

MINUTES OF THE SPECIAL MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Madison, Wisconsin

Held in room 1820 Van Hise Hall

Thursday March 6, 1997

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Thursday, March 6, 1997
12:00 Noon

- President Grebe presiding -

PRESENT: Regents Barry, Benson, Boyle, Brandes, DeBraska, DeSimone, Grebe, Hempel, James, Lubar, MacNeil, Orr, Smith, and Steil

ABSENT: Regents Brown, Krutsch, and Randall

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PRESENTATION ON GOVERNOR'S 1997-99 BIENNIAL BUDGET

President Lyall began her remarks by quoting Senator Claiborne Pell, who had argued that "the strength of the United States is not the gold at Fort Knox or the weapons of mass destruction that we have, but the sum total of the education and the character of our people." She observed that this is a critical budget for the UW System and for Wisconsin—it will determine the quality and affordability of public higher education well into the next century for two key reasons: First, 25% of the UW System faculty will retire over the next five years. The System's ability to attract replacements of equal quality will determine the value of a UW education, as well as the value added to Wisconsin's future work force. The second important factor is the fiscal challenge the UW System has faced as it has been working to manage a \$33 million ongoing base budget cut and the loss of 525 faculty and staff. These cutbacks have affected resources originally intended to maintain library collections, invest in instructional technology, expand computing services for students and faculty, and fulfill other needs that keep the quality of undergraduate education current.

President Lyall noted that, in many ways, the Governor's recommendations for 1997-99 move the UW System forward again. They do not restore the 1995-97 budget cuts; however, they propose three very important recommendations:

1. The budget proposes full funding of the UW System costs-to-continue, preserving its base budget.
2. A \$15.6 million biennial package for instructional technology, including the opportunity to place all of the UW System institutions on BadgerNet (the statewide fiber optic network that will also link all K-12 schools in the state), which will contribute to the "seamless web" of educational opportunity throughout Wisconsin. The UW System institutions will be better able to share resources with each other, the WTCS colleges and K-12 schools as part of the Governor's TEACH Wisconsin initiative. Instructional technology funds will also support training for faculty, staff and K-12 teachers; funding for the computerized Student Information System (SIS) that will enable K-12, WTCS, and university students to access on-line applications, transfer information, financial aid information, and career advising; upgrading faculty computers to better utilize current instructional materials; as well as necessary infrastructure improvements.

Before discussing the third recommendation, President Lyall noted a number of disappointments in the budget proposal, which omitted funding to support improvements in academic advising, increasing the number of graduates from allied health programs, and expansion of pre-college programs for minorities. In addition, no funding was recommended to maintain UW library collections or adapt them to the increased volumes of lending anticipated when those collections become accessible to all citizens over the BadgerNet. She noted that each of these items requested by the Regents had been drawn from their Study of the UW System in the 21st Century, and had been discussed in a series of statewide hearings. Finally, President Lyall reported that a proposed ongoing cut of \$2.5 million from the UW-Extension budget will reduce support for continuing education and outreach programs offered through each UW System campus.

In light of these omissions, President Lyall noted that the Governor's third recommendation, a set of management flexibilities to allow the UW System to better use its resources, becomes "essential." These flexibilities include:

- The authority to use revenues and create positions related to for-credit continuing education without having to have these dollars re-appropriated to the UW System after they are earned. This will help manage the proposed UW-Extension budget reduction.
- The flexibility to use unanticipated revenues from an auxiliary operation for one-time needs in other auxiliary or instructional areas. This would moderate future auxiliary rate increases by using these revenues where

needs are greatest, while keeping all auxiliary operations at prudent reserve levels.

- The authority for the Board to spend up to 105% of the UW System tuition appropriation. This would enable UW System institutions to expand into the distance education market, and to receive additional revenue for institutional priorities through differential tuition initiatives; it would enable the Board to adjust tuition a maximum of \$50-70 per semester, beyond levels in the Governor's budget, to meet operating needs that cannot be funded from GPR in the present very tight State fiscal environment. Such needs might include: advising; library acquisitions, which have not received new funding for six years; full funding for BadgerNet; and faculty and staff compensation. The Board would determine how much of this authority it would exercise each year.

