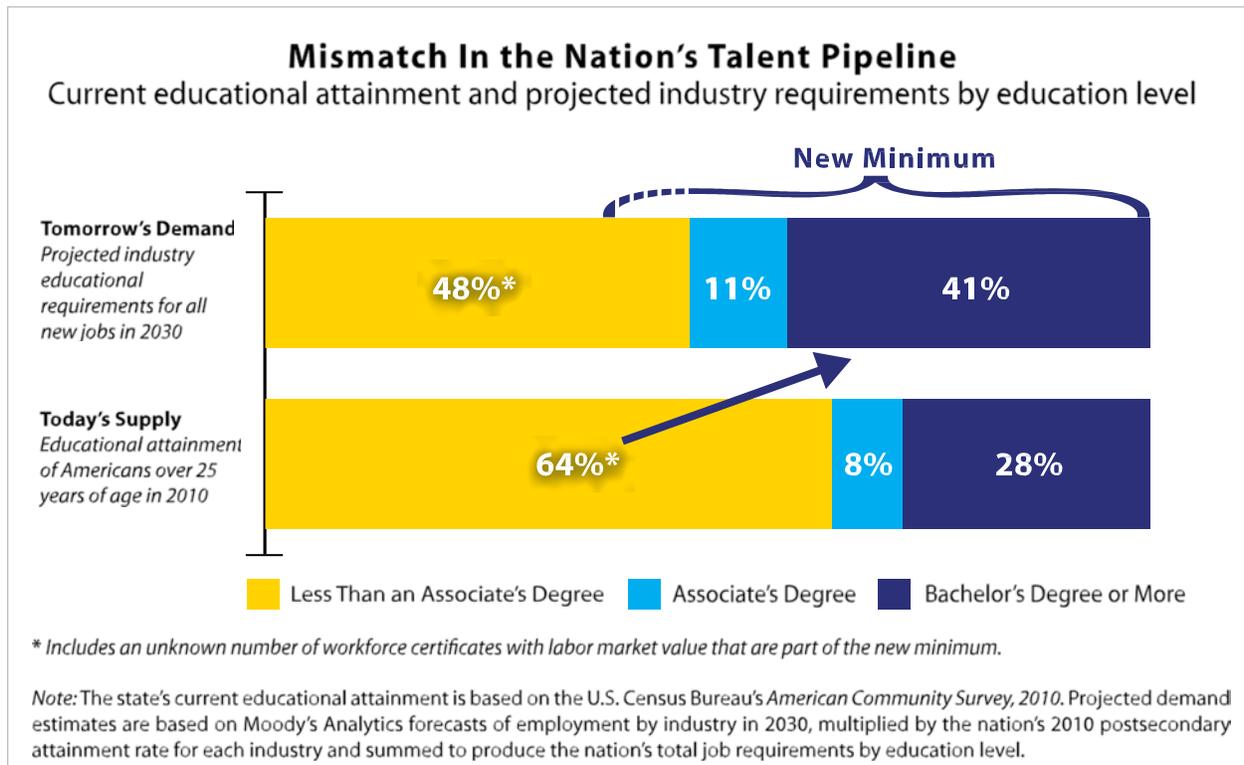
Although this low funding for administration comes with some risks, UW System institutions will continue directing as many of their resources as possible to direct services for students and spurring economic development across Wisconsin.

### The University’s Role in Economic Development

A 2013-14 initiative of the National Governors Association (NGA) focused on the need to have more educated individuals to improve states’ economies. The NGA’s report, “America Works: Education and Training for Tomorrow’s Jobs, The Benefit of a More Educated Workforce to Individuals and the Economy” discusses the need for state policies and funding priorities to support economic growth by increasing the education and training of its workforce. The paper says that:

- A lack of skilled workers in a regional economy can constrain growth, limiting the ability of employers to expand unless they move jobs to where talent resides or accept the cost of upgrading the skill of local workers.
- As the demand for highly educated workers has increased, employment opportunities for those without postsecondary credentials have declined.
- Approximately half of all job openings over the next decade will require more than a high school diploma.
- Every state in the nation can realize significant economic and social benefits from providing additional educational opportunities for its citizens. Moody's Analytics projects that employers nationwide could demand slightly more than 24 million workers with a postsecondary degree between 2013 and 2030.
- Comparing that forecast with Moody's projection of educational attainment of the population over the same period, there would be a shortfall in excess of 3 million workers with postsecondary degrees.
- Such a shortfall would limit growth in affected industries as employers cut back on production, employ less educated workers, and or bid up the wages of more highly trained workers, thereby raising industry costs. More positively, meeting the projected industry demand would allow businesses to expand and incomes to rise by an estimated \$540 billion over the next 17 years.

The chart that follows shows the nation’s projected misalignment between the education level of Americans over age 25 as of 2010 versus the projected educational level needed for new jobs in 2030.



The paper encourages states to align the education pipeline with the talent needs of its industry; articulate and implement a strong vision connecting education and the workforce; use data to inform policy, track progress and measure success; build partnerships to get results; and modify the use of resources and incentives to support the integrated vision.

The Wisconsin Taxpayer’s Alliance produced a report called “The Impending Storm” which describes some of the demographic challenges within Wisconsin that will lead to a worker shortfall for the state, along with the need for a more educated workforce to increase the state’s economy. Both papers are included in the appendix of this document.

### Unavoidable Costs (Standard Budget Adjustments)

To sustain its vital work and enhance the impact on Wisconsin’s economy, UW System institutions need adequate resources to cover routine costs and previously required commitments. These include debt service for new academic facilities, the higher costs of utilities, employee health insurance premiums, and mandated salary adjustments. These required costs need to be covered to maintain educational quality and improve student success, while increasing services to Wisconsin businesses and communities. The unavoidable costs for fringe benefits and mandated 2013-15 salary adjustments, along with increases to leases are undetermined at this time. The cost of these adjustments will be provided at the October 2014 board meeting.

Consistent with past practice, UW System will submit an advisory request related to utilities costs, which will be added by the state as part of the Governor's budget along with debt service amounts. Additional funding for health insurance rate increases or increased cost of other fringe benefits in the 2015-17 biennium are expected to be provided as supplements from the state's Compensation Reserve.

### **Performance Measures**

The Board of Regents is required by the Department of Administration to submit a report on performance measures that relate to its broad budget programs. Agencies are asked to report on actual outcome measures for fiscal years 2012-13 and 2013-14, and planned outcomes for 2014-15, 2015-16 and 2016-17. New performance measures are used this biennium since those used in 2013-15 were related to funding requests that were not approved by the legislature.

The performance measures proposed for 2015-17 are: the number of undergraduate degrees conferred; the participation rate of high school graduates immediately after graduation; first- to second-year student retention rate; and six-year graduation rates. The performance measures can be found in Section C of this document.

### **Statutory Language Changes**

The University of Wisconsin System seeks increased management responsibility in the areas of compensation and reporting. A summary of the statutory language changes being requested is included on Pages B11-12.

The compensation flexibility is needed to provide the UW System the tools required to attract and retain high quality faculty and staff members—the highly sought-after professionals responsible for nurturing Wisconsin's educated citizenry and developing the talented workforce of tomorrow. These same faculty and staff provide direct support to Wisconsin businesses, and engage in world-class scientific research. UW faculty members and many of the academic staff are recruited from a national market. In that competitive pool, top quality educators and other personnel can often choose where to live and work. To attract and retain these individuals, UW institutions must be in the position to offer a competitive compensation package. Today, **faculty salaries at UW System institutions have fallen more than 18% below the national average. This large gap is the greatest threat to quality for UW System institutions.**

**The requests to modify the tuition and fee report and to reconcile the auxiliary balance reporting requirements will allow the UW System to operate more efficiently while providing the transparency needed by the Legislature and the public.**

### **RELATED REGENT POLICIES**

None.

**UNIVERSITY OF WISCONSIN SYSTEM**  
2014-15 Operating Budget

**Total Budget: \$6.098 Billion**

Less Federal Funds: - 1.814

Federal Funds include funding for: educational opportunity grants, student loans, Pell grants, nursing loans, work study, federal indirect cost reimbursement and research.

Less Gifts, Grants & Contracts: - .573

Gifts, Grants and Contracts include: gifts, grants and bequests for loans, for purposes laid out in the bequest; and grants for specific entities (forestry cooperatives, for example)

Less Auxiliaries, Hospitals, and Other Receipts: - 1.184

Auxiliaries, Hospitals and Other Receipts include: housing, food services, student union, textbook sales, parking, hospitals, athletics, tuition increase grants, and Tri-State Initiative debt service

**GPR/Tuition Total: \$2.527 Billion**

GPR: 1.178 Billion  
Tuition: 1.349 Billion

Less Restricted GPR - .261

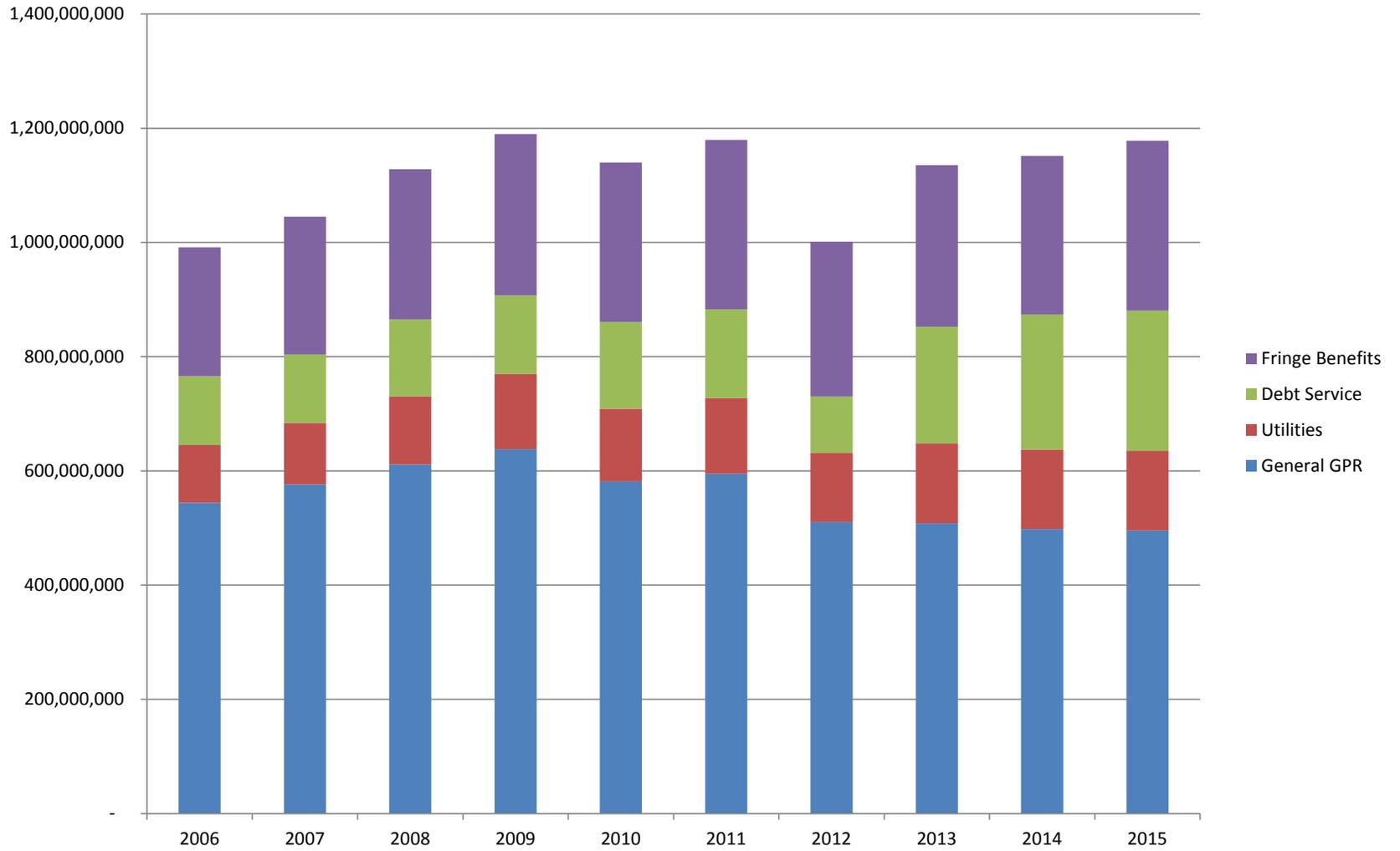
Restricted GPR includes funding for: debt service, State Lab of Hygiene, and Veterinary Diagnostic Lab.

**Net for Educating Students: \$2.266 Billion**

**\$917 Million GPR**

**\$1.349 Billion Tuition**

## University of Wisconsin System 2005-06 to 2014-15 General Purpose Revenue Funding



**B. 2015-17 BIENNIAL OPERATING BUDGET REQUEST**

UNIVERSITY OF WISCONSIN SYSTEM  
2015-17 STANDARD BUDGET ADJUSTMENTS

This section includes items that could potentially be submitted in the UW System’s 2015-17 Biennial Budget as Standard Budget Adjustments, if the Department of Administration agrees. Specific dollar amounts that will be submitted to DOA in the final budget request have not yet been calculated. These amounts will be reported to the Board in October.

The following list includes those anticipated items that the UW System will request as Standard Budget Adjustments:

<b><i>Summary of the UW System’s 2015-17 Standard Budget Adjustments</i></b>
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<b>Full Funding of Fringe Benefits</b>
--

This item requests full funding of the Department of Administration (DOA) approved fringe benefit rate changes from the 2013-15 approved rates to the new 2015-17 rates.
--

<b>Full Funding of Joint Committee on Employee Relations (JCOER) Approved Increases above General Wage Adjustments</b>
--

This item will request full funding of JCOER approved increases for items such as discretionary and mandatory market adjustments, increases for those earning less than \$15 per hour, raises to minimum, reallocations of certain job titles, and discretionary equity and retention awards. Smith Lever pay plan increases will also be requested.
--

<b>Minor Transfers within the Same Appropriation</b>
--

This will make minor position or funding realignments within the same alpha appropriation without any overall dollar or position impacts.
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<b>Full Funding of Lease and Directed Move Costs</b>
--

This request will fully fund lease rental costs through the 2015-17 biennium.
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The 2015-17 Biennial Budget request will also include a re-estimate of tuition revenue to the 2014-15 annual budgeted levels.

## 2015-17 BIENNIAL BUDGET REQUEST

NEW INITIATIVES REQUEST								
		FY 2016		FY 2017		Biennial		
	Source	One-time funds	Base Funding	One-time funds	Base Funding	Biennial Total UW One-Time Funds	Biennial One-Time Funds from the State	Ongoing Base Request
<b>Building the Talent-Based Economy</b>								
	<i>UW</i>		\$ -		\$ -	\$ -		
	<i>State</i>	\$ 11.25	\$ -	\$ 11.25	\$ -		\$ 22.50	
<b>Building the Talent Path</b>								
	<i>UW</i>	\$ -	\$ -	\$ -	\$ -	\$ -		
	<i>State</i>	\$ -	\$ 6.40	\$ -	\$ 9.00		\$ -	\$ 9.00
<b>Building the Talent Infrastructure</b>								
	<i>UW</i>	\$ 15.00	\$ -	\$ -	\$ -	\$ 15.00		
	<i>State</i>	\$ -	\$ -	\$ -	\$ 30.00		\$ -	\$ 30.00
<b>Building the Foundation for Excellence</b>								
	<i>UW</i>	\$ 27.30	\$ -	\$ -	\$ -	\$ 27.30		
	<i>State</i>	\$ -	\$ -	\$ -	\$ 27.30		\$ -	\$ 27.30
<b>Totals</b>	<i>UW</i>	\$ 42.30	\$ -	\$ -	\$ -	\$ 42.30		
	<i>State</i>	\$ 11.25	\$ 6.40	\$ 11.25	\$ 66.30		\$ 22.50	\$ 66.30

**Building the Talent Based Economy**

	<u>2015-16</u>	<u>Increase in 2016-17</u>	<u>Ongoing Base Increase</u>
<b>GPR</b>	22,500,000	\$-22,500,000	\$0
<b>Fees (Tuition)</b>	\$0	\$0	\$0
<b>GPR/Fees</b>	22,500,000	\$-22,500,000	\$0

**Background: 2013-15 Economic Development Incentive Grants**

The 2013-15 biennial budget required the Board of Regents to allocate \$11.25 million annually for an Incentive Grant Program. UW System institutions were invited to submit proposals for non-base building grants for Economic Development programs to:

1. Encourage the establishment or growth of businesses in Wisconsin, create or retain jobs in the state or provide financial assistance, tax benefits or direct services to specific businesses, industries or organizations
2. Develop an educated and skilled workforce by increasing the number of degrees awarded in high demand fields, increase the number of internship and cooperative work experience opportunities for students and increase or enhance research and development, and
3. Improve affordability of postsecondary education by reducing the time to degree, increasing opportunities for high school students to earn credit toward a postsecondary degree, and improve credit transfer between higher education institutions

Twelve proposals were selected to spur economic and workforce development statewide in areas such as addressing the nursing shortfall, capital catalyst seed funding, aquaculture and aquaponics, water technology, etc.

In July 2014, the twelve grant recipients submitted their 2013-14 reports on the status and outcomes of their programs. Even with only roughly 6 months to begin work on their respective programs, all programs have reported considerable accomplishments and are making great strides. All 2013-14 reports will be posted on the UW System Economic Development webpage in September 2014 when the new UW System website goes live.

**Request: Focusing on Economic Development and Business Assistance**

The Economic Development Incentive Grant program represents an important strategic initiative to continue to effectively align UW campus collaborations with economic initiatives wherever they occur. Collectively, these efforts will provide direct benefits in the short-term to businesses and communities statewide and create new and expanded opportunities for our students and faculty.

The UW System requests \$22.5 million in one-time GPR funding in 2015-16 to continue these efforts, with a stronger focus on job creation, business assistance activities, commercialization efforts, and support for entrepreneurial activities. Non-base building grant awards would be awarded on a competitive basis to UW Institutions in 2015-16 for projects or programs that advance one or more of the following activities:

- **Economic development programs, as defined in s. 36.11 (29r) (a)**
  - Encourage the establishment or growth of businesses in Wisconsin

- Create or retain jobs in Wisconsin
- **Increase or enhance research and development activities with a focus on those that lead to commercialization of products**
- **Programs that provide financial and/or material support for UW faculty and/or students engaged in entrepreneurial activities**

Grant awards may be awarded for programs or projects for a period of up to 3 years. Funding will cover one-time costs incurred during the award period to develop or enhance projects/proposals. The UW System will report on program budget, goals, and outcomes annually.

## **Building the Talent Path**

	<b><u>2015-16</u></b>	<b><u>Increase in 2016-17</u></b>	<b><u>Ongoing Base Increase</u></b>
<b>GPR</b>	\$6,400,000	\$2,400,000	\$9,000,000
<b>Fees (Tuition)</b>	\$0	\$0	\$0
<b>GPR/Fees</b>	\$6,400,000	\$2,400,000	\$9,000,000

## **Background**

As the demographic trends in Wisconsin predict an aging population and a stagnating workforce, there is a need to strengthen paths that lead talented residents into higher education and innovative careers. Unless the state can increase the number of returning adults and first generation students who receive internships and are connected to businesses in areas of state need, the economy will be unable to grow (see the March 2014 Wisconsin Taxpayers Alliance article titled “The Impending Storm”).

