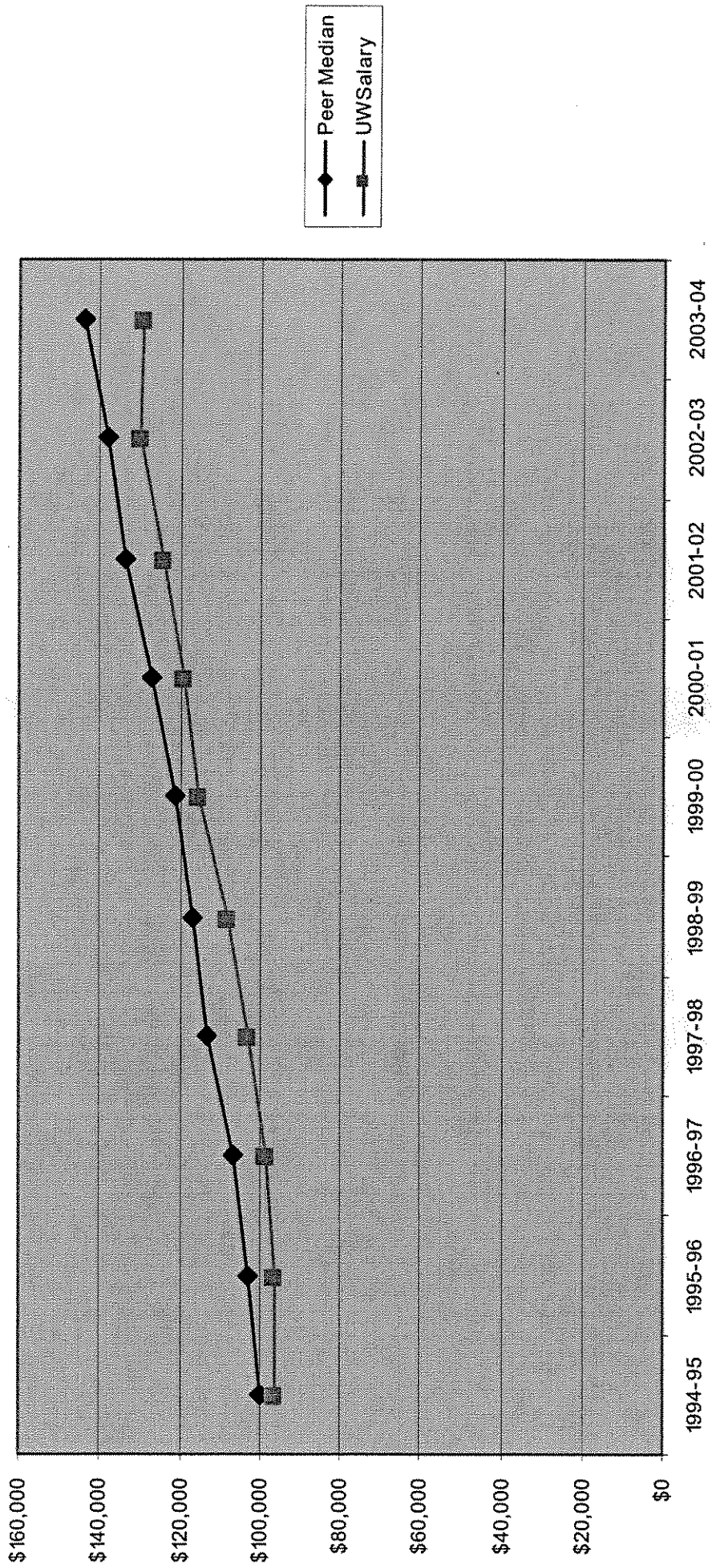


UW Provost and Vice Chancellor Average Salary and the Peer Group Median (Non-doctoral Institutions)



Highlights

- Overview

- 26 campuses and an extension service providing instruction, research, and public service statewide
- Governed by 17-member Board of Regents and directed by the UW System President.
- Current biennial budget is \$7.1 billion.
- Funding sources are:
 - Tuition and fees
 - Federal revenue
 - Research
 - General purpose revenue (GPR) - \$1.9 billion 03-05 biennium
- LAB evaluated:
 - staffing levels throughout UW System, including changes in administrative staffing from FYs 97-98 through 03-04
 - staffing costs, including salaries for classified and unclassified staff and executive salaries; and
 - contractual services

- Staffing Levels

- UW System's payroll increased by 89.3 full-time equivalent positions from March 2003 to March 2004.
- Staff categorized as Professional Non-faculty held 42.3 percent of all filled positions.
- Faculty held 27.7 percent of all filled positions in
- Managers 4.4 percent
- Remaining 25.6 percent were categorized as Clerical and Secretarial, Service/Maintenance, Technical and Paraprofessional, and Skilled Crafts.
- Position growth - number of UW System employees increased in all categories except Clerical and Secretarial and Service/Maintenance.
 - Identified more than 500 full-time equivalent Clerical and Secretarial positions that were reclassified to other categories, which helps explain part of this reduction.
 - Among positions in the Professional Non-faculty category, growth was highest for three job titles: research assistant, research specialist, and teaching assistant.