The combination of additional dollars and management flexibilities will provide the UW System with the tools to move forward. President Lyall observed that the system would prefer that the Legislature keep its historic commitment to fund two-thirds of instructional costs and provide additional GPR for these needs, and noted that the closer the Legislature can come to its historical standard, the less of the new tuition flexibility the Board will need to exercise.

The implications of this budget are broad. If the Governor's recommendations are fully adopted as set out in his proposal, the UW System would be able to accept 4,000 additional students under Enrollment Management III; GPR would rise 2.4% over the biennium; tuition (without compensation or any use of the 105% flexibility noted above) would rise \$20-30 per semester, or by an annual average of 2.3% a year; however, even with these improvements, the UW System would fall from 10.4% of the State's GPR funding at the start of this biennium to 9% at the start of the next biennium; and the GPR per student, adjusted for inflation, would decline about 4.6%. She summarized these predictions by noting that this budget makes a step toward the future, while leaving the UW System with a management challenge.

Finally, President Lyall reported that the proposed budget does not contain a recommendation at this point for a Biennial Pay Plan, and that the funding set aside in the compensation reserve would support only about a 2% pay plan each year, or about half of the request for unclassified faculty and staff. This, too, will result in a significant challenge, since adequate compensation is essential to meet the goal of providing high quality education for students; furthermore, without competitive compensation, the ability to maintain a quality faculty through a period of significant retirements could be jeopardized.

President Lyall concluded by stressing the need to articulate the critical importance of this budget for the future of quality, affordable public education. She noted that the students' slogan, "Invest in tomorrow—educate today" expresses this well: the future prosperity and quality of life in Wisconsin depends on maintaining its

historic commitment to education. In that regard, she solicited the assistance of the Board in representing this budget to the Legislature.

Regent Lubar concurred with the spirit of Senator Claiborne Pell's remark, adding that the strength and the wealth of the nation is in the educational system and expressing his sense that the Board is committed to maintaining and furthering it. Regent Grebe added that every member of the Board would be involved in the budget process; he added that "that commitment extends to a full funding of the pay-plan request." In light of the upcoming presentation, Regent Barry observed, that in his discussions with legislators and legislative staff, there may be a need to counter the perception that increased retirement would lead to lower costs to replace retirees. President Lyall responded that this is a concern, particularly since there are reasons to believe that the growth of market wages in some of the areas where faculty are retiring will offset any savings; furthermore, as new faculty are recruited, they have to be appropriately equipped, and, as Regent Steil noted, there may be additional costs in terms of benefit packages, particularly in terms of providing insurance to new faculty for the first six months of employment.

Regent Boyle stated his belief that this is a "very good budget," expressed his gratitude to the Governor for presenting it to the Legislature, and anticipated that the response there will be favorable. He added, however, that the UW-Extension budget reduction will affect a number of excellent programs and will adversely affect sparsely populated areas, and noted that had strengthened his own commitment to work for greater control over the revenue generated through those programs.

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PRESENTATION: THE GRAYING OF THE FACULTY

Regent Grebe observed that this presentation is part of the Board's ongoing strategic planning effort to review emerging issues and possible solutions; at this point, the Board is not being asked to act upon a particular proposal, but to consider and discuss the issues concerning the "Graying of the Faculty." He introduced Vice President David J. Ward, who stated that the presentation would begin with an overview of faculty demographics. This research was performed as part of a study of Faculty Age Distributions in the UW System (available in the September 1996 UW System Occasional Research Brief (ORB) Volume 96, Number 2) that examined the faculty demographics by discipline, by campus and system-wide. Vice President Ward asked Dan Layzell, the director of the Office of Policy Analysis and Research, to provide an overview of the research, including a current UW System faculty age profile, trends in UW System faculty age distribution, retirement projections to 2004-5, and potential planning issues and implications for the UW System and its institutions.