This initiative requests \$15.4 million biennially for the following initiatives:

<b>Initiative</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>Ongoing</b>
Course Options	\$3.6 Million	\$5.4 Million	\$5.4 Million
Developmental Education	\$1.0 Million	\$1.0 Million	\$1.0 Million
Transfer Information System	\$1.0 Million	\$1.0 Million	\$1.0 Million
UW Flex Option	\$0.0 Million	\$0.7 Million	\$0.7 Million
Talent Market	\$0.5 Million	\$0.5 Million	\$0.5 Million
Diversity	\$0.3 Million	\$0.4 Million	\$0.4 Million
<b>Total</b>	<b>\$6.4 Million</b>	<b>\$9.0 Million</b>	<b>\$9.0 Million</b>

## **Request**

*Course Options.* The state has aggressively moved forward with a Course Options Program that will increase opportunities for Wisconsin high school students to enroll in high school courses for college degree credit. The Course Options Program will reduce the cost of achieving a college degree, and should also reduce the time required to graduate once enrolled on campus, providing benefits to the students, families and the state. This initiative seeks to increase the number of students involved in the Course Options program by 50% in the second year of the 2015-17 biennium.

*Developmental Education.* In 2014, the Systemwide Remedial Education Work Group presented a report on key recommendations for improving student success in higher education through remedial education innovation. Creating new ways to support students as they advance through remedial education can decrease time to degree and the cost of an education. This initiative requests funding to pilot cutting-edged approaches to remedial education at UW institutions and to implement those that are the most successful.

*Transfer Information System (TIS).* Instead of enrolling and completing a degree at one institution, Wisconsin students are moving between institutions across the state to accommodate academic interests, career goals, and personal needs. TIS, maintained by the University of Wisconsin System, offers UW and Wisconsin Technical College System students the ability to see how their credits will transfer to any UW or WTCS campus. This service has been a critical information portal for students trying to complete a degree in the most efficient way possible. Funding is requested to update and support the technology infrastructure of TIS and the accessibility across multiple electronic platforms (e.g., laptops, tablets, mobile devices).

*UW Flex Option.* Led by partnerships throughout the UW System and UW-Extension, the UW Flexible Option draws upon the expertise of UW faculty to offer a more personalized, convenient, and affordable way for adults and other nontraditional students to earn a University of Wisconsin degree or certificate.

The UW Flexible Option's self-paced, competency-based degree and certificate programs let students start any month, work at their own pace, and earn credit using knowledge they already have—whether that knowledge was gained through prior coursework, military training, on-the-job training, or other learning experiences.

In order to ensure the quality and responsiveness of this innovative form of education, the university requests base resources from the state as the program continues to enroll more students.

*Talent Market Initiative.* A Talent Market is a computer accessible resource that will connect Wisconsin businesses with students who are graduating from UW institutions. Students will be able to post their professional interests and qualifications, and employers can post internships and job opportunities.

*Diversity.* As the State of Wisconsin becomes more diverse as a whole, there is a need to support the growing number of students from diverse backgrounds and to prepare all students for success in a diverse culture and workplace.

## **Building the Talent Infrastructure**

	<b><u>2015-16</u></b>	<b><u>Increase in 2016-17</u></b>	<b><u>Ongoing Base Increase</u></b>
<b>GPR</b>	\$0	\$30,000,000	\$30,000,000
<b>Fees (Tuition)</b>	\$15,000,000	\$0	\$0
<b>GPR/Fees</b>	\$0	\$30,000,000	\$30,000,000

## **Why Invest in Building Wisconsin’s Talent Infrastructure?**

Recent reports and articles by the National Governor’s Association “[America Works: Education and Training for Tomorrow’s Jobs](#)”, the Wisconsin Taxpayer’s Alliance “[The Impending Storm](#)” and the Competitive Wisconsin “[Be Bold 2](#)”, have emphasized the need for a greater focus on states and higher education working together to address economic and workforce needs.

Talent Infrastructure needs in Wisconsin – having the educated workforce needed to meet the demands of Wisconsin’s economy today and tomorrow – are clear and must be addressed.

## **Wisconsin and U.S. Employers Need More Graduates in Critical Industries**

Be Bold 2 reported that one in three employers globally report difficulty in filling skilled job openings. Nearly half of US employers report such problems. 66% of manufacturers report that they lack the talent needed to drive their global engagement into the next decade. The National Governor’s Association report echoed this sentiment, as it noted that a lack of skilled workers in a regional economy can constrain growth, limiting employers’ ability to expand unless they move jobs to where talent resides or accept the cost of upgrading the skills of local workers.

Wisconsin, along with most of the nation, is faced with a potential future where there won’t be enough educated professionals to meet the workforce needs of business in critical industries. For example, the Be Bold 2 study identified the following six key industry sectors that are, or will become, essential drivers in securing the state’s economic future:

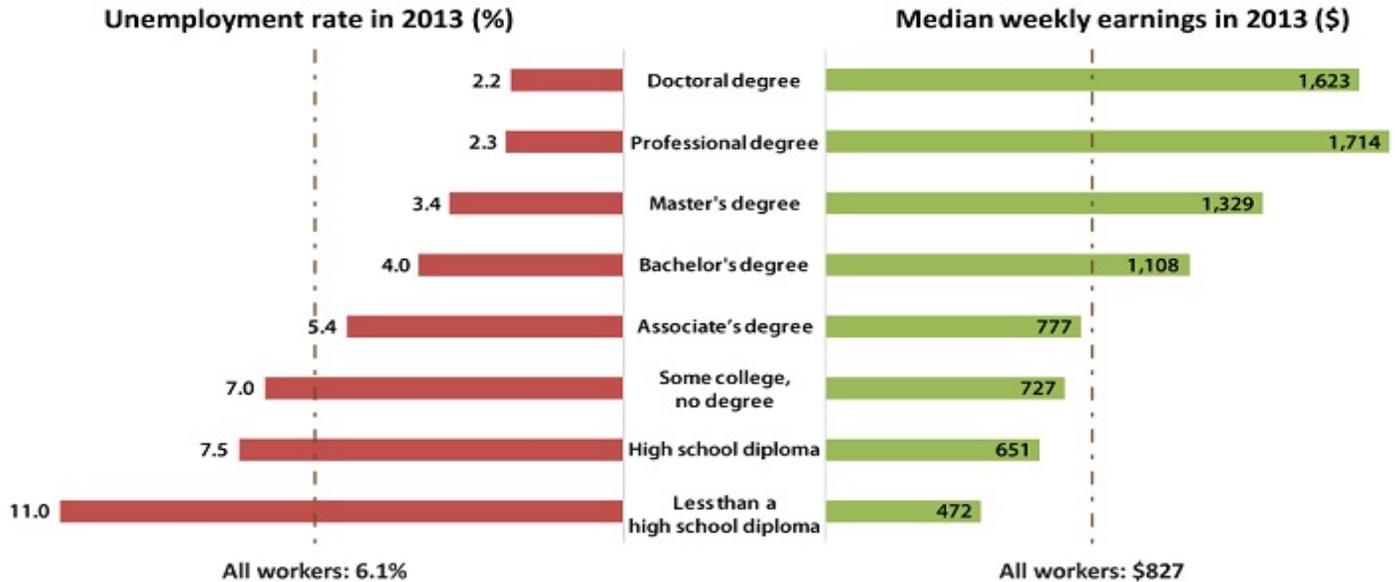
- **Agriculture & Food Manufacturing,**
- **Finance, Insurance & Real Estate,**
- **Healthcare,**
- **Manufacturing,**
- **Transportation, and**
- **Water Management & Research**

*According to the study, these six critical industries account for more than 50% of Wisconsin’s GDP and yet ManpowerGroup’s 2012 study on the supply of critical skills for these sectors shows that these industries are already feeling the impact of critical skill and talent shortages in healthcare, manufacturing, and financial services.*

## **Higher Educational Attainment Benefits Families, Businesses, and Wisconsin’s Economy**

Investing in Wisconsin’s Talent Infrastructure needs for the future will also help address challenges and opportunities associated with educational attainment. The National Governor’s Association found that as the demand for highly educated workers increased, employment

## Earnings and unemployment rates by educational attainment



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.  
 Source: Current Population Survey, U.S. Bureau of Labor Statistics, U.S. Department of Labor

opportunities for those without postsecondary credentials have declined. Without helping enable traditional and non-traditional students attain higher levels of education, there won't be enough workers to meet the future demands of critical industries in Wisconsin. The National Governor's report warns that failing to provide more students with opportunities to access and obtain higher levels of education will limit many people's ability to achieve their potential and a higher standard of living.

Building the Talent Infrastructure in Wisconsin also creates tremendous opportunities. The [Bureau of Labor Statistics](#) found that those with higher educational attainment had both higher median weekly earnings and lower unemployment rates compared to those with less educational attainment. Higher incomes and lower unemployment rates for those with higher educational attainment does more than just help those particular families and people.

Collectively, higher educational attainment means:

- Wisconsin businesses will have the educated workforce it needs to compete nationally and globally;
- Families will have more discretionary income to invest and spend on Wisconsin businesses to help drive and build our economy; and
- Families with higher incomes will pay more in future tax revenues for Wisconsin as demographic trends put pressure on state budgets.

### How to Help Build Wisconsin's Talent Infrastructure

Each institution would submit proposals to receive ongoing base funding to make improvements in priority areas for the Board and the State that align UW's programs with state needs, with a goal of improving the economy and increasing business/community engagement through building Wisconsin's Talent Infrastructure.

The UW System requests \$30 million in ongoing GPR funding beginning in 2016-17 for base building grants that would be awarded on a competitive basis to UW Institutions for programs that build the talent infrastructure Wisconsin requires to meet the growing demands by businesses for an increasingly well-educated and trained workforce. Grants would be awarded to UW institutions for the following programs/activities:

## Eligible Activities

- **Programs that increase the number of bachelor's, master's, professional, and doctoral degrees in fields for which occupational demand is high.**
- **Programs that increase the number of opportunities available for undergraduate and graduate students to gain work experience in their fields through internships, cooperative work experiences, and other job opportunities.**
- **Programs that attract and retain undergraduate and graduate students in degree fields for which occupational demand is high.**
- **Programs that recruit and retain outstanding faculty in high-demand fields to ensure institutions have the capacity to educate the graduates needed in high-demand occupations.**

Priority will be given to grant applications that show a high degree of collaboration and involvement from local, regional, and Wisconsin business, government, and community partners. UW institutions are further encouraged to collaborate with each other these proposals.

UW institutions serve diverse missions in response to the needs of the regions and students that they serve. As such, the priorities and opportunities for addressing the gaps will vary. Institutions should select priorities related to how their institution, within its mission, can increase its contribution to building Wisconsin's Talent Infrastructure to address current and future workforce development needs in the state.

## **Building the Foundation for Excellence**

	<b><u>2015-16</u></b>	<b><u>Increase in 2016-17</u></b>	<b><u>Ongoing Base Increase</u></b>
<b>GPR</b>	\$0	\$27,300,000	\$27,300,000
<b>Fees (Tuition)</b>	\$0	\$0	\$0
<b>GPR/Fees</b>	\$0	\$27,300,000	\$27,300,000

The 2013-15 Executive Budget proposal provided funding for a block grant increase to the GPR share of pay plan and fringe benefit increases, new initiatives, and a small amount of money for other needs like utilities. However, concerns about balances resulted in a loss of new GPR to cover those costs, a base cut comparable to half of the annual average cost of lapses in the 2011-13 biennium and a tuition freeze. During this two-year period the UW System has worked to expeditiously develop policies regarding cash balances, increased transparency around how balances will be used, and drawn down balances to cover costs on a one-time basis.

The UW System has unfunded base costs for compensation and fringe benefits related to the 2013-15 tuition freeze that will undermine the ability for the university to maintain its high degree of quality, increase success and retention and address the state's need for more college-degreed professionals to address the workers needed by the state's businesses and to improve the state's overall economy. This tuition structural deficit accrues because there is an expectation that the university will fund a portion of salary and fringe benefit increases for their staff. This leaves \$27.3 million in ongoing costs with no permanent funding source. The University is asking the state to cover these costs in the second year of the upcoming biennium because:

1. The tuition freeze has forced the University to draw down its tuition-related balances. The draw down will continue in FY 15 and FY 16. Funding the ongoing costs in 2016-17 will provide a permanent source of funding for these costs when the balances have reached a stable and more sustainable level.
2. The balances within the UW System are not equally generated. Some UW institutions have fund balances that are beginning to attract the attention of accreditors. Others have committed the vast majority of their balances and would need to postpone strategic initiatives in order to address these costs. Other campuses are experiencing enrollment declines that threaten the fiscal stability of the campus. These campuses will struggle to fund the one-time cost of covering these costs, let alone the ongoing structural imbalance.
3. The UW System is planning to propose 2015-17 biennial budget initiatives to address state-wide needs and priorities as well as Board priorities. Plans are being made to use balances to jump-start the projects prior to the receipt of any additional state investment. The use of fund balances for this purpose would accelerate the implementation of these new initiatives without creating a further structural deficit.

New salary and fringe benefit costs for most state agencies are fully funded through GPR via the compensation reserve. While the UW System has traditionally covered a portion of these new costs from tuition increases, the freeze made this impossible. In order to avoid a similar situation in the future, the UW System requests that GPR fully fund future compensation increases in years that a tuition freeze is in effect, preferably retroactive to the 2013-15 biennium.

## STATUTORY LANGUAGE CHANGE REQUESTS

1. AUTHORITY TO CONTINUE AND EXPAND DISCRETIONARY MERIT COMPENSATION ADJUSTMENTS USING FUNDING FROM ANY SOURCE FOR ALL EMPLOYEES

Existing authority for providing discretionary merit pay for employees will no longer be available to any University employees once separate and distinct personnel systems are in place under Wis. Stat. 36.115. Wis. Stat. 36.09(1)(j) currently states as follows:... “The board may not increase the salaries of employees under this paragraph unless the salary increase conforms to the proposal as approved under s. 230.12 (3) (e) or the board authorizes the salary increase to correct salary inequities under par. (h), to fund job reclassifications or promotions, or to recognize competitive factors.” Exceptional performance is not an approved reason to use base funds to adjust salaries.

The Board seeks statutory authority to continue and expand discretionary merit compensation adjustments using generated and/or reallocated base funding from any source for all employees.

2. AUTHORITY FOR THE BOARD OF REGENTS AND THE UW-MADISON CHANCELLOR TO APPROVE COMPENSATION PLANS FOR ALL EMPLOYEES.

Effective July 1, 2015, the Board of Regents and the Chancellor of UW-Madison must submit separate recommendations to OSER for adjusting compensation for all employees. OSER then submits a proposal for adjusting compensation to JCOER for approval.

The Board of Regents seeks modifications to Wis. Stat. 230.12(3)(e) and Chapter 111 to allow the Board of Regents and the UW-Madison Chancellor to approve compensation plans for all employees. However, general wage adjustments for UW System employees would continue, in statute, as part of the state’s Compensation Reserve. UW System’s need for institution-specific competitive compensation was most recently highlighted through the work of the 2010 Competitive University Workforce Commission (CUWC). The findings of the CUWC revealed significant and varied gaps in compensation with existing peer institutions. This recommended change will provide the UW System with an additional tool that is needed to address the findings of the CUWC.

3. MODIFY THE FEES REPORT TO BETTER ADDRESS LEGISLATIVE NEED AND TO ACCOMMODATE BUDGET TIMING

Wis. Stat. 35.65(4) requires the Board of Regents to submit an annual report to the Joint Committee on Finance and Joint Legislative Audit Committee on tuition and fee rates at University of Wisconsin institutions. It is not clear that the specific reporting requirements in the statute are responsive to the evolving needs of the legislative committees. As the creation of this report requires significant staff resources for manual data collection and review as well as information technology resources to maintain a reporting database and custom reporting application, deploying resources to most efficiently address legislative intent is preferred.

The Board of Regents requests that the specific reporting requirement that “all fees, including academic fees, tuition, segregated fees, and any other fees” be modified to read “tuition and fees.”

Additionally, the statute requires that the report be submitted by October 15. Tuition and fee rates for the following year are not finalized until July. And, the period from July to through September is occupied with end of fiscal year processes, preparing the required Program Revenue Balances Report, and enrolling students for the fall semester.

The Board of Regents requests that the reporting date be modified from October 15 to December 15.

4. RECONCILIATION OF AUXILIARY BALANCE REPORTING AND APPROVAL REQUIREMENTS

Wis. Stat. 36.46 requires reporting and approval of balances in university auxiliary operations. As required by 2013 Wisconsin Act 20, the Board of Regents adopted Regent Policy Document 21-6 that requires more detailed reporting on program revenue balances, including auxiliary operations, to the Joint Legislative Audit Committee and the Joint Committee on Finance.

The Board of Regents requests the repeal Wis. Stat. 36.46 in favor of the auxiliary balance reporting required in the program revenue balance report.

## C. PERFORMANCE MEASURES

**DOA Required 2015-17 Biennial Budget Performance Measures  
for the University of Wisconsin System**

**Measure 1: Undergraduate Degrees**

**Goal: Meet or exceed current plans to increase undergraduate degrees conferred (Associate and Bachelor's).**

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<b>Year</b>	<b>Plan</b>	<b>Actual</b>
2003-04		25,049
2004-05		24,129
2005-06		24,103
2006-07		25,096
2007-08		25,465
2008-09		25,992
2009-10	26,317	26,297
2010-11	26,910	27,087
2011-12	27,254	28,189
2012-13	27,723	28,789
2013-14	28,041	
2014-15	28,723	
2015-16	29,339	
2016-17	30,040	
2017-18	30,636	
2018-19	31,112	

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**Progress: The University of Wisconsin System's More Graduates initiative calls for an additional 80,000 high-quality undergraduate degrees over the 2008-09 level by 2025-26.**

**Although the initiative focuses on undergraduate degrees, graduate education remains an important part of the UW System's mission.**

**Measure 2: Participation Rate**

**Goal:** Provide access by enrolling at least 32 percent of Wisconsin high school graduates immediately after graduation.

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<b>Fall Term After HS Graduation</b>	<b>Plan</b>	<b>Actual</b>
2003	32.0%	32.0%
2004	32.0%	33.0%
2005	32.0%	32.6%
2006	32.0%	32.5%
2007	32.0%	33.1%
2008	32.0%	32.4%
2009	32.0%	31.9%
2010	32.0%	31.7%
2011	32.0%	31.9%
2012	32.0%	31.5%
2013	32.0%	
2014	32.0%	
2015	32.0%	
2016	32.0%	
2017	32.0%	
2018	32.0%	

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**Progress:** The University of Wisconsin System is committed to serving the residents of the State of Wisconsin, not only through the enrollment of high school graduates but also through the enrollment of transfer students and nontraditional-aged students.

**Measure 3: Retention Rate**

**Goal:** Meet or exceed current plans to increase the rate at which new freshmen return to the same institution for the second year of study.

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<b>Year (Entering Class)</b>	<b>Plan</b>	<b>Actual</b>
2004-05 (Fall 2003)		80.2%
2005-06 (Fall 2004)		80.5%
2006-07 (Fall 2005)		79.2%
2007-08 (Fall 2006)		79.2%
2008-09 (Fall 2007)		79.3%
2009-10 (Fall 2008)		80.2%
2010-11 (Fall 2009)	79.5%	80.8%
2011-12 (Fall 2010)	80.4%	79.6%
2012-13 (Fall 2011)	80.5%	80.2%
2013-14 (Fall 2012)	80.9%	80.7%
2014-15 (Fall 2013)	81.3%	
2015-16 (Fall 2014)	81.8%	
2016-17 (Fall 2015)	82.0%	
2017-18 (Fall 2016)	82.2%	
2018-19 (Fall 2017)	82.5%	
2019-20 (Fall 2018)	82.7%	

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**Progress:** A student's persistence to the second year of study is an important, early indication of accomplishing the long-term graduation objective. The University of Wisconsin System is committed to providing students with the opportunity to successfully persist to the second year and beyond to graduation.

Plans were developed in conjunction with the More Graduates initiative. They reflect efforts to increase enrollments of historically underserved populations that may face greater obstacles to persistence in higher education.

**Measure 4: Graduation Rate**

**Goal:** Meet or exceed current plans to increase the rate at which new freshmen earn a bachelor's degree at the same institution within six years.