2003-05

- Administrative Positions – Institutional Support

- 6.9% of UW System's positions to Institutional Support
- UW System often refers to positions coded as Institutional Support as its administrative positions.
- Institutional Support activity code does not include all administrative positions - it excludes program assistants who keep records, type correspondence, maintain schedules, and perform similar administrative functions in various academic departments throughout UW System.
- For accountants and grant managers who ensure compliance with federal requirements for the use of funds that support a large percentage of UW System's research activities is Research, because their work directly supports that activity.
- Institutional Support includes only 2,212.6 of UW System's administrative positions.
- LAB identified another 5,825.1 positions with administrative duties that were coded as other activities.
- Represent 25.1% of UW System's filled positions in March 2004.

- Administrative Costs
 - UW Systems' administrative costs total \$495 million – nearly 3 times the amount recorded as Institutional Support
 - Represents 15% of UW System's \$3.3 billion operating expenses (02-03)
- Staffing Costs
 - 2/3 unclassified staff had annual salaries of less than \$50,000
 - 41.1% of unclassified staff worked less than full-time
 - 12.6% of classified staff worked less than full-time
 - Since 11-01 Regents approved more than \$500,000 in salary increases for 20 senior executive positions
 - Although increases for senior executive positions were 40%, salaries remain below the median for comparable institutions
- Contractual Services
 - 12.4% contractual services expenditures coded Institutional Support
 - LAB identified more than \$800,000 in administrative expenditures coded as other activities and include a recommendation to improve consistency in accounting for contractual expenditures.
- Matters for Legislative Consideration
 - To what degree should the Legislature control the number and types of positions in UW System?
 - How will the relationship between UW System and the State be defined in the future? *coding, id issues, def.*
 - How will student access to UW System be maintained?
- Recommendations – see sheet by itself

Flexibility

Introduction

- One of nation's largest post-secondary public education systems
- WI's largest employer
- 13 – 4-year institutions
- 13 – 2-year campuses
- UW-Extension
- System Administration
- 03-04 academic year – 160,000 individuals enrolled in UW System degree programs
 - 135,000 full-time equivalent students
 - 180,000 non credit programs (UW-Extension)
- Operating expenditures were approximately \$3.3 billion in FY 02-03
 - \$1.1 billion (1/3 of total) was funded by GPR

Enrollment

- 8.2% increase in enrollment in 5-year period
- .1% increase in 03-04 year
- Declines in 6 campuses in 03-04 year

Board of Regents Duties:

1. allocating funds and adopting a budget for each UW System institution;
 2. determining the educational programs to be offered;
 3. establishing a mission statement for each institution; and
 4. appointing President of UW System, 15 chancellors & 13 deans UW Colleges.
- UW System Administration Duties:
 - Administration of established policies
 - Programmatic, fiscal & physical development of UW System
 - Fiscal controls
 - Compiling and recommending operating budgets

Funding and Expenditures

1. program revenue
 2. GPR
 3. federal grants
 4. segregated revenues
- Operating expenditures increased 35% from 97-98 to 02-03
 - GPR increased 21.2% during period (\$882.8 million to \$1.1 billion)
 - Federal revenue increased 58.8%
 - Pg. 4 table 4 shows GPR and federal funding breakdowns
 - Operating expenditures at universities:
 - 51.9% at UW Madison accounted for more than ½ of the UW System's operating expenditures in FY 02-03
 - 10.8% UW-Milwaukee next highest
 - All other institutions accounted for 4% or less
 - UW Colleges had the greatest % increase in expenditures in 5 years
 - 43.2% increase in enrollment at UW Colleges
 - \$1.9 billion GPR funding reflects \$250 million budget cut for the 03-05 biennium
 - \$110 million 03-04
 - \$140 million 04-05
 - Act 33 authorized an additional \$150 million in spending funded by program revenue *tuition*

Staffing Levels

- \$250 million reduction in GPR budget reduced the number of permanent staff positions authorized to fill.
- Loss of 650 GPR-funded positions has been almost totally offset by an increase in positions funded by PR *(+) tuition/scholarships/grants etc.*

- Payroll records indicate that actual staffing levels, which include project and limited-term positions, as well as permanent staff—increased after UW System's GPR budget and position authority were cut under Act 33.

