



Budget Remarks
President's Report to the Board of Regents
UW System President Ray Cross

April 9, 2015

Thank you, Regent President Falbo, and good afternoon everyone.

It has been another busy month, and a very productive month during the biennial budget process.

I spent some time on the road in March and April. I visited 10 campuses in about four weeks and I have another four on my calendar. I engaged in dialogue with faculty, staff and students. I also listened. And, based on what I learned, combined with what I have heard from you and from legislators, I'm here today to tell you we are on the right track with regard to our budget.

Yes, there were plenty of questions from students, staff, faculty and administrators. But they weren't just about the budget cuts.

Yes, there is serious concern about these cuts. That's neither unreasonable nor unexpected.

But you need to know that we are making progress in reducing them.

The legislature is understanding and is interested in helping us. So is the Governor. Our Chancellors are working hard. Student voices are being heard. CEOs, Chambers of Commerce, alumni and others around the state are speaking up and showing support for the University of Wisconsin.

And I know each of you are doing your part to help us strengthen what is becoming a strong alliance for the future of this University.

So, with all this momentum, I'm not going to spend a lot of time on budget cuts today other than to remind you all, particularly in the light of the tuition discussion tomorrow, that in addition to the \$300 million reduction, there are \$45 to \$50 million dollars in additional costs and cuts. This results in a net reduction closer to \$350 million. While it is important that the discussion about the reductions is based on this further analysis, we are making steady progress toward our goal of reducing the cut.

Likewise, I feel very good about securing legislative support for a dedicated funding structure. I have also had open, honest, and positive dialogue with dozens of legislators about a future UW System built upon a responsible, predictable, and stable revenue source. With that, comes the potential for responsible, predictable and AFFORDABLE tuition for Wisconsin families. On my tour of campuses, I emphasized that point with students and with faculty. It is also attractive to legislators. They see this opportunity and its potential just as we do.

It's for these reasons that you may have heard me answer a rather lengthy question from a faculty member at UW Milwaukee with an emphatic "yes."

Some may have interpreted my one-word answer as a threat: vowing to pick up my marbles and go home or to quit if I didn't get what we were seeking. I'm sorry if some misinterpreted my meaning.

The fact is I was, and still am, confident in our momentum and in the new relationship we're developing with the legislature. Legislators are committed to working in partnership with us. I take them at their word when they tell me they want to work with us to build a stronger future. THERE IS HOPE. There REALLY is!!!

Let me give you a quick example of something that was quite impressive.

Last week, one of the campuses I visited was UW-Eau Claire. I heard from the volunteer student, faculty and staff Rapid Action Task Forces. These task forces are looking to not only address the budget cut but also to reimagine how the University operates, how it educates and serves students.

As one Task Force member put it, each team asked the question: "If we were starting a University today with a clean sheet of paper what would it look like?" Frankly, I consider this shared governance at its best—swift, effective, innovative and generating not only best practices but also several new ideas.

I know several other campuses are going through similar exercises. To be sure, tough decisions lie ahead.

So, given the momentum in the legislature and statewide to reduce our budget cut and the momentum to create a dedicated funding structure, I'd like to talk about a third piece of our request to the legislature in greater detail: the granting of flexibilities and the responsibility that goes with it, which we call accountability.

Without accountability, flexibilities cannot endure.

I would like to focus on the impact both would have at the campus level, whether flexibilities are delivered through an agreed upon public authority or permitted within state statutes.

Let me run down the list of flexibilities we are seeking: (CUE PPT)

First, the budget: A dedicated funding structure that gives campuses the ability to better model revenue expectations and allow for the type of reasonable tuition planning that will make the cost of public higher education in Wisconsin predictable for our families, taxpayers, and decision-makers.

Second, Human Resources: The flexibility to allow the Board of Regents to establish competitive pay plans, merit pay options, and give Chancellors more freedom to effectively recruit and retain a quality and diverse faculty and staff.

Third, Capital Planning and Construction:

We are seeking a streamlined process for planning, designing, and constructing state and university-funded capital projects.

We are also seeking revenue-bonding authority, which will reduce the state's overall bonding obligations while improving our ability to address serious facility needs.

Fourth, Financial Management: The flexibility to invest and leverage funds generated from UW System institutional activities so as to maximize their benefit for our stakeholders.

And Fifth, Purchasing and Procurement: The flexibility to engage in strategic contracting practices that would help to reduce costs through an enhanced ability to recognize and more directly meet the product and service needs of UW System institutions.

This includes:

Purchasing specialized materials, supplies and equipment unique to higher education.

Purchasing through coalitions or national alliances for our benefit and that of the state.

And, when possible, looking at less-costly local options when they make sense.

Those are the broad flexibility categories. They are neither new, uncommon nor unique. Almost every other higher education system in the country has them.

And we have been seeking some of these flexibilities since the 1970s.

We needed them then, we need them now. We need them to help us move forward into a new era. While these flexibilities will not solve our budget challenges, they will absolutely help!

We cannot create a nimble, responsive or flexible System for the future without securing relief from the restrictive requirements that treat us just like every other state agency.

Let me be clear: Wisconsin remains one of the top four-most-regulated state higher education systems in the country: New York, Oregon, Rhode Island and Wisconsin. And, to be accurate, New York and Oregon are already providing their public universities with greater autonomy.

So, why has it been so hard for Wisconsin to deregulate its university system? I have heard that some doubt whether the Board and System Administration can handle this freedom. Some say we aren't ready.