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<b>Year* (Entering Class)</b>	<b>Plan</b>	<b>Actual</b>
2004-05 (Fall 1998)		56.2%
2005-06 (Fall 1999)		57.3%
2006-07 (Fall 2000)		58.0%
2007-08 (Fall 2001)		58.7%
2008-09 (Fall 2002)		59.3%
2009-10 (Fall 2003)		59.7%
2010-11 (Fall 2004)	59.4%	60.4%
2011-12 (Fall 2005)	59.8%	59.3%
2012-13 (Fall 2006)	59.9%	59.6%
2013-14 (Fall 2007)	60.4%	59.3%
2014-15 (Fall 2008)	60.8%	
2015-16 (Fall 2009)	61.0%	
2016-17 (Fall 2010)	61.3%	
2017-18 (Fall 2011)	61.7%	
2018-19 (Fall 2012)	62.1%	
2019-20 (Fall 2013)	62.4%	

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\*Year denotes the reporting year not the academic year the degree was completed.

**Progress:** Continuing to increase graduation rates is an important strategy for reaching the goal of the University of Wisconsin System's More Graduates initiative.

## D. REFERENCE



**SCOTT WALKER**  
**OFFICE OF THE GOVERNOR**  
**STATE OF WISCONSIN**

P.O. Box 7863  
MADISON, WI 53707

July 9, 2014

Dear Agency Head:

Our administration took office at a critical time in Wisconsin's history. Budget deficits, unemployment, low wages, and general stagnation created a fiscal and economic crisis. The situation was made even worse by poor planning. After years of past administrations kicking the can down the road, our team implemented long overdue reforms to put Wisconsin on the path to prosperity.

Together, we eliminated a \$3.6 billion deficit. We truly balanced the state budget without tax increases or gimmicks and one-time fixes. We reached a balance of \$279 million in the Budget Stabilization Fund, the largest fund balance in its history.

Today, Wisconsin's future is bright. Our state's economy is improving, over 100,000 new jobs have been created and wages are rising. General manufacturing is again on the rise, as Wisconsin is one of the two most manufacturing intensive states and has achieved top-tier status for manufacturing job growth according to the U.S. Bureau of Labor Statistics, while our agricultural roots continue to provide prosperity across the state, feeding millions and leading the dairy industry. These two sectors are often linked to our great state, but we are seeing significant growth in other fields, such as medical technology, software, and electrical equipment.

Most importantly, our families are enjoying good news in the economic indicators that matter most to them. The unemployment rate continues to decline, hitting 5.7 percent in May, the lowest point since 2008, and remains below the national rate; personal income increased at a rate of 2.7 percent, above the national average; and property values are on the rise, restoring our ability to successfully pursue the American Dream.

Wisconsiners know best how to spend their money, so we put taxpayers back in charge. We lowered property taxes each year of this administration, including three times in the last year through 2013 Wisconsin Acts 20, 46, and 145. As a result of our property tax controls, the property taxes on the typical Wisconsin home will be lower in 2014 than they were in 2010.

We intend to continue this trend and are committed to holding the line on property taxes by ensuring the state property tax burden on the average Wisconsin home in 2018 is lower than it is 2014. We reduced income taxes across the board and even modernized our tax withholding tables, allowing Wisconsin families to take home more of their hard-earned money in their paychecks.

While providing long-overdue tax relief, we have also succeeded in restoring economic order behind the scenes. Our Generally Accepted Accounting Principles (GAAP) status has improved dramatically, from a \$2.9 billion deficit in 2010 under the previous



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administration to \$1.7 billion in 2013. This tells the nation that Wisconsin's economy is built on a sound foundation. Further validating our sustainable economic outlook, Wisconsin was given a AAA transportation revenue bond rating and we are maintaining other strong bond ratings while other states see their ratings fall.

The state pension system is the only fully funded pension system in the country. And Wisconsin's per capita pension and debt ratio is one of the best in the U.S.

Our direct approach to successfully addressing challenging economic circumstances and restoring optimism toward our future has not gone unnoticed. Just recently, Wisconsin ranked 17th on CNBC's Top States for Business, up from 29th in 2010. This year, Wisconsin ranked 14th on Chief Executive Magazine's list of Best & Worst States for Business, up from 41st in 2010. And in a poll by the state's chamber of commerce, 95 percent of job creators said they thought Wisconsin is headed in the right direction, up from 10 percent in 2010.

These achievements were not gained easily or overnight. Both the 2011-13 and 2013-15 biennial budgets met our high standards of responsibility, and 2011 Wisconsin Act 10 provided our local partners with tools to meet their unique challenges.

Consistent with our fiscal policies, we established new programs to help our citizens achieve family-supporting employment in a changing economy. We listened to job seekers and job creators, and we will continue to help bring them together. Programs such as Wisconsin Fast Forward represent unique partnerships among our universities, technical colleges, businesses, and state government to train workers for high-demand fields. We already learned that a capable and flexible workforce is a critical ingredient in providing opportunities, and we will continue to seek innovative strategies to build on our reputation of having some of the hardest-working citizens in the nation.

In training and education, we will continue our efforts to leverage technology to provide students in all corners of the state with access to our world-class institutions, as we did with the UW Flexible Option. In higher education, we expanded student opportunity and access by freezing tuition for two years, the first two-year tuition freeze in UW System history, and we are committed to continuing this freeze and exploring additional mechanisms for expanding higher education opportunities for our students.

All of these programs and policies have built a better Wisconsin. However, we must also maintain and rebuild our physical infrastructure, including transportation, energy, and telecommunications. We will continue to invest significant resources in our transportation system and improve our ability to move resources and products to market.



**SCOTT WALKER**  
**OFFICE OF THE GOVERNOR**  
**STATE OF WISCONSIN**

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MADISON, WI 53707

We accomplished such goals in a transparent fashion. Earlier this year, we launched OpenBook Wisconsin, providing citizens with information to actively engage their government and to appropriately hold us accountable for using their money wisely. This effort will continue with the State Transforming Agency Resources (STAR) project, which will greatly enhance our ability to manage our finance, budget, procurement, business intelligence, and human resource functions. While such enterprise-level reforms are common in the private sector, our state continues to operate on systems developed as long ago as the 1960s. You and your teams have already worked hard on the initial phases of this transformation and we will continue to collaboratively implement this project.

All of these philosophies and goals require constant fiscal discipline. Therefore, just as in the last biennial budget, I am directing most agencies to maintain their overall fiscal year 2015-16 and 2016-17 GPR budgets at the fiscal year 2014-15 adjusted base. The same zero-growth targets will also apply to SEG-funded administrative operations. Agency requests should focus on continuing to grow our state's economy and improve the lives of our fellow Wisconsinites. Agencies are encouraged to reform or even eliminate obsolete and outdated programs in order to fund new initiatives within their current base, rather than seeking additional funds or positions.

Our state is in a strong position to continue its successes and be a model for the nation. We will continue on this path even as we see concerning signs at the federal level. Our nation's recent fiscal policies have not brought about the return to prosperity we are seeing here in Wisconsin. In some cases, the federal government is acting as an anchor rather than a sail. Funding cuts, discretionary and selective government shutdowns, and the continuation of massive deficits could jeopardize much of what we have achieved here in Wisconsin.

As required by law, agency budget requests are due on September 15, 2014. The Major Budget Policies and Budget Instructions follow this letter. Please review them carefully as you prepare and prioritize your requests. Technical budget instructions will again be available on the State Budget Office SharePoint site.

As always, thank you for your hard work serving our citizens every day. In partnership with our professional state employees, we will continue to deliver high quality public services and meet the high expectations of our proud state. And we will continue working together to move Wisconsin forward.

Sincerely,

SCOTT WALKER  
Governor

# MAJOR BUDGET POLICIES 2015-17

## BUDGET TARGETS

- Agencies should prepare their 2015-17 biennial budget requests based on 100 percent of their fiscal year 2014-15 adjusted base.
  - All agencies should assume there will be zero growth in overall GPR appropriations in each fiscal year during the 2015-17 biennium, and specific program needs should be managed within this general constraint.
  - Exceptions will occur only for K-12 school aids; required basic cost-to-continue needs for the state's institutions, i.e., the Department of Corrections and the Department of Health Services institutions; entitlement and related assistance programs in the Department of Health Services (e.g., Medical Assistance), the Department of Children and Families' Division of Safety and Permanence, and the Department of Workforce Development's Division of Vocational Rehabilitation; and housekeeping adjustments like standard budget adjustments, fuel and utilities, and debt service.
- Agencies are reminded that, under 2013 Wisconsin Act 20, Section 9252(1)(a), many agencies were required to lapse or transfer, from PR or GPR appropriations, a total of \$38.3 million annually to the general fund in the 2013-15 biennium. This lapse requirement was extended to include fiscal year 2015-16 by 2013 Wisconsin Act 145, Section 44m. Agencies should plan accordingly to ensure sufficient funds are available to meet this lapse requirement.
  - Agencies should not submit any request to remove or modify this requirement as part of their biennial budget request.
- The zero growth policy will also apply to the SEG-funded administrative operations appropriations in all agencies that are supported by the transportation fund, the conservation fund, the environmental fund and the lottery fund.
- Funding requests for other types of appropriations and other funding sources in both years should be limited to revenue availability and only the highest priority programmatic needs.
- Except for standard budget adjustments, routine budget items should be handled in agencies' base budgets regardless of fund source.
- Agencies should not submit requests related to anticipated changes to existing systems or processes that may result from the State Transforming Agency Resources (STAR) project.
- In developing their biennial budget requests, agencies should fundamentally review missions and priorities, exploring opportunities to reallocate resources, integrate programs and consolidate functions.
- Any areas needing additional staff must be met through base reallocations.

Note: Agencies must receive approval from the State Budget Office before proposing to use funding sources in another agency to stay within budget targets, to absorb operations' reductions or to fund any new initiatives.

- Proposals that transfer functions or programs, including related costs and staff, between agencies should result in zero growth in overall state appropriations (i.e., the transferring agency should have lower overall appropriations to offset the increase at the receiving agency). All agencies involved in the transfer should notify the State Budget Office during the initial stages of considering any such proposal to facilitate review of the request and allocation of any projected savings between the agencies.
- Where reductions and efficiencies in state operations result in reductions in positions, agencies should make all efforts to accomplish the reductions without layoffs.

## **PERFORMANCE MEASUREMENTS IN BUDGETING**

- Agencies need to report on the performance measures they identified for previous biennial budgets. These measures should relate to agencies' broad Chapter 20 budget programs. If needed to capture significant shifts in agency function, additional measures could be added; however, only a few measures should be presented so there is a clear focus on results.
- For the 2015-17 budget, agencies need to report actual outcome measures through fiscal year 2012-13 and fiscal year 2013-14. Planned outcome measures should be listed for fiscal year 2014-15, fiscal year 2015-16 and fiscal year 2016-17. Agencies should track and maintain data going forward to present actual performance data for a fiscal year compared to planned performance. (A calendar year may be used if data is collected on that basis. Please note where calendar years are used.)
- The State Budget Office will include performance measures developed by an agency in the Executive Budget Book, and agencies should reference measures in decision items, where relevant.
- Agency descriptions and performance measures will be included in the state budget system and must be updated in that system. It is important for agencies to follow the prescribed format to ensure consistency and compatibility.

## **BUDGETING FOR INFORMATION TECHNOLOGY**

Requests for funding of information technology projects should identify the link between the project and the state's business goals, conformity to the Department of Administration's Policies and Procedures for Information Technology Management, and provide specific information about each project, including executive sponsorship. Consistent with information technology strategic planning, project definitions must include a standard return on investment (ROI) calculation.

## **BUDGETING FOR DEPARTMENT OF ADMINISTRATION RATE CHANGES**

Agencies should not reflect anticipated rate changes from the various divisions within the Department of Administration in their 2015-17 budget requests. Forecasting of rates and impacts on individual agency budgets will be addressed by the Department of Administration in developing the Governor's 2015-17 budget.

## **FEDERAL FUNDS**

The state has a goal of increasing the ongoing receipt of federal funds where the use of federal funding is consistent with state program goals. In order to increase the amount of federal funds received, agencies should conduct the following review:

- Examine existing grant awards to ensure that they are fully utilized and consistent with agency priorities. If unexpended grant authority is available, the agency should reallocate the funds to other activities to the extent possible under state and federal rules.
- Agencies may also identify, in the form of a policy paper submitted on September 15, additional federal grant opportunities that were not included in the agency's request. Such opportunities may be considered for funding by the State Budget Office during budget deliberations.

## **STATUTORY LANGUAGE GUIDELINES**

- Agencies should seek to limit policy items unrelated to appropriation changes for inclusion in the Governor's budget.

Note: Please contact your State Budget Office analyst to discuss whether a particular initiative is appropriate for submission as a budget request.

- Agencies should not submit extensive lists of technical or housekeeping changes for inclusion in the Governor's budget. Proposed changes for separate nonbudget legislation can be submitted to the State Budget Office for review and approval, separate from the budget request.

Note: Please contact your State Budget Office analyst if these types of changes are sought.

- As in past budgets, prior to September 15, agencies may work directly with the Legislative Reference Bureau in preparing statutory language items related to the budget. After September 15, all drafting and redrafting requests related to the budget must come from the State Budget Office.
- The Legislative Reference Bureau strongly discourages agencies from submitting budget bill drafts that agencies have drafted. Instead, agencies should submit memoranda identifying what they are seeking to accomplish.
- The detailed budget instructions will provide more information on statutory language submittal requirements.

## **BUDGET SUBMITTAL DUE DATES AND PROCEDURES**

- Formal budget requests are due Monday, September 15, 2014. Send four (4) copies to the State Budget Office and two (2) copies directly to the Legislative Fiscal Bureau.
- State Budget Office staff will be available to meet with individual agencies to explain budget policies and procedures, and discuss any agency concerns.
- Implementation of the new budget development system may result in changes in policies and procedures. Additional information will be forthcoming on any changes.

## **INFORMATION ON THE WEB**

- The Budget Instructions will be available on the State Budget Office Web site at <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/Biennial-Budget>.
  - Periodic information updates will be posted to this Web site and the State Budget Office SharePoint site, so agencies should check these sites regularly.



# THE WISCONSIN TAXPAYER

Vol. 82, Number 3 | March 2014

## The Impending Storm

### Changing Demographics and Wisconsin's Economic Future

*The impending retirement of the baby-boom generation will have significant effects on Wisconsin's economy over the next 30 years. As this large cohort retires, the size of Wisconsin's workforce will stall; the working-age population is expected to decline 0.2% between 2010 and 2040. Only 21 of the state's 72 counties are expected to see increases in residents ages 20 to 64, and only six will see increases of more than 10%. Working-age populations are expected to drop more than 10% in 13 northern counties.*

"No question is so difficult to answer as that to which the answer is obvious."  
— Nobel Laureate George Bernard Shaw

Many aspects of government and the economy—tax collections and stock prices, for example—are difficult to predict. But future school enrollments and workforce numbers are not. Metaphorically, today's babies are tomorrow's students and next week's working men and women.

As the saying goes, demography is destiny. Population trends that have been building for decades are now "coming home." Wisconsin is undergoing a major demographic shift that will adversely impact employers, taxpayers, government revenues, and the state economy's capacity to grow.

The seeds were sown in the years after World War II, when returning GIs married, had children, built houses, and bought all that went with them—furniture, appliances, automobiles, and remodeling. As the nation's population surged, so did the American economy.

Over the next six decades, the demographic tidal wave of maturing "baby boomers" inundated almost everything in its path, leaving new mores and lifestyles, new political and societal institutions, and new technologies and wealth.

Now, as these boomers begin to retire, their oversized generation's impact will again be felt—but in a new and less positive way. As growth in the workforce stalls, job growth will

slow as well. It is difficult to create jobs when there are no people to fill them. It is also difficult to fund public services if employment and tax revenues are not growing.

#### LOOKING BACK

The proverbial tea leaves have long been there for Wisconsin's political, civic, and business leaders to read—if they had wanted. During the 1950s, birth of the bulk of the baby-boom cohort pushed state population up sharply; annual growth averaged 1.4%.

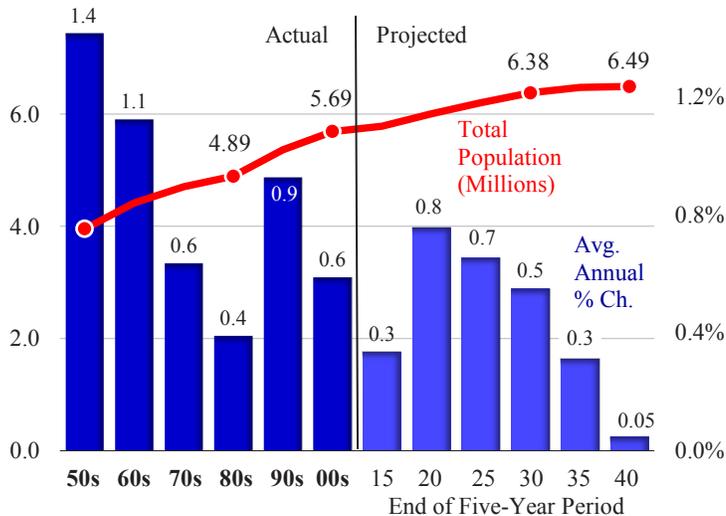
#### Also in this issue:

Wisconsin Income Rising • Wisconsin Government Employment • SchoolFacts, at a Discount



A service of the Wisconsin Taxpayers Alliance

**Figure 1: Wisconsin Population Growth Slows**  
Total in Millions (Line) and Avg. Annual % Change (Bars), 1950-2040



But those increases slowed over the next three decades. During the economically challenged 1980s, state population growth averaged only 0.4% per year (see Figure 1). With the technology boom of the 1990s helping to spur Wisconsin's economy, population growth recovered briefly, increasing to about 0.9% per year. However, that did not last: State growth averaged only 0.6% during the first decade of the new millennium.

As growth rates slowed, a major shift in the age composition of the state occurred. As baby boomers aged, they moved into their prime working years. During 1960-2010, the working-age population rose 70%, from two million to nearly 3.5 million (see Figure 2). School-age populations peaked around 1970 and are now 15% below that level.

### A GLANCE AT THE FUTURE

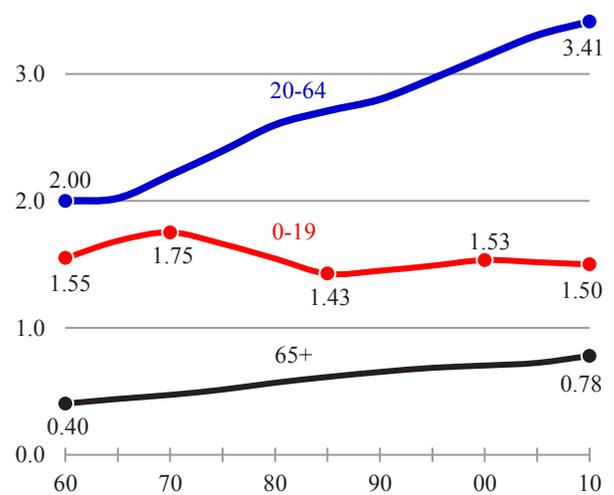
State demographers don't expect a reversal of slow population growth over the next three decades (again, see chart above). After reaching 0.8% between 2015 and 2020, they expect average annual population growth to fall consistently, reaching 0.05% between 2035 and 2040. The population will increase a total of just 0.2% over the entire five-year period.

Wisconsin's population is estimated to grow only 14.1% between 2010 and 2040. To put that in perspective, the state's population increased 14.5% between 1992 and 2010. In other words, what once took only 18 years will now take 30.

### Of Boomers, Births, and Deaths

The future look of Wisconsin is shown in Figure 2. Today's school children are future parents; those

**Figure 2: Age Composition Changes**  
Wis. Population (Millions) by Age Group, 1960-2010



of working age are tomorrow's retirees. Both will significantly impact future births and deaths.