Based on the 1994-95 UW System faculty population, current faculty fall into four age groups: 16% are less than 40 years old; 52% are 40-54 years old; 27% are 55-64 years old, and 5% are older than 65 years of age, with these age groups distributed fairly evenly between all institutions in the 40-54 year old age group, with comprehensive campuses and centers having more faculty in the 55-64 year old group and fewer faculty in the less than 40 year old group than the UW-Madison and UW-Milwaukee campuses. Since 1985, the percentage of faculty above age 55 has increased at all institutions, with the greatest increase occurring at the UW Centers. Retirement projections to 2004-5 were performed by starting with the actual age distribution of the 1994-95 faculty population and calculating retirements based on the actual retirement rate by institution and age group, assuming no changes in faculty numbers from the 1994-95 base. Of that base, projected faculty retirements are 26% at UW-Madison, 21% at UW-Milwaukee, 30% at the comprehensives and 37% at the UW Centers.

Following the presentation of this information, Regent Barry asked whether the elimination of approximately 500 positions over the 1995-97 biennium would affect this data. Mr. Layzell responded that, since this data was drawn from 1994-95, the elimination of those positions had not been taken into account. He noted that many of those eliminations affected academic staff rather than faculty, and that he would have to go over the data again to see if it would be affected. Regent Orr asked whether the use of "means" rather than "medians" would affect this discussion, and was informed that that would probably not make a material difference. Regent Grebe asked how the UW System's data compared to a national picture of faculty retirements, asking whether the system is more or less affected than similar institutions. He was informed that the most recent national retirement projections were performed about 4 or 5 years ago and the UW System's profile is similar to what was found in that study.

Senior Vice President Ward, Howard Cohen (UW-Green Bay, Provost and Vice Chancellor) and Philip Certain (UW-Madison, Dean of the College of Letters and Sciences) then offered their insights into the implications of this data. Ward noted that this issue is often reduced to extremes so that it is perceived either as a golden opportunity or a major crisis. He reported that there is a popular idea that retirements will cause a lot of fiscal flexibility - according to this idea, when older, higher paid faculty retire, they are replaced by younger, lower paid faculty. He cautioned that the data reveal some difference between the salaries of retiring and newly hired faculty; however, given "faculty salary compression," that gap is not what it once was. Not only has the salary gap between senior faculty and newly hired faculty decreased, but there is also a decreasing difference between starting and ending salaries. In addition, the system must measure the full cost of recruiting and adding new faculty. On the other extreme, Ward noted the popular notion that the wave of future faculty retirements will leave universities unable to fill positions; he observed that, indeed, some fields have experienced a tightening of the market, while in others, there are an ample number of faculty candidates. He concluded by stating that this is neither an opportunity nor a crisis, but a problem that needs to be managed, in light of accelerated rates of faculty turnover, the various needs of each UW campus, and the differing

needs of departments and disciplines. Ward concluded his remarks by observing that, consistent with the UW's budget priorities in 1997-99, the system will need competitive salaries and competitive benefits to manage this problem. This is a national problem, as well, the UW System's relative position in salary and benefits will be very important as it competes against other institutions for the best faculty. The UW System will also need flexibility in managing the turnover, such as allowing campuses to shift resources from declining and less important programs to growing or more strategic programs.

Provost Cohen offered his overview of UW-Green Bay's management of increasing faculty retirements. UW-Green Bay has 159 full time faculty, 17 of whom are age 60 or older; of those 17, ten in only two programs. Thus, in some programs there will be few or no retirements in the next ten years, while in two programs there will be significant opportunities to rethink the division of faculty expertise within those programs; as a result of this, the program planning and development process will be an important factor in managing faculty retirement. Provost Cohen also noted that some faculty are beginning to retire at an earlier age than their predecessors, which will also affect program development to ensure that when a student begins a course of study it will not be with the expectation that faculty will be leaving -- this means that transition programs will need to be developed to allow retiring faculty to teach part time. Such programs will not only benefit the students, but will ease the transitions within departments, assist in recruiting junior faculty, and help retiring faculty develop their post-retirement careers. Provost Cohen concluded his remarks by observing that new faculty searches reflected the variations in particular fields of study: in some areas, candidate pools are shrinking. This indicates that more universities are seeking to fill more positions. This will increase the need for competitive salaries.