Well, we are ready. We must be ready. It's time let us compete with universities from 46 other states that already have this freedom.

Let's talk savings. Some will say these flexibilities will save us very little money. Others believe it will address the entire budget cut. Our careful analysis suggests they may save us between \$15 to \$20 million annually.

First, I don't think that's "little."

No, that will not come close to offsetting the proposed budget cuts. But it isn't just monetary savings we're after; it's ending the frustration, the aggravation and the hassle of unnecessary and duplicative work and time we can't even measure financially.

So, how are these flexibilities truly game-changers for the UW System?

Today, I'm going to let our Chancellors and staff address that question.

First, let me invite UW-River Falls Chancellor Dean Van Galen to talk a bit about how the capital planning and construction flexibility could have saved us a lot of time and money in terms of the "Falcon Center" project... Dean...

(Chancellor shares anecdote, analysis). Thank you, Chancellor....

Next, I'll invite Chancellor Rebecca Blank to talk about how the procurement flexibility at UW-Madison could save her institution time and money.

(Chancellor shares anecdote, analysis). Thanks, Chancellor...

Some of these flexibilities are most powerful at the System level. Let me turn to Julie Gordon, Associate Vice President for Financial Administration at UW System, to share an example of how the new flexibility in financial management could benefit our all of our institutions. ... Julie...

(Julie shares anecdote, analysis). Thanks, Julie.

Finally, let invite our host, UW Colleges and Extension Chancellor Cathy Sandeen, to talk a bit about how flexibility in human resources could help us potentially provide competitive compensation for our employees.

(Chancellor shares anecdote, analysis). Thanks, Chancellor...

Those are just four examples. Rest assured, there are dozens more. These new approaches and processes could be replicated throughout the System.

We must speak loudly and clearly, TOGETHER, that we need these flexibilities if we expect to secure them. The legislature is asking us to be more responsive, more nimble and more agile. Without these flexibilities, we simply cannot do so.

We know we are asking for a big change—a change to remove the excessive restrictions and regulations that bind the UW System.

We want to be partners with the legislature because we know they agree. We need these flexibilities if we are going to operate more swiftly and effectively in the future.

However, today I want to make it very clear that we also appreciate and understand that increased flexibility without greater accountability cannot endure.

I'm glad that we have already started that conversation. In the spirit of trust and openness, we have embraced accountability and transparency as an integral part of flexibility. In fact, accountability is one of our UW System hallmarks.

We have a practice of reporting to the legislature and public about how and where we do well and how where we need improvement.

To build upon and improve that tradition, we are having a series of discussions and quality exchanges with key lawmakers such as Sen. Harsdorf. They are helping us shape new and more focused accountability standards, and I'm grateful to Sen. Harsdorf for acknowledging our needs and direction in a column this week. She stated, and I quote:

“Providing greater flexibilities as we hold the University accountable will provide them with the ability to be nimble and responsive to our changing economy and encourage new initiatives and policies that improve student outcomes.”

Those of you who watched our Joint Finance Committee testimony also know that Sen. Luther Olsen, another key legislator, directly asked me about accountability.

We currently have more than 40 accountability reports. But reports alone don't cut it.

We want to focus on seven or fewer accountability metrics.

We will still have more than 30 reports. However, reports and accountability metrics are two different things. Reports inform our stakeholders. Metrics truly hold us accountable.

So, that's why we seek new, more sharpened measures—we have ALWAYS welcomed accountability. We value it. Students want it. Parents and taxpayers appreciate it. Legislators expect it.

Here are some of the potential accountability categories we are considering with legislators and national experts involved the conversation:

Graduation rates: Measuring and improving our institutional 2-year, 4-year and 6-year graduation rates as compared with nationally recognized peers.

Retention rates for first and second-year students: Monitoring and measuring retention rates between the first and second year.

Degrees granted: Monitoring and increasing the number of degrees granted year over year, with a focus on the number of students earning degrees that are most needed by the state, such as those in STEM and health-related fields.

Closing equity gaps in retention and graduation: Measuring and reducing the retention and graduation equity gap. Continuing to improve the success of underrepresented and minority students and keeping Pell vs. non-Pell student success gaps in the spotlight.

Math remediation: Measuring and reducing the number of students coming to the University of Wisconsin needing remedial math. Monitoring and improving the success of students taking remedial math courses within the university.

Alumni: Focused surveying and tracking of alumni satisfaction, understanding what careers they move into and those who pursue graduate and professional education.

And Affordability: Developing and reporting an annual affordability index that also contributes to the university tuition setting process.

Holding us accountable drives down our costs and the time to degree, which drives down students' costs.

So, again, let me stress that flexibilities without accountability cannot endure.

In conclusion, we have been we have been diligently and significantly making progress on the principles your March resolution outlined.

Our goals remain the same, and as such:

I ask you to join me in continuing to press for a reduction in the size of the budget cut.

I ask you to join me in continuing to press for the flexibilities we've long sought and are now packaged for us in the public authority model.

I ask you to join me in continuing to press for the dedicated funding structure that is the basis for an even better and stronger UW for the future.

Here's why: This isn't just about the future of the UW System.

This isn't just about the future of our institutions.

This isn't just about us.

This is about the future of the state of Wisconsin.

As I have said since I started this job, the University of Wisconsin should also be the University FOR Wisconsin, and that is why this is so important.

... Thank you.