*Births Stagnate, Deaths Accelerate.* During 2000-10, Wisconsin witnessed just over 705,000 births (see Figure 3, page 3). That number is expected to increase only slightly over the next three decades, reaching about 750,000 during 2030-40.

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However, as baby boomers age, the number of deaths in Wisconsin will rise much faster. About 450,000 residents died during 2000-10, but that figure is expected to reach almost 650,000 during 2030-40. Thus, while births outnumbered deaths by about 240,000 in the most recent decade, Wisconsin's natural increase will be nearer 100,000 during 2030-40.

### Moving In, or Moving Out?

Predicting Wisconsin's natural increase—the difference between births and deaths—is not difficult. But estimating future population totals also hinges on the number of people moving in and out of the state, which can be volatile and hard to predict.

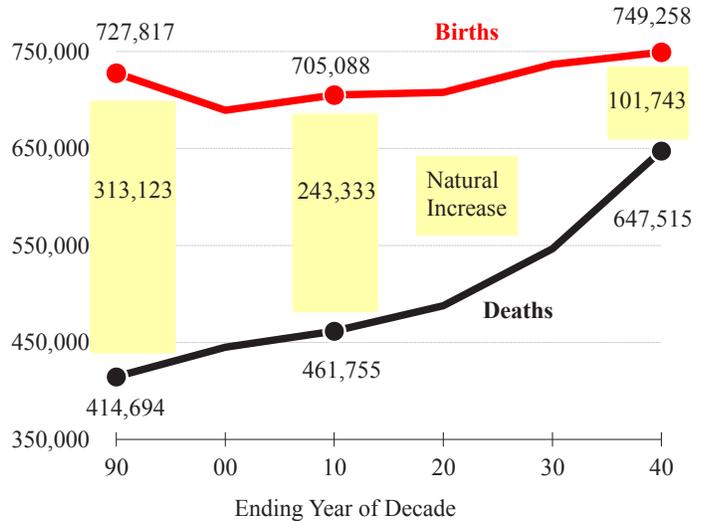
*Predicting Migration Difficult.* Other than by natural increase, the only way population can grow is by more people moving into the state than leaving it (net in-migration). And that depends on a variety of factors, including the relative change in Wisconsin's economy compared to those of other states. When the state economy struggled during the 1980s, many people left the state in search of jobs. The pattern reversed in the 1990s when the economic boom and a labor shortage drew people to the state. Due partly to the most recent recession, Wisconsin's net migration has again turned negative, highlighting the impact the economy can have on migration.

The economy is not the only factor, however; migration to and from Wisconsin also has an age component. Whether due to temperature or taxes, residents in their 60s and 70s tend to move out of the state more than they move in. The same is true for those in their 20s and early 30s: Students and young professionals leave Wisconsin to attend college, seek employment, or find higher paying work.

On the other hand, the state is a net importer of families headed by parents in their 30s and 40s. One reason former residents return is that schools here are good and family-friendly public services, such as parks and playgrounds, abound. Wisconsin has also become a net importer of seniors in their 80s. Like young families, aging retirees may be former residents who return to be close to family and to have better access to quality health care.

Looking ahead, state demographers expect economic rather than age patterns to drive migration over the next 30 years. During 2015-20, they anticipate nearly 113,000 more people moving in to Wisconsin than leaving (see Figure 4). In the years that follow, net

**Figure 3: Deaths on the Rise, Births Stagnate**  
1980s-2030s



migration should remain positive, before ultimately declining in 2035-40. Should age, rather than the economy drive future migration, the inflow will likely be less positive.

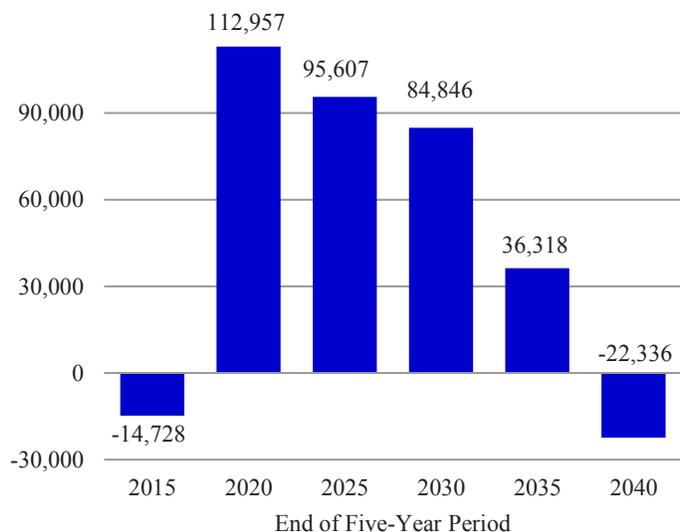
### ECONOMICS OF POPULATION SHIFT

Other than unpredictable migration patterns, there is little in 2010-40 population forecasts that has not been known for decades.

### Workforce Stagnation

While population changes over the next 30 years will affect Wisconsin in many ways, the most significant impacts will be workforce size and job creation. This has long been known. In 2003, the state's chief labor economist told state leaders that by 2030 "at

**Figure 4: Net Migration Generally Positive, but Slowing**  
Five-Year In-migration Minus Out-migration, 2015-40



least 27% of the state’s population will be over 60.” The latest forecast puts the figure at 28%.

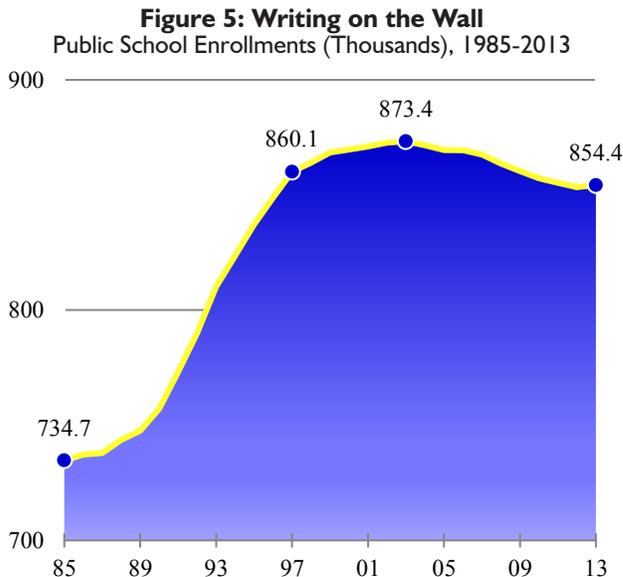
*From School to Work.* Changing school enrollments foreshadow the future workforce. Public school enrollments had an uptick during the late 1980s and early 1990s with the “baby-boom echo” (the children of baby boomers). However, as boomers moved past their childbearing years, the echo began to disappear. School enrollment in 1997 was about 860,000; last year, it was less than 855,000.

The writing is on the wall. A five-year-old in 1997 is now 22. He or she is either in or about to enter the workforce. With school enrollments, at best, flat since the late 1990s, Figure 5 starkly suggests that the size of our labor force is in the early stages of stagnation.

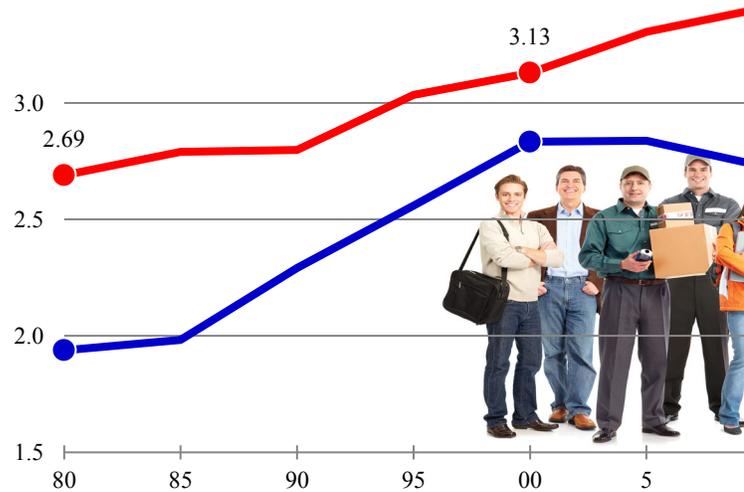
*Where Are the Workers?* Just as baby boomers were associated with a sharp rise in Wisconsin’s workforce, they will now be associated with workforce stagnation. As this group moves from work to retirement, the state’s working population will not grow.

Fluctuating in a narrow band of decline and increase, the working-age population (20-64) is expected to decline 0.2% between 2010 and 2040 (see red line in Figure 6). Annual growth is currently averaging a meager 0.1%. It is expected to fall 0.1% per year during the 2020s and then remain nearly unchanged during the following decade. Between 2030 and 2040, worker numbers will increase just 0.3%.

*Population and Job Growth Linked.* If demography is destiny—and it is—then Wisconsin’s economic future is cloudy. Politicians tout efforts to promote



**Figure 6: Job Numbers Tracked**  
In Millions, Actual (1980-2011)



“economic development” and “job creation,” but if worker counts change little, those efforts will be inadequate. Employment cannot expand beyond the size of the work-eligible population.

History shows the tie is strong. As Figure 6 shows, a nearly one-to-one relationship exists between growth in employment and growth in the working-age population.

Between 1980 and 2011, in states where the working-age population expanded rapidly, job creation was robust. Nevada and Arizona are examples. In states like Wisconsin and its neighbors, where population increased more slowly, job creation was equally weak.

Thus, the expected “freeze” in the size of Wisconsin’s working-age population over the next 30 years will mean little or no long-term job growth (see blue line in Figure 6). In the short term, Wisconsin will be able to create jobs because unemployment remains relatively high (about 6.5%).

Three factors could change the job picture, but only marginally. First, a greater percentage of the working-age population could enter the workforce. When this occurred during the mid-1980s through the late 1990s, jobs grew faster than the working-age population (see Figure 6). Second, employers could rely to a greater degree on older workers, those 65 or older. Should seniors continue to work more than in the past, job creation could be higher. Third, workers could move here from elsewhere. However, forecasts of worker counts already assume significant in-migration.

*Rising Wages?* For companies looking to expand, the dearth of new workers would likely result in a

**Working-Aged Population**  
2010, Projected (2010-40)



labor shortage. This would be positive for workers: Supply and demand will drive up wages, now more than 10% less than national averages. A labor shortage could also encourage workers to work longer, and retire later.

A labor shortage would also magnify the economic fallout from a failure to maximize student success and high school graduation. No state can afford inadequately prepared high school dropouts when it needs every possible worker.

**Student-Age Populations Flat**

What comes after the baby-boom echo’s working years is no more encouraging. Wisconsin’s school-age (5-19) population is expected to grow a modest 3.4% between 2010 and 2040.

Since students are future workers, labor force growth will likely remain negligible until the state’s youngest age group begins to expand, something demographers do not expect for several decades (see Figure 8, page 6). After declining until 2015, the 5-19 age group will increase 0.4% annually until 2030, and even less during the following decade. Between 2035 and 2040, student numbers are expected to decline 1.2%.

**Baby Boomers Retire**

What makes these new forecasts even more attention-getting is the combined effect of a no-growth workforce and a rapidly-rising number of retirees (see Table 1, page 6).

While Wisconsin’s total population is expected to grow 14.1% between 2010 and 2040, the number of

retirees (65 or older) will nearly double (up 97.5%) as boomers retire. Between 2020 and 2025, retiree numbers are expected to rise 18.2%, more than five times the increase in the overall population (3.3%). Even though its growth will slow in subsequent years, the retiree population will remain Wisconsin’s fastest growing age group through 2040.

A near doubling in the number of seniors coupled with little change in the rest of the population means the share of the state’s population 65 or older will increase from 13.7% in 2010 to 23.7% in 2040. Put another way, in 2010, Wisconsin had 23 seniors for every 100 working-age residents. By 2040, that figure will rise to 45.

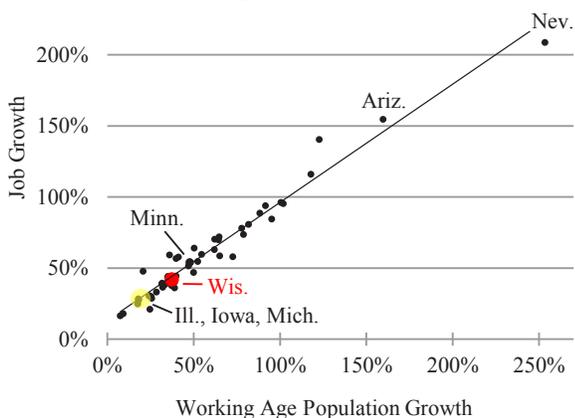
*Economic Impact.* The economic consequences of this growing number of seniors will be marked. The elderly tend to purchase more services and fewer goods than younger people, and health services will be particularly in demand. Although employment in both Wisconsin and nationally has shifted to service industries over the past 30 years, population shifts over the next 30 years will accelerate the change.

Wisconsin’s housing market will also be impacted, as baby boomers retire, downsize, and trade three- or four-bedroom homes for smaller houses, condominiums, or apartments. Prices for smaller houses and condos should rise with increased demand, but the market for larger homes will suffer.

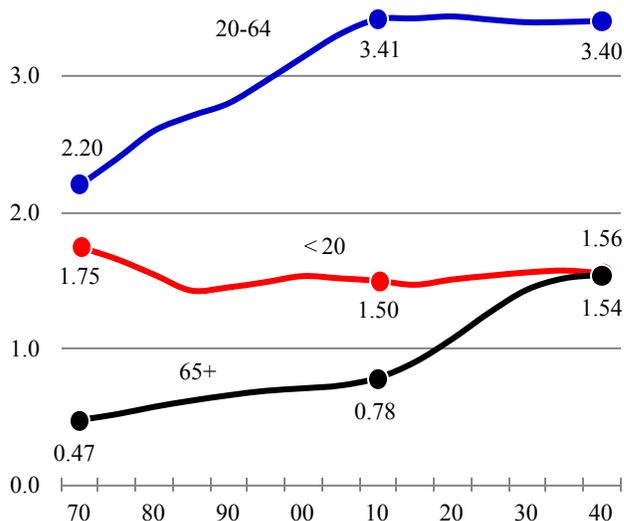
**Impact on Incomes**

Not only will population shifts affect the economy and job growth, they will also impact state income. Average incomes generally rise with age, before falling at retirement. Census Bureau figures from 2010 highlight the pattern. In households headed by

**Figure 7: Jobs and Working-Age Population**  
% Change by State, 1980-2011



**Figure 8: Total Populations by Age**  
In Millions, Actual (1970-2010), Projected (2010-40)



someone under 25, income averaged about \$30,000 in Wisconsin. Average incomes were higher in older households: \$64,000 in the 25-44 age group and \$75,000 for those 45 to 64. Household incomes for retirees were lower, averaging only \$45,000.

The seismic demographic shift from households in the 45-64 age group to those where retirees predominate negatively impacts average incomes. If Wisconsin’s 2010 population looked like 2040’s in terms of age, average state incomes would be about 5% lower.

A growing state population will aid total income growth during 2010-40. However, when a slowly rising population is combined with the projected demographic shift, total income will increase just 15%, or an average of only 0.5% per year, over 30 years. More rapid income growth can only come from rising wages. Regardless, income growth is unlikely to match past averages of 6% in the 1990s or even 4.3% during the pre-“Great Recession” 2000s.

**Table 1: Working Aged Group Stagnant**  
Residents (Millions), % Chg., 2010-40

	Residents (Millions)				% Chg.
	2010	2020	2030	2040	
0 to 19	1.50	1.51	1.56	1.56	3.6%
20 to 64	3.41	3.43	3.39	3.40	-0.2%
64+	0.78	1.06	1.42	1.54	97.5%
<b>Total</b>	<b>5.69</b>	<b>6.01</b>	<b>6.38</b>	<b>6.49</b>	<b>14.1%</b>

## PUBLIC FINANCE

Modest income growth and a shift from “goods-purchasing” middle-agers to “services-purchasing” retirees has revenue implications for both state and local governments.

### Slowing Tax Collections

Individual income and sales taxes provide more than 80% of state general fund revenues. Slow income growth will restrict growth in income tax collections over the next 30 years. Additionally, a growing share of all income will come from Social Security, which Wisconsin no longer taxes. That will further adversely impact income tax collections.

Moreover, since seniors purchase food, drugs, more services (generally not taxable) and fewer goods (taxable), a boom in seniors will slow sales tax collection growth.

*Increasing Demand for Public Services.* To the extent that seniors use government services more than others, the rise in retirees will put further pressure on state and local government spending at the same time that revenues increase little.

A slowdown in tax collections and more demand for public services are a difficult combination that will force state and local governments to choose between cutting programs and increasing taxes.

*School Funding Troubles?* Wisconsin’s population shift has already affected public school finances. Little or no growth in school enrollments for the past 15 years depressed school revenues. Because state-mandated revenue limits are directly tied to student counts, little or no increase in enrollments makes it more difficult for schools to increase revenues, unless they regularly ask for voter approval via referendum.

Passing referenda will likely become more difficult over the next 30 years. Living on fixed incomes, retirees are more affected by rising property taxes than are wage-earners with rising incomes, and they might be less likely to support higher property taxes that come with successful referenda. Since retirees vote at significantly higher rates than younger residents, rapid growth in the senior population will create more obstacles to passing school referenda.

## COUNTY VARIATION

The population dynamics Wisconsin will experience—little change in births and rising numbers of retirees with their eventual deaths—is a statewide

phenomenon. However, some parts of Wisconsin will be more affected than others. The rapidly aging North, with little or no natural increase in population, faces dwindling numbers of residents. Counties near metropolitan areas or with access to interstate highways will grow at a moderate rate.

While total state population will increase 14.1% over the next 30 years, changes will range from a 17.1% decline in Price County to a 41.1% increase in Saint Croix. Only 25 counties will grow faster than the state average; 47 will grow slower.

### Most Counties Losing Workers

Between 2010 and 2040, the working age population is expected to fall 0.2% statewide. In 51 of the state's 72 counties, the decline will be larger (see map), with northern counties taking the biggest hits.

The combined 13-county area (A on the map) from Barron in the West to Langlade in the East and running to Bayfield, Ashland, and Iron counties in the North will see a near 20% drop in the number of working-age residents. Price (-41.0%) and Bayfield (-35.1%) are expected to experience the largest declines in the state.

Three other areas are expected to see declines of more than 10%: northeastern Wisconsin (B) from Kewaunee County north to Florence; central Wisconsin (C) from Green Lake to Wood; and southwestern Wisconsin (D).

The map shows growth will generally follow major highways from Brown County south to Kenosha, then northwest through Dane and Sauk to Saint Croix County. Kenosha and Saint Croix counties benefit from growth in the Chicago and Minneapolis areas, respectively.

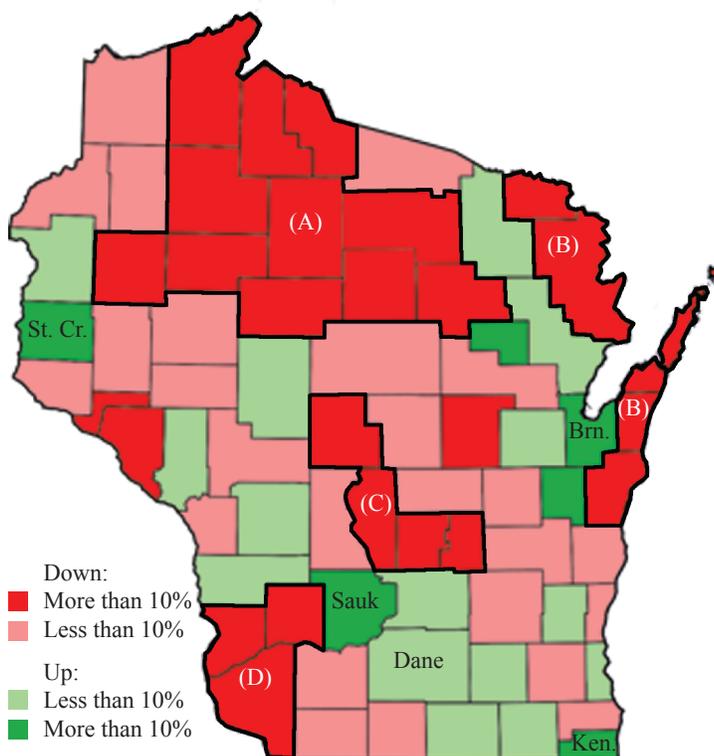
### North Losing Kids, As Well

Economic prospects for northern Wisconsin become of greater concern when changes in student populations are considered. During 1997-2003, enrollments in five northern school districts declined more than 40%; in another 16, they dropped more than 30%.