Dean Certain highlighted two points: First, that faculty turnover produces less than 1% flexibility in his budget; and second, that senior faculty are crucial to teaching programs, the governance structure, and the ability to garner extramural funds. Regarding the first point, he noted that, after factoring in costs and salaries (but excluding "startup costs"), the net gain in replacing retiring faculty with junior faculty is about \$12,500 per faculty member. Regent Orr asked what the rough difference between salaries would be, and was informed that it would be closer to \$20,000. When she asked about the average age of retirement at UW-Madison, Regent Brandes was told it was about age 65; Dean Certain observed that this age has been fairly stable. He then noted the variety of programs and costs that have to be funded out of this \$12,500 savings that is spent fairly quickly. This challenges institutions that must maintain excellence in the face of these conditions; he noted that his college had been through a planning process and had addressed the philosophical framework necessary to do so in a document *Creating a New College*. Finally, he added that if this 1% flexibility were completely reallocated to improve staff salaries, then there would be no flexibility left in the year-to-year budget.

Dean Certain's second point was that senior faculty are critical to many of programs, and at UW-Madison, they are especially important in terms of maintaining extramural support. He pointed to a table of grant revenue data, stating that senior

faculty at UW-Madison remain quite active in research on average up until the day they retire and often beyond that. Noting that the total numbers of faculty retiring and being hired were about the same, Dean Certain stated that the junior faculty are doing somewhat better than the senior faculty on average in terms of grant production; however, there has been a "tremendous drop" in the number of junior faculty since 1993 -- there may be a problem eventually as fewer new faculty members are hired compared to the number of faculty retiring.

In discussion following these comments, Regent Orr asked whether the reduction in new hires was as a result of positions eliminated at the junior level due to an aberration caused by changes in state policy; if so, now that the number of faculty has stabilized, he asked, whether the new hires are expected to at least equal the retiring faculty's grant production. Dean Certain cited the complexity of the budget structure, noting that they are forced by slow attrition to convert positions into replacing the funds lost to inflation, so even if the budget were completely stable it would not be able to stabilize the faculty.

Regent MacNeil asked Dean Certain to discuss any problems he has encountered in hiring junior faculty. He stated that the College of Letters and Sciences has worked very hard in recruiting younger faculty while the number of departments that can open searches is restricted due to budget concerns, and getting permission to begin a search is competitive. The recruiting process is quite "vigorous" and hiring is achieved in about 2/3 of the cases.

Regent Lubar asked whether, summing all of this information up, there will be an absolute shortage of faculty, a shortage of experienced faculty, a shortage of grant money or all of these. Provost Cohen noted that the resources are available to manage this problem so such shortages can be avoided. Senior Vice President Ward concurred, stressing that the turnover problem is significant and that, currently, the UW System lacks the flexibility to manage it; furthermore, it will need help to keep salaries and benefits competitive. When Regent Lubar asked whether qualified people will be there if the System can recruit them competitively, he was told that they would be.

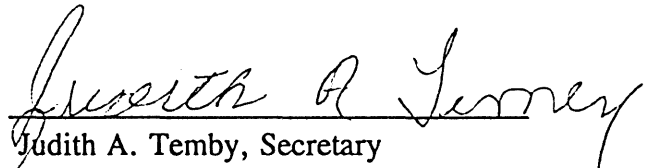
Regent DeBraska asked whether the problem might have been under-estimated, given the demographic bulge in the retirement age faculty and the attractiveness of earning in the retirement system. He suggested examining programs that have been developed to smooth out such demographic bulges. Dean Certain expressed concern that encouraging faculty to retire would not only produce small financial gains, but that a large number of retirements from his college would compromise the remaining faculty's ability to meet instructional demands, since student credit hours would not decrease. Regent DeBraska suggested that the transitional programs discussed by Provost Cohen had been designed to manage that issue.

Regent Orr asked whether all levels of faculty compensation fall short of their peers; his understanding is that assistant professors and associate professors fall within the median range, while full professors fall short. Vice President Ward replied that this is the case, which he attributed to a recruiting issue, which, as Regent Orr

indicated in follow-up, suggests that salary offers are competitive. However, salary increases do not remain competitive, as Vice President Ward noted.

The meeting adjourned at 1:30 p.m.

Submitted by


Judith A. Temby, Secretary

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