That pattern is expected to continue. During 2010-40, state demographers expect the school-age population to drop more than 30% in Bayfield and Price counties. Declines will top 20% in Ashland, Lincoln, Pepin, and Rusk counties.

This will have both short- and long-term consequences. First, it raises questions about how to educate children in sparsely populated areas. More

**Figure 9: Working-Age Population to Fall in Most Counties**  
% Change in Population Ages 20-64, 2010-40



than 60 northern districts already have fewer than five students per square mile, making school transportation costly. Of these, more than 40 are small, enrolling fewer than 500 students. WISTAX research has shown that small districts lack scale economies that allow larger districts to reduce costs. Further enrollment declines will exacerbate these challenges.

The future of the workforce beyond 2040 has not been examined here. But having fewer students has workforce implications after 2040. Declining student populations over the next 30 years portends continued workforce shrinkage over the next 50.

### FINAL THOUGHT

In 2004 in *“Wisconsin’s Future: Year 2015 and Beyond,”* WISTAX warned that over the next 15 to 30 years, “unprecedented changes in Wisconsin’s population will impact the state’s economy and government.” What was crystal-ball gazing a decade ago is now becoming reality. The sobering question is: Are Wisconsin leaders any better prepared now to meet the challenges of population change than it was then? □

### DATA SOURCES:

U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau; Wisconsin Department of Administration; Wisconsin Department of Public Instruction



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**WISTAX NOTES**

■ **Wisconsin Income Rising.** Wisconsin per capita personal income (PCPI) rose 2.4% in 2013, the seventh largest increase among the states (see chart). National per capita income climbed 1.8%.

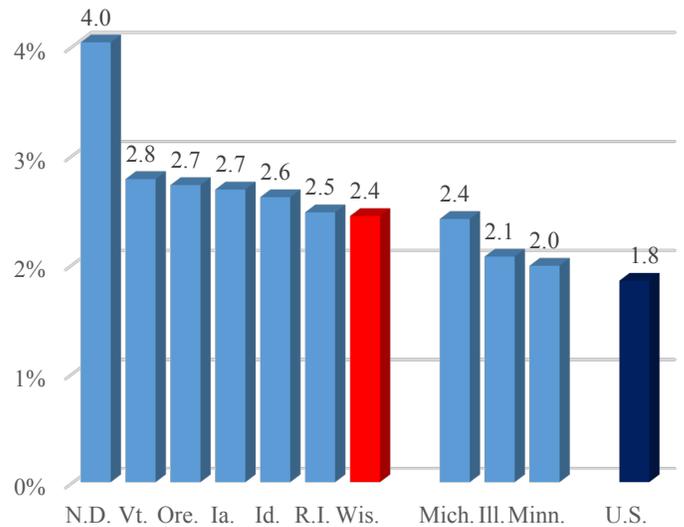
Among neighboring states, only income in Iowa (2.7%) rose more. Income growth in Michigan (2.4%, 9th), Illinois (2.1%, 18th), and Minnesota (2.0%, 21st) trailed Wisconsin.

In addition to reporting the new income figures for 2013, the Department of Commerce (Bureau of Economic Analysis) also revised income numbers for 2001-12 based on new information. These changes show Wisconsin income was higher than previously reported.

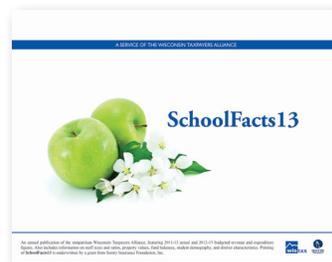
The new figures also show the Badger State outperforming the nation during 2000-13. Over the 13 years, Wisconsin per capita income rose 48.1% compared to 46.9% for the nation. Incomes here also rose more than in Illinois (43.3%), Michigan (33.4%), and Minnesota (46.8%).

■ **Wisconsin Government Employment.** In 2012, Wisconsin state and local governments employed 282,864 full-time equivalent (FTE) employees, or 49.4 per 1,000 state residents. Nationally, government employment averaged 51.8 FTEs Wisconsin was 14th lowest in government employees per capita. Census Bureau figures show that during 1998-2005, the Badger State averaged 52.5 government workers per 1,000 people. That figure dropped to 50.3 in 2010, fell further to 49.0 in 2011, but rebounded slightly in 2012. In Wisconsin, 27.9% of all government employees are employed by state government; the comparable national figure is 27.5%.

**Wis. Income Growth Seventh Highest**  
Per Capita Personal Income Change, U.S. and Selected States, 2013



■ **SchoolFacts, at a Discount.** With the end of the school year just around the corner, WISTAX researchers are beginning work on *SchoolFacts14*. To clear inventory, we are offering our *Wisconsin Taxpayer* subscribers a one-time \$25 discount on the book. *SchoolFacts* helps you compare your district with others on spending, taxes, test scores, staffing, and many other important measures. It can



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## The Benefit of a More Educated Workforce to Individuals and the Economy

Worker productivity is a major factor affecting a state's long-term prospects for economic growth.<sup>1</sup> More highly educated and trained workers typically are more productive than those who have less education and training.<sup>2</sup> And more productive workers generally earn higher incomes.

States are generally limited in their ability to increase worker productivity, except for the substantial role that governors play in improving the quality of the education pipeline. On average, states account for 43 percent of all spending on elementary and secondary education and direct 58 percent of spending on public postsecondary education.<sup>3</sup> To the extent that governors can establish policies and allocate funds to raise the educational attainment of their current and future workforce, they can expand economic opportunities both for individuals and for their states' economy overall.

To develop state policies and funding priorities that support economic growth by increasing the quality of its current and future workforce's education and training, a governor needs better information about the job skills employers require. Pairing that information with an understanding of how well the skills and education level of a state's current population matches with projected employment demand, a governor is then well positioned to craft effective education and workforce training policies. Such policies can be aimed at closing specific skill gaps that yield significant benefits compared to their costs for both the state's citizens and employers.

National Governors Association (NGA) Chair **Oklahoma** Gov. Mary Fallin launched a yearlong effort to better prepare Americans to work in the new economy through improved postsecondary education and workforce training. *America Works: Education and Training for Tomorrow's Jobs* raises awareness about the significant benefits for individuals, businesses, and state economies when governors act to raise their population's educational attainment and better align their education and training systems with the likely future demands of employers.

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1 Other factors include increases in the supply of labor and capital as well as improvements in technology.

2 L. Leslie and P. Brinkman, *The Economic Value of Higher Education* (New York: Macmillan, 1988) and W. Becker and D. Lewis, eds., *Higher Education and Economic Growth* (Norwell, MA: Kluwer, 1993).

3 S. Q. Cornman, *Revenues and Expenditures for Public Elementary and Secondary School Districts: School Year 2009–10* (Fiscal Year 2010) (Washington, DC: National Center for Education Statistics, April 2013), <http://nces.ed.gov/pubs2013/2013307.pdf>, and *State Higher Education Finance FY 2010* (Boulder, CO: State Higher Education Executive Officers, 2011), [http://www.sheeo.org/sites/default/files/publications/SHEF\\_FY10.pdf](http://www.sheeo.org/sites/default/files/publications/SHEF_FY10.pdf).

## The Mismatch Between the Talent We Have and the Talent We Will Need: Implications for Individuals and State Economies

For most of the 20th century, Americans led the world in educational attainment. That position provided a substantial catalyst to what came to be known as the American Century, a period in which the United States leveraged its broad educational base and other resources to lead the world in economic growth, wealth creation, and technological innovation.<sup>4</sup>

Now, more than a decade into the 21st century, Americans risk falling behind as technological advances accelerate demands for talented workers. Today, the United States trails 11 other developed nations in postsecondary attainment among those between 25 and 34 years of age. It has fallen even farther behind in the percentage of young adults graduating from high school, trailing 21 developed nations.<sup>5</sup> Even more startling are the results of the 2012 Program for International Student Assessment exam, which measures the performance of 15-year-olds in 65 countries. U.S. students ranked 20th, 23rd, and 30th in reading, science, and math, respectively, a decline in each subject.<sup>6</sup>

Those troubling trends have direct economic consequences for states and individuals. Failing to provide all Americans with opportunities to successfully navigate postsecondary education will limit far too many students' and members of the current workforce's potential to enhance their livelihood and contribute to the economy. Similarly, a lack of skilled workers in a regional economy can constrain growth, limiting employers' ability to expand unless they move jobs to where talent resides or accept the cost of upgrading the skills of local workers.

As the demand for highly educated workers has increased, employment opportunities for those without postsecondary credentials have declined.

*Failing to provide all Americans with opportunities to successfully navigate postsecondary education will limit far too many students' potential to enhance their livelihood and contribute to the economy.*

4 C. Goldin and L. Katz, *The Race Between Education and Technology* (Cambridge, MA: Belknap of the Harvard UP, 2009).

5 Education at a Glance 2013: OECD Indicators, charts A1.2 and A2.1 (Paris: OECD Publishing, 2013).

6 National Center for Education Statistics, Program for International Student Assessment (PISA), "Selected Findings from PISA 2012," <http://nces.ed.gov/surveys/pisa/pisa2012/index.asp>.

The current lifetime wage premium for an individual who has a two- or four-year degree is \$423,000 and \$964,000, respectively, compared with a person who has a high school diploma.<sup>7</sup>

Looking at this issue in another way, the average person who graduates high school and then attains an associate's degree earns \$1,727,000 over a lifetime. A typical high school graduate, in contrast, earns \$1,304,000 over the same period. This roughly 32 percent variation in individual earnings may be the difference between living below or above the poverty line. In addition, the increased wages represent new dollars that can then be spent in the local economy, thereby driving business growth and expanding state and local tax revenues.

### The Need to Raise Skill Levels to a “New Minimum”

A postsecondary degree or relevant workforce certification is the “new minimum” for the future workforce to meet the demands of the emerging job market and access a middle-class life or beyond. Fifty years ago, nearly 80 percent of jobs required only a high school diploma or less, and most paid a good wage. Today, that number has dropped to 35 percent for jobs available to high school graduates and dropouts, and more than two-thirds of those jobs pay less than \$25,000 a year.<sup>8</sup> The emerging economy will provide few well-paying jobs for workers who merely have a high school education or less. In addition, researchers estimate that approximately half of all job openings over the next decade will require more than a high school diploma, although not necessarily a four-year degree.<sup>9</sup>

Every state in the nation can realize significant economic and social benefits from providing additional educational opportunities for its citizens. Based on trends that show

*A postsecondary degree or relevant workforce certification is the “new minimum” for the future workforce to meet the demands of the emerging job market and access a middle-class life and beyond.*

7 A. Carnevale, S. Rose, and B. Cheah, *The College Payoff: Education, Occupations, Lifetime Earnings* (Washington, DC: Georgetown University Center on Education and the Workforce, August 2011), <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/collegepayoff-complete.pdf>.

8 National Governors Association Chair's Initiative 2013–2014, *America Works: Education and Training for Tomorrow's Jobs* (Washington, DC: National Governors Association Center for Best Practices, 2013), <http://www.nga.org/files/live/sites/NGA/files/pdf/2013/CI1314AmericaWorks.pdf>.

9 A. Carnevale, N. Smith, and J. Strohl, *Recovery: Job Growth and Education Requirements Through 2020* (Washington, DC: Georgetown University Center on Education and the Workforce, August 2013), <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/Recovery2020.FR.Web.pdf>.

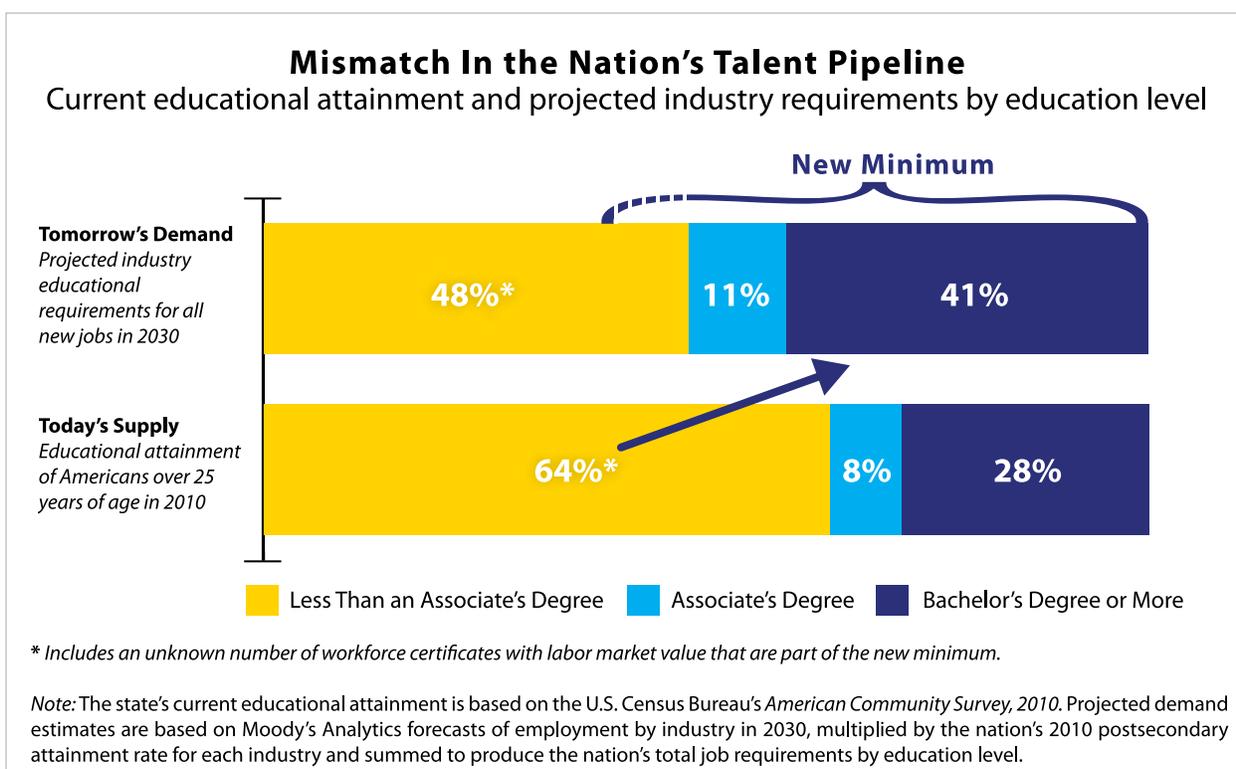
the potential economic growth by industry, Moody's Analytics projects that employers nationwide could demand slightly more than 24 million workers with a postsecondary degree between 2013 and 2030.

Comparing that forecast with Moody's projection of educational attainment of the population over the same period, there would be a shortfall in excess of 3 million workers with postsecondary degrees.

Such a shortfall would limit growth in affected industries as employers cut back on production, employed less educated (and presumably less productive) workers, and or bid up the wages of more highly trained workers thereby raising industry's costs. More positively, meeting the projected industry demand would allow businesses to expand and incomes to rise by an estimated \$540 billion over the next 17 years.

Without a substantial shift in the current system to enable workers to attain these higher levels of education, there will not be a sufficient supply of individuals with the "new minimum" of postsecondary education credentials (a relevant workforce certification or associate's degree or above). Failing to provide more students or members of the current workforce with opportunities to successfully navigate postsecondary education will limit many people's ability to achieve their potential and a higher standard of living.

The chart below shows the nation's projected misalignment between the education level Americans over 25 attained in 2010 versus the projected level of education required for new jobs in 2030. While the number of young people with postsecondary credentials has continued to increase since the 1980s, the increase has not kept pace with the needs of employers.



## Closing Skill Gaps by Aligning a State's Education Pipeline with the Talent Needs of its Industry

Through the *America Works* initiative, NGA has identified a set of actions that governors can take to improve the educational attainment of their citizens and the alignment of those credentials with employer demand. The following four policy components, undertaken in an integrated approach, suggest ways governors can improve and better align state education and training institution results with industry demand for a talented workforce.

- Articulate and implement a strong vision connecting education and the workforce to have more Americans achieve the “new minimum;”
- Use data to inform policy, track progress, and measure success;
- Build partnerships to get results; and
- Modify the use of resources and incentives to support the integrated vision.

The precise mix of policies and priorities that a governor may enact to close specific educational attainment gaps will depend on the state's unique economic composition and demographics, the current educational attainment of its citizens, and the quality of its education pipeline. Examples of actions governors can take under each of these four policy components are detailed below.

### Articulate and implement a strong vision connecting education and the workforce to have more Americans achieve the “new minimum.”

**Declare and act to implement a statewide vision to connect the education pipeline with the needs of the state's economy.** Governors can publicly articulate a vision to connect the education pipeline—kindergarten through 12th grade (K–12), career tech and workforce training programs, and higher education—with the needs of their state's economy. The declaration should include specific goals and actions to achieve stronger results for a state's citizens and its economy. It should elevate the message that a relevant workforce certification or postsecondary degree is the “new minimum” for achieving a middle-class lifestyle or beyond.

## Use data to inform policy, track progress, and measure success.

**Identify key policy and budget questions.** Governors can elevate key policy questions to improve the alignment between the education pipeline and workforce needs. Key questions include:

- How many students complete high school prepared for college or career training–level work? How many students leave high school with college credit and industry credentials?
- What are the quality, capacity, and efficiency of postsecondary education and workforce training providers?
- How many and what percentage of college or career training program graduates get high-wage, high-demand jobs?

**Integrate and use education and workforce data to answer key policy and budget questions.** Governors can support the alignment and use of education, workforce, and economic development data, including longitudinal data systems and real-time labor market data, to answer key policy questions and establish policy and budget priorities.

## Build partnerships to get results.

**Provide state support for cross-system partnerships tied to the vision.** Governors can strengthen state partnerships to launch new or improve existing initiatives that support more precise alignment between their state education and workforce training systems and the needs of their economy. Such partnerships may include preschool-to-grade 20 (P20) councils and state workforce investment boards (WIBs). Examples of actions include:

- Coordinating strategic planning processes to integrate the missions of key state agencies, including education, workforce training, and economic development;
- Bringing together leaders from industry and education to agree on standards (for example, more rigorous and relevant K–12 standards), competencies, and a system of quality credentials tied to emerging high-wage, high-demand careers;
- Enacting policies and programs (for example, dual-credit courses, career-tech programs, career pathway systems) that better prepare high school students for college or career training; and
- Enacting policies and programs (for example, revised high school equivalency credentials, strengthened adult career pathway systems) to support retraining unemployed and underemployed adults for high-wage, high-demand careers.

**Identify and promote effective regional or local partnerships.** Governors can identify and promote active and emerging regional partnerships that connect education and training pipelines to high-wage, high-demand careers within key industries in their state's economies. Examples of actions include:

- Establishing criteria to measure the quality of partnerships that connect education and training providers to employers' needs;
- Creating a state map of high-quality partnerships; and
- Funding programs that support existing or spur new local or regional partnerships and their expansion.

### **Modify the use of resources and incentives to support the integrated vision.**

Governors can change the current use of funds and incentives in the state's education and workforce training systems to better align results and improve quality in meeting the needs of state employers. This could include:

- Reviewing state funding and incentives to increase alignment between education and the workforce; and
- Enacting performance funding to increase the effectiveness and efficiency of a state's postsecondary education system.

## Conclusion

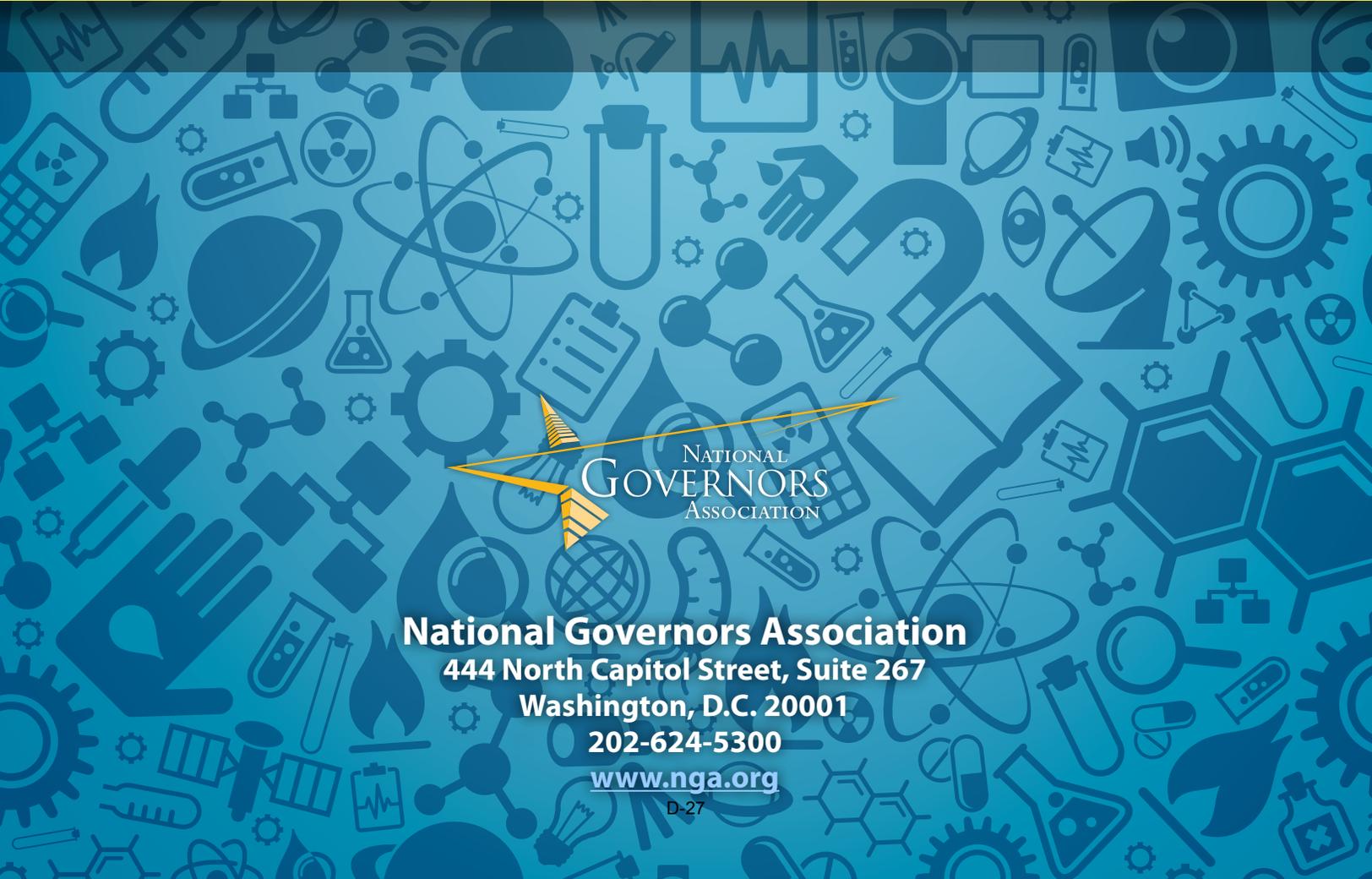
Preparing America's 21st century workforce to stay competitive not only calls for national attention but demands gubernatorial leadership. Governors across the United States are providing that leadership. As demand for skilled workers continues to rise, governors are playing an increasingly pivotal role in aligning states' education and training resources with the needs of their growing economies. Because governors are responsible for both public education and economic development, they are uniquely positioned to foster stronger connections between education and the workforce. Using a combination of the policy components outlined above, governors can do more to align the education pipeline with the needs of employers and thus benefit their citizens and their economies.

Through Governor Fallin's leadership, the National Governors Association will continue to support governors and other state leaders in their efforts to increase the educational and economic opportunities available to all citizens.

## NGA CENTER DIVISIONS

The NGA Center is organized into five divisions with some collaborative projects across all divisions. The NGA Center provides information, research, policy analysis, technical assistance and resource development for governors and their staff across a range of policy issues.

- Economic, Human Services & Workforce covers economic development and innovation, workforce development focused on industry-based strategies; pathways to employment and populations with special needs; and human services for children, youth, low-income families and people with disabilities.
- Education focuses on helping governors develop effective policy and support its implementation in the areas of early education, readiness, and quality; the Common Core State Standards, Science Technology Engineering and Math, and related assessments; teacher and leader effectiveness; competency-based learning; charter schools; data and accountability; and postsecondary (higher education and workforce training) access, success, productivity, accountability, and affordability. The division also works on policy issues related to bridging the system divides among the early childhood, K-12, postsecondary. and workforce systems.
- Environment, Energy & Transportation focuses on several issues, including improving energy efficiency, enhancing the use of both traditional and alternative fuels for electricity and transportation, developing a modern electricity grid, expanding economic development opportunities in the energy sector, protecting and cleaning up the environment, exploring innovative financing mechanisms for energy and infrastructure, and developing a transportation system that safely and efficiently moves people and goods.
- Health covers issues in the areas of health care service delivery and reform, including payment reform, health workforce planning, quality improvement, and public health and behavioral health integration within the medical delivery system. Other focus areas include Medicaid cost containment, state employee and retiree health benefits, maternal and child health, prescription drug abuse prevention, and health insurance exchange planning.
- Homeland Security & Public Safety focuses on emerging policy trends across a range of homeland security and public safety issues. Current issues include cybersecurity, prescription drug abuse, public safety broadband, sentencing and corrections reform, homeland security grant reform, justice information-sharing, and public health preparedness.



NATIONAL  
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UNIVERSITY OF WISCONSIN SYSTEM

2015-17 BIENNIAL CAPITAL BUDGET REQUEST

August 21, 2014

2015-17 UW System Biennial  
Capital Budget Request

BOARD OF REGENTS

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the 2015-17 Capital Budget request be submitted to the Department of Administration and the State Building Commission. The 2015-17 Capital Budget request includes the following:

1. Enumeration of 29 major projects at a cost of \$299 million General Fund Supported Borrowing, \$232 million Program Revenue Supported Borrowing, \$43 million Program Revenue-Cash, and \$32 million Gift/Grant Funds.
2. Enumeration of \$74 million General Fund Supported Borrowing for All Agency Maintenance and Repair and Small projects; and \$10 million General Fund Supported Borrowing for the Instructional Space Projects Program.
3. Authorization for the UW System President or designee to adjust individual project budgets as necessary in the development of the final 2015-17 Capital Budget recommendation with the Wisconsin Department of Administration.

Let it be herein further resolved, that the University of Wisconsin System Board of Regents reaffirms its support for the UW-Eau Claire Confluence Project and directs the President or his designees to work with the Department of Administration to implement the project.

## 2015-17 Biennial Capital Budget

### BACKGROUND

Biennially, each state agency is required to submit a capital budget request within the context of a long-range plan to the Department of Administration. The UW System process for developing the Capital Budget recommendation is based on normative higher education planning models. Each biennium, UW institutions and UW System Administration engage in long-range planning involving the following steps:

#### Issue identification:

- Programmatic priorities and emerging pedagogical adaptations
- Building conditions
- Space utilization (qualitative and quantitative)

#### Evaluation:

- Identifying alternatives to problems
- Prioritizing space and programmatic needs

#### Plan Development:

- Institutions develop long-range space and program plans submitted to UWSA
- UWSA evaluates and prioritizes institutional plans based on a Regent-approved evaluation tool
- UWSA develops a system-wide long-range for three consecutive biennia
- The Board of Regents makes a biennial budget request based on plan recommendations

#### State Planning and Funding:

- The Department of Administration's Division of Facilities Development receives budget requests from all state agencies and makes a single recommendation to the State of Wisconsin Building Commission
- The building commission makes a recommendation to the full legislature through the biennial budget process

The budget development process includes personnel from every UW institution including chancellors, provosts, chief business officers, student affairs leaders, physical plant directors, and campus planners. The process is guided by both budget development guidelines issued by the Department of Administration and project ranking criteria approved by the Board of Regents. A preview of the 2015-17 Capital Budget was presented and discussed at the June 2014 meeting of the Board of Regents.

### REQUESTED ACTION

Approval of the UW System Administration recommendations for the 2015-17 Capital Budget consisting of 29 Major Projects, other maintenance, repair, and renovation projects, and funding for the Instructional Space Projects program totaling approximately \$690 million all funds.

## DISCUSSION

The following documents constitute the 2015-17 Capital Budget request. The biennial budget request and six-year plan accomplish several goals based upon anticipated General Fund Supported Borrowing (GFSB) from the state. The recommendation:

- Prioritizes institutional requests for funding with limited GFSB for 2015-17 and provides a planning framework for 2017-19 and 2019-21. Together these projects constitute the UW System Six-Year Capital Plan.
- Evaluates institutional requests for Major Projects funded only with university generated Program Revenue Supported Borrowing (PRSB), Program Revenue-Cash, and/or Gift Funds and requests 19 Major Projects.
- Seeks to establish manageable expectations of when projects will be recommended for state funding.
- Reinforces a prior Regent commitment made at its October 5, 2012, meeting to approve the concept of the public-private partnership known as the Confluence Project, a shared university and community arts facility to be located in the South Barstow Historic Riverfront District in downtown Eau Claire.

The following are considerations related to the context of the six-year capital plan:

1. The state's annual general fund bonding capacity is governed by the practice (not statute) of limiting annual GFSB debt service to four percent of general purpose revenue.
2. The proposed UW System capital budget is a modest increase over last biennium based on five percent growth in new state general fund borrowing.
3. The 2015-17 Capital Budget requests \$299 million GFSB for 10 Major Projects.
4. The capital budget request includes \$50 million GFSB for the UW System share of the state's All Agency Fund for maintenance, repair, and renovation; \$24 million GFSB for Small Projects; and \$10 million GFSB for the Instructional Space Projects Program.
5. Project budgets and schedules have been adjusted to reflect Department of Administration guidelines for escalation and realistic project timelines.
6. DOA has required major capital projects to undertake a pre-design or feasibility study underpinning a project's parameter and reflecting a directive by the building commission to keep budgets and projects at their original enumeration level. Therefore, identification of 2017-19 projects is critical to ensure that studies are complete to inform the next capital budget request.

## THE UNIVERSITY OF WISCONSIN SYSTEM ADMINISTRATION MAJOR CAPITAL PROJECTS EVALUATION CRITERIA

These ranking criteria apply only to Major Project requests with General Program Revenue (GPR) funding, either General Fund Supported Borrowing (GFSB) and/or Building Trust Funds (BTF). The categories and criteria were established by determining distinguishing factors of project requests. Since the Major Project requests are jointly developed by the institution and UW System Administration, all requests will support the institution's core and select missions and academic goals.

Some criteria are entirely objective, either the project request meets the criteria definition or it doesn't. Points for objective criteria will be based and awarded on group consensus, to ensure the most knowledgeable interpretation and determination is used. Other criteria are subjective, where the criteria definition can be partially met or the degree to which the criteria definition is met is open to interpretation. Points for subjective criteria will be based and awarded on an individual basis and will take into consideration the most knowledgeable interpretations and descriptions provided. Only those projects ranked each biennium will be used to gauge the range of possible points given for the subjective criteria, there are no absolute standards for maximum points awarded. Subjective points will be an assigned consensus value by the group of evaluators.

**Note:** Projects with 50% or more of Gifts/Grants funding included will receive special consideration.

SCORING	PREREQUISITES
Yes or No	<b>EVIDENCE OF PLANNING:</b> The institution has demonstrated and documented previous indication(s) and intent(s) for the majority of project scope through one or more of the following items: Campus Master Plan, Campus Physical Development Plan, Facility Condition Assessment, Feasibility Study, Origin-Destination Chart, Project Sequence Chart, Pre-Design, Space Use Study.
Yes or No	<b>INSTITUTIONAL READINESS:</b> The institution has demonstrated and documented its ability to execute and manage the proposed project in or by the proposed biennium through the following items: <b>(a)</b> Origin-Destination Chart completed for all facilities impacted by the proposed project, <b>(b)</b> Qualified institutional project team members identified and assigned, and <b>(c)</b> Surge Space identified and reallocated or reserved as necessary.
Yes or No	<b>INFRASTRUCTURE IMPACT:</b> The institution has identified and requested, if necessary, the required additional site infrastructure/utility funding commitments and/or the additional site infrastructure/utility funding commitments have been included in the Agency development plan in the biennium prior to, and/or in the same biennium as the project.
Yes or No	<b>OPERATIONAL SUPPORT:</b> The institution has identified and documented appropriate operational funding resources and staffing to operate and maintain the resulting capital asset(s).

SCORING	INSTITUTIONAL PRIORITY
0 or 10 pts	<b>#1 RANK FOR CURRENT BIENNIUM:</b> The institution ranked the project as their highest priority for current biennium.
0 or 5 pts	<b>#1 RANK FOR PAST BIENNIUM:</b> The institution ranked the project as their highest priority for 1 past biennium.
0 or 3 pts	<b>#1 RANK FOR TWO (2) PAST BIENNIUM:</b> The institution ranked the project as their highest priority for 2 past biennia.
0 or 2 pts	<b>PROJECT SEQUENCE:</b> Project must be completed prior to other projects identified in development plan.

20 pts

**THE UNIVERSITY OF WISCONSIN SYSTEM ADMINISTRATION  
MAJOR CAPITAL PROJECTS EVALUATION CRITERIA**

SCORING	PHYSICAL DEVELOPMENT CONSIDERATIONS
0 - 5 pts	<b>CODES, STANDARDS, HEALTH &amp; SAFETY:</b> Project resolves demonstrated and documented building codes and standards compliance issues and/or health, safety, and environmental issues which would not be resolved through standard design practice and DSF design standards. The project scope must include extraordinary or non-routine conditions and examples to be resolved. A project scope only resolving standard conditions that would typically be addressed through best business and design practices does not qualify.
0 - 10 pts	<b>DEMOLITION:</b> Project eliminates demonstrated and documented capital maintenance or avoids anticipated future capital maintenance through demolition of space which is deteriorated, obsolete, and/or has no viable reuse.
0 - 15 pts	<b>FACILITY RENEWAL:</b> Project renews demonstrated and documented capital maintenance and/or anticipated future capital maintenance through renovation. Project scopes including only remodeled/renovated space receive full credit. Project scopes including new ancillary spaces and/or non-assignable spaces (elevators, mechanical rooms, restrooms, etc.) are not penalized. Project scopes including remodeled/renovated space + new assignable space receive partial credit. Partial credit scoring will be based on cost (\$) ratio of remodeled/renovated space to new space included in the project.
0 - 10 pts	<b>FACILITY REUSE:</b> Existing space is adequate and appropriate for renovation; no new assignable space required. Project scopes including only remodeled/renovated space receive full credit. Project scopes including new ancillary spaces and/or non-assignable spaces (elevators, mechanical rooms, restrooms, etc.) are not penalized. Project scopes including remodeled/renovated space + new assignable space receive partial credit. Partial credit scoring will be based on space (GSF) ratio of remodeled/renovated space to new space included in the project.
SCORING	PROGRAM CONSIDERATIONS
0 - 15 pts	<b>FUNCTIONALITY:</b> Project provides new and/or improved functionality through configuration, relocation, or technology. The project scope includes one or more of the following items for new and/or improved functionality: <b>(a)</b> area(s) and/or technology specifically designed and/or implemented and/or <b>(b)</b> remodeling/renovation/relocation
0 - 5 pts	<b>OPERATIONAL IMPACT:</b> Project improves operational efficiencies through consolidation, reorganization, and/or relocation and supports sustainability. The project scope includes one or more of the following items to improve operational efficiency: <b>(a)</b> area(s) and/or technology specifically designed and/or implemented, and/or <b>(b)</b> remodeling/renovation/relocation with <b>(1)</b> demonstrated operational budget reductions and/or projections as a result of completing this project and/or <b>(2)</b> demonstrated resource reallocation to accommodate any new net square footage constructed.
0 - 15 pts	<b>SPACE NEED:</b> Project targets and resolves demonstrated space shortages. The project scope includes one or more of the following items to meet demonstrated space shortages: <b>(a)</b> area(s) and/or technology specifically designed and/or implemented and/or <b>(b)</b> remodeling/renovation/relocation; and the space need must be documented in development plan and back-up planning materials.
0 - 5 pts	<b>SPACE UTILIZATION:</b> Project demonstrates improved space utilization and/or makes use of underutilized space. The project scope includes one or more of the following items to improve space utilization: <b>(a)</b> area(s) specifically designed to replace underutilized assigned/surplus space with assigned space and/or <b>(b)</b> remodeling/renovation/relocation.

40 pts

40 pts

## 2015-17 Capital Budget: All Funding Sources

2015-17 CAPITAL BUDGET: MAJOR PROJECT REQUESTS						
INST	PROJECT TITLE	TOTAL	GFSB	PRSB	CASH	GIFTS/GRANTS
<b>BIENNIUM TOTAL</b>		<b>\$ 606,090,000</b>	<b>\$ 298,639,900</b>	<b>\$ 231,993,000</b>	<b>\$ 43,058,100</b>	<b>\$ 32,399,000</b>
<b>PRIORITIZED: REQUESTS SEEKING GENERAL FUND SUPPORTED BORROWING (GFSB)</b>		<b>\$ 370,222,000</b>	<b>\$ 298,639,900</b>	<b>\$ 68,645,000</b>	<b>\$ 757,100</b>	<b>\$ 2,180,000</b>
PLT	BOEBEL HALL RENOVATION, PHASE II	\$ 19,703,000	\$ 19,703,000			
MSN	CHEMISTRY BUILDING ADDITION AND RENOVATION	\$ 107,760,000	\$ 107,760,000			
MIL	INNOVATION CAMPUS INTEGRATED RESEARCH CENTER	\$ 75,000,000	\$ 75,000,000			
PKS	WYLLIE HALL RENOVATION, PHASE I	\$ 29,989,000	\$ 29,401,000	\$ 588,000		
STO	BOWMAN HALL EXTERIOR ENVELOPE MAINTENANCE/REPAIR	\$ 8,946,000	\$ 8,946,000			
MSN	SOUTH CAMPUS UTILITY IMPROVEMENTS	\$ 15,488,000	\$ 11,306,000	\$ 4,182,000		
STP	STUDENT HEALTH AND RECREATION CENTER	\$ 41,126,000	\$ 1,105,900	\$ 39,263,000	\$ 757,100	
WTW	CAMPUS FIBER OPTIC BACKBONE UPGRADE	\$ 5,783,000	\$ 3,296,000	\$ 2,487,000		
WTW	NORTH CAMPUS UTILITY IMPROVEMENTS	\$ 6,187,000	\$ 3,022,000	\$ 3,165,000		
MIL	NORTHWEST QUADRANT RENOVATION	\$ 60,240,000	\$ 39,100,000	\$ 18,960,000		\$ 2,180,000
<b>ALPHABETICAL: REQUESTS NOT SEEKING GENERAL FUND SUPPORTED BORROWING (GFSB)</b>		<b>\$ 235,868,000</b>	<b>\$ 0</b>	<b>\$ 163,348,000</b>	<b>\$ 42,301,000</b>	<b>\$ 30,219,000</b>
EAU	TOWERS HALL RENOVATION	\$ 32,969,000		\$ 32,969,000		
EXT	LOWELL HALL SOUTH WING HVAC SYSTEM RENOVATION	\$ 6,200,000		\$ 6,200,000		
LAX	RECREATION EAGLE CENTER ADDITION	\$ 7,658,000		\$ 7,658,000		
LAX	RESIDENCE HALL	\$ 30,048,000		\$ 26,048,000	\$ 4,000,000	
LAX	WITTICH HALL RENOVATION	\$ 24,618,000			\$ 24,618,000	
MIL	BASKETBALL PRACTICE FACILITY	\$ 11,800,000		\$ 11,800,000		
MIL	WELCOME CENTER AND CENTER FOR ENTREPRENEURSHIP	\$ 7,768,000				\$ 7,768,000
MSN	702 WEST JOHNSON STREET ACQUISITION	\$ 6,700,000			\$ 6,700,000	
MSN	ENGINEERING HALL STRUCTURES LABORATORY ADDITION	\$ 1,615,000				\$ 1,615,000
MSN	NEAR WEST FIELDS UPGRADE	\$ 6,740,000		\$ 5,740,000	\$ 1,000,000	
MSN	POLICE AND SECURITY FACILITY ADDITION	\$ 4,800,000			\$ 4,800,000	
MSN	VETERINARY MEDICINE CLINICAL SKILLS LABORATORY RENOVATION	\$ 1,620,000				\$ 1,620,000
MSN	WISCONSIN INSTITUTES FOR MEDICAL RESEARCH (WIMR) WEST WEDGE ADDITION	\$ 17,566,000				\$ 17,566,000
PLT	WILLIAMS FIELDHOUSE RENOVATION, PHASE II	\$ 15,272,000		\$ 15,272,000		
STO	NORTH HALL ADDITION AND RENOVATION	\$ 17,744,000		\$ 17,744,000		
STO	PRICE COMMONS RENOVATION	\$ 6,744,000		\$ 6,744,000		
STP	DEBOT DINING CENTER RENOVATION	\$ 16,848,000		\$ 16,848,000		
STP	MAY ROACH HALL/SMITH HALL RENOVATION	\$ 14,922,000		\$ 14,922,000		
WTW	ATHLETIC COMPLEX BUILDINGS	\$ 4,236,000		\$ 1,403,000	\$ 1,183,000	\$ 1,650,000
<b>NUMBER OF PROJECTS</b>		<b>29</b>	<b>10</b>	<b>18</b>	<b>7</b>	<b>6</b>

## 2015-21 Capital Plan: General Fund Supported Borrowing

2015-17		
INST	PROJECT TITLE	GFSB BUDGET
<b>MAJOR PROJECTS (PRIORITY ORDER)</b>		
PLT	BOEBEL HALL RENOVATION, PHASE II	\$ 19,703,000
MSN	CHEMISTRY BUILDING ADDITION AND RENOVATION	\$ 107,760,000
MIL	INNOVATION CAMPUS INTEGRATED RESEARCH CENTER	\$ 75,000,000
PKS	WYLLIE HALL RENOVATION, PHASE I	\$ 29,401,000
STO	BOWMAN HALL EXTERIOR ENVELOPE MAINTENANCE/REPAIR	\$ 8,946,000
MSN	SOUTH CAMPUS UTILITY IMPROVEMENTS	\$ 11,306,000
STP	STUDENT HEALTH AND RECREATION CENTER	\$ 1,105,900
WTW	CAMPUS FIBER OPTIC BACKBONE UPGRADE	\$ 3,296,000
WTW	NORTH CAMPUS UTILITY IMPROVEMENTS	\$ 3,022,000
MIL	NORTHWEST QUADRANT RENOVATION	\$ 39,100,000
<b>MP SUBTOTAL</b>		<b>\$ 298,639,900</b>
<b>ALL AGENCY PROJECTS</b>		
SYS	ALL AGENCY PROJECTS PROGRAM	\$ 50,000,000
<b>AA SUBTOTAL</b>		<b>\$ 50,000,000</b>
<b>INSTRUCTIONAL SPACE PROJECTS</b>		
SYS	INSTRUCTIONAL SPACE PROJECTS PROGRAM	\$ 10,000,000
<b>IS SUBTOTAL</b>		<b>\$ 10,000,000</b>
<b>SMALL PROJECTS</b>		
SYS	SMALL PROJECTS PROGRAM	\$ 24,176,000
<b>SP SUBTOTAL</b>		<b>\$ 24,176,000</b>

2017-19		
INST	PROJECT TITLE	GFSB BUDGET
<b>MAJOR PROJECTS (ALPHABETICAL ORDER)</b>		
EAU	KJER THEATRE/FINE AND PERFORMING ARTS, PHASE I	\$ 31,199,000
GBY	COFRIN LIBRARY ADDITION AND RENOVATION (FLOORS 1-2)	\$ 8,491,000
MIL	SOUTHWEST QUADRANT, PHASE I	\$ 75,000,000
MSN	UTILITY IMPROVEMENTS	\$ 17,150,000
OSH	CLOW/NURSING EDUCATION RENOVATION, PHASE II	\$ 17,143,000
PLT	MECHANICAL ENGINEERING BUILDING	\$ 45,903,000
STP	LEARNING RESOURCES CENTER RENOVATION	\$ 45,105,000
WTW	CHILLER PLANT UPGRADE/RENOVATION, PHASE I	\$ 4,380,000
WTW	WINTHER HALL RENOVATION	\$ 28,207,000
SYS	TO BE DETERMINED	\$ 42,422,000
<b>MP SUBTOTAL</b>		<b>\$ 315,000,000</b>
<b>ALL AGENCY PROJECTS</b>		
SYS	ALL AGENCY PROJECTS PROGRAM	\$ 52,500,000
<b>AA SUBTOTAL</b>		<b>\$ 52,500,000</b>
<b>INSTRUCTIONAL SPACE PROJECTS</b>		
SYS	INSTRUCTIONAL SPACE PROJECTS PROGRAM	\$ 10,500,000
<b>IS SUBTOTAL</b>		<b>\$ 10,500,000</b>
<b>SMALL PROJECTS</b>		
SYS	SMALL PROJECTS PROGRAM	\$ 25,385,000
<b>SP SUBTOTAL</b>		<b>\$ 25,385,000</b>

2019-21		
INST	PROJECT TITLE	GFSB BUDGET
<b>MAJOR PROJECTS (ALPHABETICAL ORDER)</b>		
LAX	COWLEY HALL SCIENCE BUILDING, PHASE II	\$ 54,000,000
MIL	SOUTHWEST QUADRANT, PHASE II (CHEMISTRY RENV)	\$ 83,000,000
MSN	ANIMAL FACILITIES UPGRADE	\$ 25,000,000
MSN	COLLEGE OF ENGINEERING, PHASE I	\$ 50,000,000
MSN	ELVEHJEM BUILDING RENOVATION	\$ 40,000,000
MSN	RECREATION SPORTS, PHASE II (NATATORIUM)	\$ 30,000,000
MSN	ROTC CONSOLIDATION	\$ 20,000,000
MSN	VETERINARY MEDICINE CLINICAL/RESEARCH LABORATORY	\$ 25,000,000
MSN	WALNUT STREET GREENHOUSES REPLACEMENT, PHASE II	\$ 5,750,000
WTW	WEST CAMPUS UTILITY IMPROVEMENTS	\$ 4,133,000
<b>MP SUBTOTAL</b>		<b>\$ 336,883,000</b>
<b>ALL AGENCY PROJECTS</b>		
SYS	ALL AGENCY PROJECTS PROGRAM	\$ 55,125,000
<b>AA SUBTOTAL</b>		<b>\$ 55,125,000</b>
<b>INSTRUCTIONAL SPACE PROJECTS</b>		
SYS	INSTRUCTIONAL SPACE PROJECTS PROGRAM	\$ 11,025,000
<b>IS SUBTOTAL</b>		<b>\$ 11,025,000</b>
<b>SMALL PROJECTS</b>		
SYS	SMALL PROJECTS PROGRAM	\$ 26,654,000
<b>SP SUBTOTAL</b>		<b>\$ 26,654,000</b>

Note: Budget estimates for 2015-17 have been escalated to the anticipated bid date. Budget estimates for 2017-21 shown in 2014 dollars and without escalation.

## 2015-17 Biennial Capital Budget Major Project Summaries

### New Enumeration Requests

UW-Eau Claire					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
Towers Hall Renovation	\$32,969,000		\$32,969,000		

#### **Towers Hall Renovation**

This project renovates both ten-story wings (245,618 combined GSF) of the Towers Residence Hall to provide additional common areas, and improve resident rooms, bathrooms and hallways to meet current standards. The two central building cores, the first floor, and basement areas will be renovated and expanded to accommodate three new elevators at each core. Overall occupancy of the building will be reduced from 1,287 beds to about 1,092 beds to provide more space for common areas and the reconfiguration of the bathrooms. Interior stairwells will receive painting, flooring, and lighting upgrades. Resident rooms will be painted, doors/locks replaced, and hallways will be upgraded with modern finishes and lighting. HVAC systems will be upgraded to provide individual heat controls in rooms and exterior windows will be replaced. Exterior brick, concrete, and masonry walls will be repaired. This project will be phased to keep one tower operational, while the other is being renovated.

UW-Extension					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
Lowell Hall South Wing HVAC System Renov.	\$6,200,000		\$6,200,000		

#### **Lowell Hall South Wing HVAC System Renovation**

This project constructs guest room HVAC renovations in Lowell Hall, which is a UW-Extension conference center, to replace south wing systems that are original to the 1960s building, well beyond their useful life, and plagued with maintenance and operational problems. New air handlers and exhaust systems will be installed. The project also constructs minor architectural renovations for south wing floors two through seven, eight guestrooms, and office/support areas such as the installation of new lighting, upgrading of interior finishes, the addition of some closets, and minor asbestos abatement of ceiling finishes. The project will include renovation of the south wing elevator lobbies to bring those spaces into compliance with ADA accessibility standards. These upgrades will provide consistent room quality and amenities throughout the facility.

UW-La Crosse					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
Recreation Eagle Center Addition	\$7,658,000		\$7,658,000		
Residence Hall	\$30,048,000		\$26,048,000	\$4,000,000	
Wittich Hall Renovation	\$24,618,000		\$	\$24,618,000	

#### **Recreation Eagle Center Addition**

This project constructs a 29,800 GSF addition to the Recreation Eagle Center to provide additional space to meet increasing student requests for the use of recreational space in the currently overcrowded facility and provide expanded opportunities for student engagement. The first floor of the two-story addition will include enlarged strength training space, large multipurpose recreation rooms, and related support spaces (locker rooms, rest rooms, etc.). The second floor will include a larger multi-use space to allow for activities that require larger space such as fitness classes. Additional HVAC support will be necessary and building codes changes may require a fire sprinkler retrofit to all or part of the original building. The project also includes updates to the obsolete fire alarm system in the original 1997 building so it is able to communicate with the new addition's alarm system.

**Residence Hall**

This project provides additional residence hall space to alleviate the severely overcrowded housing situation and better accommodate the increased requests for student housing. The project constructs a four-story, 300 bed, semi-suite style 112,000 GSF residence hall on the northwest campus that will provide living units with double occupancy bedrooms; shared bathrooms; common spaces on each floor for lounges, kitchens, and study rooms; individual rooms for resident assistants; and telecom/data rooms. Other spaces include a hall director's apartment and office, a laundry room, a front desk and mail room, a central kitchen to serve the entire building, a multipurpose/TV room, collaborative learning rooms, a seminar room, custodial space, a vending area, and various storage areas. The increased housing capacity that results from this project will allow for the staggered renovations of eight outdated residence halls in future biennia.

**Wittich Hall Renovation**

This project completely renovates historic Wittich Hall, which was originally constructed in 1916 as the campus physical education building, to reclaim it from its advanced state of deterioration and transform it into the new home of the College of Business Administration, including the Small Business Development Center. The college has outgrown its scattered space in Wimberly Hall and a lack of space hinders the delivery of its existing programs. The renovation of Wittich Hall will require the partial demolition and removal of some of the interior, non-load bearing walls and the reconstruction of interior wall systems. The project may also construct an additional intermediate floor level within the original building's gymnasium areas. The elevator will be replaced as well as all building mechanical, electrical, telecommunications, and plumbing systems and a new connection to the central campus chilled water utilities and central energy management system will be constructed. A new fire suppression system and emergency generator will be installed. All exterior windows will be restored or replaced in a manner compliant with historic requirements. The roofing system will be replaced and the skylights will be restored or completely removed. The entryway exterior stairs will be reconstructed and the terrain adjacent to the building will be reconfigured to be complimentary to the renovated facility and consistent with the central campus mall.

UW-Madison					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
702 West Johnson Street Acquisition	\$6,700,000			\$6,700,000	
Chemistry Building Addition & Renovation	\$107,760,000	\$107,760,000			
Engineering Hall Structures Laboratory Addn.	\$1,615,000				\$1,615,000
Near West Fields Upgrade	\$6,740,000		\$5,740,000	\$1,000,000	
Police and Security Facility Addition	\$4,800,000			\$4,800,000	
Vet Med Clinical Skills Laboratory Renovation	\$1,620,000				\$1,620,000
WIMR West Wedge Addition	\$17,566,000				\$17,566,000

Note: South Campus Utility Improvements – See UW System projects

**702 West Johnson Street Acquisition**

This request seeks enumeration of funds to purchase the 26,792 GSF Condominium Unit 6, which is located at 702 West Johnson Street, within the University Square Condominium Association. The unit is currently leased to the UW-Madison for administrative uses and provides office space on two levels for the McBurney Disability Resource Center and the Office of Admissions and Recruitment. The leased space functions well for both those programs that require a prominent, easily identifiable and accessible location that is offered by the unit. The average of two recent appraisals identified the purchase price. After consideration of all relevant factors, it was determined that the purchase of Unit 6 would reduce the university's annual operating costs when compared to the continuing the lease of that space.

### **Chemistry Building Addition and Renovation**

This project constructs instructional laboratories and lecture rooms for the Department of Chemistry to address space needs deficits that can no longer be met in the existing chemistry buildings due to increased undergraduate enrollments in chemistry courses. The buildings cannot meet those requests for enrollment because they lack enough functional space and contain outdated mechanical infrastructure.

The project will demolish approximately 39,800 GSF of the northernmost portion of the Daniels Chemistry building, construct a seven-story approximately 170,000 GSF building addition, renovate approximately 55,000 GSF of space in the existing Daniels building, and replace/upgrade the mechanical systems in the Daniels and Matthews Chemistry buildings. The new and remodeled space will house instructional laboratories for general, organic, and analytical chemistry, support spaces, offices, undergraduate support spaces, classrooms, lecture halls, and two floors of shell space, which can eventually be fitted out for future department needs.

### **Engineering Hall Structures Laboratory Addition**

This project will provide the opportunity to students, faculty, and industry to do large-scale testing of structural components in a multi-story structures laboratory addition to Engineering Hall. This project will construct a 2,200 GSF addition at the southwest corner of Engineering Hall for the Wisconsin Structures and Materials Testing Laboratory. The new lab room will provide a specially constructed high-strength floor and multi-story reaction wall, lifting equipment, and access to the exterior that will allow for testing of structural components up to 40 feet in length and 24 feet in height. There is adequate electrical and mechanical infrastructure to support this new space. New capabilities provided by this addition include the ability to test structures such as bridge and building components such as girders; beam-column frames; shear walls; components of structures used for energy generation, such as wind turbines; and underground infrastructure systems such as precast segmental linings and large-sized pipes/conduits.

### **Near West Fields Upgrade**

This project is one in a series to renovate and expand the indoor and outdoor recreational facilities to better meet the physical requirements and programming interests of UW-Madison students. This project upgrades the drainage conditions of the outdoor playfields located to the west of the Natatorium on Observatory Drive by excavating, grading, and creating five synthetic turf flag football fields and one championship soccer field. Fencing of the fields and lighting improvements will also be included in the project. Thousands of students participate annually in Near West fields activities that total an average of 1,500 hours of use per year and include: Intramural Sports games; Sport Club practices and competitions; special events, general recreation, and Kinesiology classes.

### **Police and Security Facility Addition**

This project constructs a 18,750 GSF addition to the UW-Madison Police Department's building, which is located at 1429 Monroe Street. The addition will provide private and open office space, conference and training rooms, as well as a secure entrance to the existing detainee unloading area. The space needs of the department have become acute since the 1989 construction of the original police facility due to the growth of emergency management and infrastructure security programs. This project will address those space needs and consolidate more police functions at one location. The \$100,000 annual cost to lease space for the department will be eliminated by construction of this project.

### **Veterinary Medicine Clinical Skills Laboratory Renovation**

This project constructs a new larger clinical skill laboratory to provide space for learning veterinary skills through the use of prosthetic and functional mannequin models. Use of the current laboratory has increased each semester and its space is only one third of what is required to meet the demand. This project remodels the 3,100 GSF storage room currently under the existing solar panels located on the south side of the School of Veterinary Medicine building to create a new clinical skills laboratory. The existing adjacent study area will be enlarged to create more group learning space and a small storage area. The project will remove the existing nonfunctional and leaking solar panels along with associated ductwork and the existing

roofing system. Minor structural modifications will be made and a mechanical, electrical, and plumbing system will be provided to support the occupied spaces.

### Wisconsin Institutes for Medical Research (WIMR) West Wedge Addition

This project builds two floors (32,400 GSF) of new office and laboratory space above the Surgical Pathology Department, which is currently being constructed by the University of Wisconsin Hospital and Clinics (UWHC), adjacent to the Wisconsin Institutes for Medical Research (WIMR) II tower. This additional “west wedge” space will be used to meet the growing demand for offices and laboratories on the clinical west campus. Construction of this project will allow an increase in the number of investigators that can relocate from outdated facilities to modern high-quality bio-medical research space, and will further the Medical School’s goal of consolidating research on the west campus.

UW-Milwaukee					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
Basketball Practice Facility	\$11,800,000		\$11,800,000		
Innovation Campus Integ. Research Center	\$75,000,000	\$75,000,000			
Northwest Quadrant Renovation	\$60,240,000	\$39,100,000	\$18,960,000		\$2,180,000
Welcome Center & Center for Entrepreneurship	\$7,768,000				\$7,768,000

### Basketball Practice Facility

This project constructs a 30,600 GSF two-level facility for basketball that includes a practice court, strength and conditioning spaces, men’s and women’s team facilities, and coaching offices to provide increased recreational space and provide improved basketball facilities comparable to those of other Division 1 universities in the Horizon League. The Klotsche and Pavilion athletic facilities are available, but they are still over-used, resulting in limitations on recreational offerings and late night athletic practices. The new structure will be located east of the Pavilion building, connected with an enclosed bridge for access to the existing training rooms and the Klotsche Center arena game location. The project also remodels 5,400 GSF of existing office and locker room space that will be affected by the new facility. Students provided support for an athletic facility in 2009-10 with a segregated fee of \$50 per year for twenty years beginning in 2011-12 and ending in 2031-32. The Student Association voted on May 9, 2014, and approved the usage of funds collected in the Athletics Arena Capital Project Fund to support other capital projects that are designed to improve athletics facilities on campus.

### Innovation Campus Integrated Research Center

The university’s research funding has doubled during the last decade but it lacks enough research laboratory space to keep up with today’s demand and projected growth estimates for the next decade. This project constructs the 150,000 GSF Innovation Campus Integrated Research Center in Wauwatosa, Wisconsin, close to the Milwaukee Regional Medical Center where many potential research partners are located. The building will include research and support space and provide a single location to collaboratively house those whose predominant focus is biomedical and rehabilitation research. The UW Milwaukee Real Estate Foundation will provide a no-cost ready-to-build lot. The improved site will include a parking lot, site work, utility connections to research park infrastructure and landscaping. Both the site and building will be designed to allow for a future Phase II building.

### Northwest Quadrant Renovation

This project provides for the renovation of a portion of the Columbia St Mary’s Hospital, which was purchased in 2010 to address the university’s space need requests of more than fifty departments. The change of space classification from hospital occupancy to business occupancy requires that the facility undergo significant renovation. Much of the facility’s space is obsolete and its infrastructure systems are failing. This project renovates 138,600 GSF of the Northwest Quadrant to accommodate space needs for the College of Health Sciences and the College of Nursing, and 23,800 GSF for auxiliary food service and retail operations. This project will also renovate an additional 310,200 GSF to accommodate surge space needs that will serve as temporary accommodations for various departments as other major renovations on campus are being constructed. Critical life safety and building code related upgrades will be included in all renovated areas (472,800

GSF), including automatic fire sprinklers and fire protection systems; fire separations; egress lighting; elevator modifications; associated architectural, mechanical, electrical, and plumbing systems; asbestos abatement; and accessibility improvements. Project work will be phased to allow the relocation of occupants.

**Welcome Center and Center for Entrepreneurship**

This project constructs 28,000 GSF of a new stand-alone two-level building to house the Center for Entrepreneurship and the Welcome Center. The new building will be located at the northeast corner of the intersection of Kenwood Boulevard and Maryland Avenue. This corner, directly across from the Student Union, serves as the gateway to the campus. The Welcome Center will provide space to continue current programming as is found in Vogel Hall, with new enhancements made possible by increased and more flexible space provided in the new building. The Center for Entrepreneurship will provide the physical space needed to fill significant programmatic gaps for entrepreneurial activities on campus.

UW-Parkside					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
Wyllie Hall Renovation, Phase I	\$29,989,000	\$29,401,000	\$588,000		

**Wyllie Hall Renovation, Phase I**

This project renovates 101,900 GSF on levels D1 and L1 levels of Wyllie Hall, which was originally constructed in 1972. It combines updating the building’s aging infrastructure with the creation of a fully integrated and accessible student services environment to support academic success. Academic success is a high priority goal in the university’s strategic plan and includes a targeted array of initiatives that represent a deliberate strategy to focus on student persistence and completion. This renovation project is a pivotal component of the academic success plans because the establishment of a Learning Commons will provide a collaborative and integrated learning environment to accommodate the multiple learning needs of institution’s students. Student services spaces on the D1 level will be resized and reorganized to make the location of those services easier to find. The D1 and L1 levels will be organized to maximize the ease of wayfinding, accessibility, efficiency, and the effectiveness of critical student academic support services. The academic support units will be consolidated into one centralized location for better delivery of services to students and increased operational efficiencies. Modern technology infrastructure and equipment will be integrated throughout the two levels and updates will be made to their mechanical and electrical systems. Additional project work includes the replacement of a passenger elevator and updates to obsolete critical life safety systems. These renovations are designed to support the university’s strategic focus on student persistence and completion.

UW-Platteville					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
Boebel Hall Renovation, Phase II	\$19,703,000	\$19,703,000			
Williams Fieldhouse Addition, Phase II	\$15,272,000		\$15,272,000		

**Boebel Hall Renovation, Phase II**

This request increases the budget to complete the project scope originally enumerated in 2013-15, matching the current pre-design estimate and adjusting it for inflation resulting from a three year delayed schedule. This renovation project is strongly driven by enrollment growth and the development of new science programs and minors. The number of biology majors has more than doubled since 2000, and there are now more than 440 majors. This Phase II will resolve laboratory and classroom quality and functionality issues by reconfiguring, relocating, and renovating space as determined in the project’s pre-design.

This project renovates a 46,315 GSF portion of the 67,274 GSF Boebel Hall science building for instructional laboratories, undergraduate research space for the Department of Biology, the Department of Social Sciences, and the Geography and the Geology programs. The project will also add a total of 2,920 GSF of infill space on the south side of the first floor and 580 GSF on the northeast corner of the second floor. It will also include the renovation of general-assignment classroom

space. This project will complete the second and final phase of the Boebel Hall renovation. The renovated facility will support all the space needs for the departments of Biology and Social Sciences, Geography, and Geology.

**Williams Fieldhouse Addition, Phase II**

This project addresses a shortage of recreational space, which occurs especially for club sports, intramural sports, and open recreation, that has resulted from increased enrollment growth since 2005. This project constructs a new 49,600 GSF addition on the west side of the Williams Fieldhouse complex to address an overall campus space need deficit related to wellness, fitness, and recreation. An outdoor multi-sport artificial turf field with sports lighting is also included in the scope of this project. The new space will support: student club sports, intramural sports, and open recreation; Athletic Department varsity sports; and the Physical Education Department within the School of Education. This project is consistent with the recommendations of the 2012 Williams Fieldhouse Recreational Space Study and the 2011 Comprehensive Campus Master Plan. The segregated fee increase for this project is \$183/year (\$169/year for the playing court expansion/wellness center addition and \$14/year for the outdoor artificial turf field) beginning in fall 2016 and continuing until spring 2037.

UW-Stevens Point					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
DeBot Dining Center Renovation	\$16,848,000		\$16,848,000		
May Roach Hall and Smith Hall Renovations	\$14,922,000		\$14,922,000		
Student Health and Recreation Center	\$41,126,000	\$1,105,900	\$39,263,000	\$757,100	

**DeBot Dining Center Renovation**

This project renovates the DeBot Dining Center, which is the primary dining facility for approximately 3,100 students living in twelve residence halls, to address building infrastructure, life safety, and programmatic issues. Because the mechanical system is obsolete, has inadequate capacity, and is difficult to service, it will be replaced and a new mechanical penthouse that has appropriate maintenance access provisions will be constructed. A new fire sprinkler system will be retrofitted throughout the building and both freight and passenger elevators will be replaced. The main entrance vestibule and secondary entrances will be replaced, the loading dock will be updated, and a staff locker room will be renovated. Improvements to programmatic space will be made to optimize the delivery of dining services and meet contemporary standards of food service equipment replacement.

**May Roach Hall and Smith Hall Renovations**

This project renovates the May Roach and Smith residence halls, which were constructed in 1964 and contain a combined total of 116,204 GSF and 612 beds, to address deteriorating conditions, obsolete infrastructure, and accessibility deficiencies. The project will upgrade resident rooms and corridors. Interior doors, lighting, and floor coverings will be replaced and thin-coat plaster will be applied to cover unattractive masonry block walls in the resident rooms and corridors. All exterior windows will be replaced with energy efficient frames and glazing. The front desk lobby area will be reconfigured and the lounge area will be updated. Fire sprinklers will be installed in the entire building and updates performed on the fire alarm system. The steam radiant heating system will be replaced with a four-pipe system to support both hot water heat and air conditioning. A variety of accessibility improvements will be made throughout the building, including the addition of a new five-stop elevator in each hall. These two halls represent the ninth and tenth consecutive residence halls to be renovated at UW-Stevens Point.

**Student Health and Recreation Center**

This project constructs 120,634 GSF of shared activity space for the Student Health and Recreation Center to address inadequacies and deficiencies in existing recreation and wellness facilities as well as in space now occupied by the Student Health Service, the Counseling Center and the University Child Learning and Care Center. The project's budget and scope are based on a feasibility study completed in 2014. The new space will include a four-court gymnasium with an indoor jogging track; fitness spaces including cardio, strength, and group fitness; locker rooms, offices for staffing; and support space for Outdoor Edventures program. The center will also include space for the Health, Promotion, and Wellness

programs that will accommodate the Student Health Service, the Counseling Center, and the University Child Learning and Care Center. The new building's design will encourage student interaction and reflect the university's Healthy Communities Initiative that provides for the comprehensive health, wellness, and developmental needs of all students. This project will also construct outdoor athletic and recreation fields for soccer, track, rugby, softball, and practice football. The soccer, rugby, and football practice fields will be artificial turf, while the others will be natural grass. The new outdoor running track and associated fields will comply with National Collegiate Athletic Association (NCAA) and International Association of Athletics Foundation (IAFF) regulations. The central campus utilities capacities are sufficient to provide heating and cooling to the new facility, however, underground utility extensions to the new facility will be required. The annual segregated fee increase for this project is not to exceed \$275 annually beginning in fiscal year 2015 and continuing until fiscal year 2046. The fee will increase \$50 in fall 2014; an additional increase of \$75 will take place in fall 2015; and a final increase of \$150 will be applied in fall 2016 for a total of \$275. The \$275 fee will be maintained until 2046.

UW-Stout					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
Bowman Hall Exterior Envelope Main. & Repair	\$8,946,000	\$8,946,000			
North Hall Addition and Renovation	\$17,744,000		\$17,744,000		
Price Commons Renovation	\$6,744,000		\$6,744,000		

### **Bowman Hall Exterior Envelope Maintenance and Repair**

This project repairs the exterior masonry of this historically significant Bowman Hall building and its iconic clock tower, which has reached the stage of advanced deterioration and now requires extensive repair. This project repairs the exterior masonry envelope of Bowman Hall, which was originally constructed in 1897, and replaces the main building exterior doors, frames, hardware, and windows with historically appropriate products. Typical exterior repairs include cleaning and tuck pointing all exposed masonry surfaces; replacing sealants on stone elements and parapet caps; and soldering/sealing open joints or replacing the gutters and downspouts to improve drainage. The project also includes repair of the clock tower interior and exterior masonry envelope, the imbedded and exposed structural steel members, the roof structure and coverings; and replaces the tower's interior metal stairs, railings, and interior wood flooring. The building houses classroom space as well as the Advisement Office, Registration and Records, Student Services, and the Financial Aid Office.

### **North Hall Addition and Renovation**

This request increases the budget to complete the project originally enumerated in 2013-15, due to needed scope changes and inflation resulting from a three year delayed schedule. This project renovates the 76,300 GSF North Residence Hall, providing programmatic and infrastructure upgrades that will improve functionality, efficiency, and building code compliance. It also constructs a 14,000 GSF addition to accommodate a new accessible building entrance, expanded bath/shower rooms on each floor, and new stairs.

Most of the original building heating and ventilation systems perform poorly and require constant maintenance to sustain operations. The HVAC equipment and piping is original and needs replacement. Portions of the mechanical and electrical infrastructure do not serve present needs and additional panel boards are required to provide adequate capacity to resident rooms. All electrical distribution equipment is obsolete and needs replacement. The medium voltage distribution system should be upgraded to a loop configuration. All electrical and telecommunications wiring is original and needs replacement, as do the plumbing fixtures, water piping and valves, water heaters, waste/vent piping, and roof drains. The water service is not adequate to supply a fire sprinkler system. The fire alarm system notification panels need to be upgraded to comply with code compliant notification requirements. Restrooms and shower rooms do not meet current standards for accessibility or building codes. The building entrance does not meet current standards for accessibility. The single elevator in the building was installed in 1997 and requires modernization to meet current standards for accessibility, improve operation, and reduce maintenance costs. Asbestos-containing materials will be abated to facilitate renovation work.

## Price Commons Renovation

This extensive renovation addresses facilities maintenance, infrastructure, and programmatic deficiencies. Building-wide fire-safety improvements will be made, including sprinklers, alarms and fire-rated separations. Also, the elevators, air handling units, and HVAC control systems will be replaced. On the exterior, the plaza deck and north/south entrances will be replaced to stop water penetration. The project remodels 18,900 GSF of spaces on the first floor to accommodate housing, student life and dining administrative offices as well provide technologically-rich student collaboration areas. In 2009, the second floor dining servery and cafeteria areas were renovated.

UW-Whitewater					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
Athletic Complex Buildings	\$4,236,000		\$1,403,000	\$1,183,000	\$1,650,000

Note: Campus Fiber Optic Backbone Upgrade - See UW System projects  
North Campus Utility Improvements - See UW System projects

## Athletic Complex Buildings

This project renovates and constructs additions to the Baseball Services and Athletic Services Buildings and constructs a new Athletic Grounds Maintenance Building.

Athletic Grounds Maintenance Building: This new 1,400 GSF facility will provide space for a physical plant workshop, facility vehicle parking, tool storage, and associated office space.

Athletic Services Building: The 3,150 GSF new addition and 13,000 GSF of remodeled space include larger locker rooms, meeting rooms, an expanded physical therapy/training area, storage area, and a ticket office.

Baseball Services Building: A 6,700 new addition and 2,200 GSF of remodeled space will provide improved training, meeting, and locker rooms, accessible rest rooms and shower facilities, and administrative offices. Also included are accessible public restrooms, a new umpire locker room, an elevator, and a concessions area.

UW System					
	Total	GFSB	PRSB	PR-Cash	Gifts/ Grants
Utility Improvements					
UW-Madison South Campus Utility Improv.	\$15,488,000	\$11,306,000	\$4,182,000		
UW-Whitewater Campus Fiber Optic Backbone Upgrade	\$5,783,000	\$3,296,000	\$2,487,000		
UW-Whitewater North Campus Utility Improv.	\$6,187,000	\$3,022,000	\$3,165,000		
Totals	\$27,458,000	\$17,624,000	\$9,834,000		

## Utility Improvements

MSN-South Campus Utility Improvements: This project replaces/constructs new steam and primary electric/signal utilities along Dayton Street and builds a second utility tunnel for adequate capacity and improved redundancy and reliability.

WTW-Campus Fiber Optic Backbone Upgrade: This project work upgrades the 1990s campus fiber optic backbone, including both outside plant and inside plant fiber and replaces the energy management system and fire alarm panel network interfaces in all buildings.

WTW-North Campus Utility Improvements: This project replaces/constructs new steam, chilled water, and primary/signal utilities from the campus heating plant to the site of a new residence hall to provide additional capacity and campus-wide redundancy.

## **All Agency, Small Projects, and Instructional Space Project Program Summaries**

<b>UW System</b>	
	GFSB
All Agency Maintenance and Repair Projects	\$50,000,000
Small Projects	\$24,000,000
Instructional Space Projects Program.	\$10,000,000

### **All Agency and Small Projects**

All Agency maintenance projects are those that repair, replace, and upgrade building components and systems that are necessary to extend useful life, correct code deficiencies, improve reliability, increase safety, protect the environment, or decrease operating costs. Small projects allow emergency and minor repairs to be done in an expedient and efficient way.

### **Instructional Space Projects Program**

This program was initiated during the 1995-97 biennium, and for several biennia focused on comprehensive renovations to general access classrooms. Starting last biennium, the program was expanded to consider instructional laboratories at the discretion of each institution and their academic priorities.

This request provides funding to improve and renovate core instructional spaces at the 13 four-year institutions and UW-Extension. Projects using the Instructional Space Projects Program funding will address physical condition issues and technology capabilities within classrooms and instructional laboratories. Typical project scope items include building infrastructure (mechanical, electrical power and lighting, telecommunications, plumbing systems) renovations, architectural finishes replacement, acoustical performance enhancements, room configuration and layout modifications, fixed and movable equipment and furnishings replacements, accessibility improvements, and addressing current building code requirements. The primary focus is to comprehensively maintain and update established core instructional spaces.

The service life of instructional technology ranges between six and ten years, and advancements in teaching and learning methodologies will continually require remodeling and/or technology revisions. Based upon the significant unmet need, it is critical that the program continue so that it can assist each institution to respond to its highest priority needs for suitable learning environments.

## **LOOKING BACK, LOOKING FORWARD: TAKING STOCK OF OUR PROGRESS ON DIVERSITY**

### **BACKGROUND**

For more than 20 years, the UW System has endeavored to be a national leader in diversity in higher education. In 1988, it became the first higher education system in the nation to adopt a systemwide ten-year strategic plan for diversity. *Design for Diversity*, in effect from 1988-1998, was based on the belief that a public university must serve all the people of the state and lead the way in increasing educational opportunity for targeted racial/ethnic groups. The goals of *Design for Diversity* were continued under a second ten-year plan, *Plan 2008: Educational Quality Through Racial and Ethnic Diversity*. *Plan 2008*, in effect from 1998-2008, primarily focused on increasing the enrollment of students of color at UW System institutions and closing gaps in retention and graduation rates for students of color in line with those of the rest of the student body.

Upon the completion of *Plan 2008* and building upon its lessons, in 2009 the Board of Regents, in consultation with UW System and institutional leadership, expressed support for *Inclusive Excellence (IE)*<sup>1</sup> as the System's successor strategic framework. With its focus on integrating diversity goals into the core operations and functions across UW System Administration and institutions, *Inclusive Excellence* is not a plan with a pre-determined timeline. Rather, it is an overarching strategic framework aimed at fostering greater equity, diversity, inclusion, and accountability across the UW System and at every level of institutional life. The three-pronged strategy for *Inclusive Excellence* includes a focus on compositional diversity, improving organizational climate to transform institutional culture, and achieving equity in student outcomes.

Since its inception, the University of Wisconsin System has strived to provide students with the highest quality academic, leadership and social experiences possible. To maintain excellence and retain its competitive edge, the UW System must not only achieve diversity among its learners, faculty and staff, but it must also create teaching, learning and living environments that support excellence, equity and success for all. Through resolutions, endorsements, and dialogue, the UW System Board of Regents has played a critical role in establishing and maintaining the UW System's commitment to diversity (see Figure A).

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<sup>1</sup> More information on Inclusive Excellence, including the six IE Guiding Principles, can be found at <http://www.uwsa.edu/ideass/inclusive-excellence/guiding-principles/>.

In March 2014, the leadership of the Board of Regents directed the UW System Administration to provide a status update on the System's accomplishments in the five years since *Inclusive Excellence* was adopted. In fulfillment of that leadership directive, at its August 2014 meeting, the Board of Regents will hear the first of a two-part status update report on *Inclusive Excellence*.

## **REQUESTED ACTION**

No action requested; for information only.

## **DISCUSSION**

In carrying out Board leadership's directive, President Cross recognized that UW Chancellors are best able to identify the variety of strategic directions and activities in which their institutions are engaged as they implement *Inclusive Excellence* and assess their impact on student success. To that end, President Cross asked that UW Chancellors provide to UW System Administration their top three campus goals and outcomes for *Inclusive Excellence*. This would be the start of a renewed dialogue about progress to achieve equity, diversity, and inclusion across the UW System, focused on student outcomes. President Cross charged Associate Vice President Vicki Washington, in the UW System Office of Inclusivity, Diversity, Equity and Student Success (IDEASS), to provide leadership and coordination for the *Inclusive Excellence* assessment efforts.

The August presentation will provide an overview of *Inclusive Excellence* and highlight process toward systemwide student success metrics, including: 1) a brief history of UW System diversity efforts; 2) demographics and workforce implications; 3) summary progress made to date; and 4) future directions. The companion *Inclusive Excellence* status update, scheduled for the October 2014 Board of Regents meeting, will focus on institutional progress around specific metrics and goals. In preparation for the October presentation and report, President Cross has asked UW Chancellors to provide information related to the following key metrics: 1) their top three *Inclusive Excellence* goals; 2) the alignment of *Inclusive Excellence* goals with institutional mission/goals; 3) rationale and evidence for selection of their top three *Inclusive Excellence* goals; 4) results and impact of their top three *Inclusive Excellence* goals; 5) barriers to success; and 6) next steps in overcoming barriers and achieving gains in student outcomes.

## **RELATED REGENT POLICIES**

Regent Resolution 4041, adopted 5/6/88.  
Regent Resolution 7692, adopted 5/8/98.  
Regent Resolution 8850, adopted 6/10/04.  
Regent Resolution 8970, adopted 2/11/05.

**Figure A: Regent Resolutions and Endorsements Establishing and Maintaining UW System's Commitment to Diversity**