Authorized Positions

- UW System held a number of positions vacant in anticipation of cuts to its 03-05 budget
- reduction of 650 GPR-funded positions was offset by authority to add 585.6 PR supported positions
 - 64.4 permanent positions eliminated
- April 2004, UW System reported 884.5 authorized positions were unfilled system-wide. (3% of the 29,569.7 positions authorized)

UW System does not maintain position information on the State's mainframe personnel management system.

UW-System quarterly report to the DOA and DOA's quarterly report to Jt. Finance – differ significantly

- 10-1-03 UW System reported having 993.1 more authorized positions than DOA reported to Jt. Finance
- Because differing reports on UW System's position authority could not be readily reconciled, LAB used payroll records

32,000 FTE equiv. staff

pg. 21

close to 1,000 difference now so off

*Payroll records
5,000 work*

Filled Positions

- March 04 payroll included 31,971.8 permanent, project and LTE staff
- UW System added 89.3 permanent employees from March 03 to March 04
- Both project and LTE positions have been reduced since March 98, while the number of filled permanent positions increased by 12.2% from March 98 to March 03
- System-wide enrollment increased 8.2% in 5 year period while staffing levels reflected in payroll increased 10.6% -- 3,066.6 permanent project and LTE positions were added

Position Types

- Took from reports prepared by Regents for the Jt. Finance Committee
- Reports categorize staff according to 6 positions types and classify high-level executive, administrative and managerial positions as Management
- 42.3% (March 04) of all filled positions were categorized as Professional Non-faculty (includes researches, research assistants, teaching assistants, and project assistants)
- 27.7% of all filled positions were categorized as faculty

Changes in Filled Positions

largest increase (2,844.5 positions) was in the Professional non-faculty category more than 500 full-time equivalent staff whose positions were categorized as Clerical and Secretarial in 03-98 were reclassified as either Professional Non-faculty or Technical and Paraprofessional in 03-04

- Significant number of new positions are filled with staff who work in research

Administrative Positions

- 03-04 payroll records assign 6.9% of filled positions to Institutional Support activity
- UW System organizes its financial records and accounts for positions using 11 activity codes that are based on guidelines developed by the National Association of College and Universities Business Officers
- Nearly 2/3 were coded as 1 of 3 core activities – instruction, research & public service
- 6.9% coded as Institutional Support
- Institutional Support activity code does not fully reflect UW System's administrative positions – ex. does not include program assistants (pg. 29)
- Based on Regents' most recent annual report to Jt. Finance – activity code for 25.3% of these positions is Institutional Support
- Institutional Support is not the activity code associated with most staff positions that are categorized as Clerical and Secretarial in Board of Regents' reports to Jt. Finance.

reclassified

Similar admin. funct w/in each org. direct contact

- In March 2004, UW System accounted for nearly one-half of these staff with the activity codes for Instruction (28.1 percent), Research (11.0 percent), and Public Service (8.5 percent). As shown in Table 15, only 8.5 percent were assigned to Institutional Support.
- LAB found 2,306.3 positions categorized as either Professional Non-faculty or Technical and Paraprofessional also have duties that are largely administrative in nature.
- only 32.4 percent of these positions are coded as Institutional Support.
- when administrative positions are accounted for with activity codes other than Institutional Support, they are not "miscoded" in UW System records.
- Activity codes developed by a national association and adopted by universities throughout the United States to allow comparisons among them. However, this methodology understates the number of administrative positions, because positions with administrative duties that are coded to other activities, such as Instruction and Research, are by definition excluded from Institutional Support.
- Pg. 34 figure 4 represents the two views of UW System's administrative staffing levels
- March 04 25.1% of UW System's filled positions were administrative

Administrative Expenditures

WU System reported a lower percentage of operating expenditures categorized as Institutional Support than 18 other university systems it defines as peers.

- Institutional Support expenditures do not fully represent administrative costs
- Expenditures coded as Institutional Support do not fully represent UW System's administrative costs.
- Less than 1/3 of FY 02-03 administrative staffing costs were recorded as Institutional Support
- Table 19 (pg. 36) shows estimated staffing costs for all positions we identified as administrative based on payroll and other data in UW System accounting records
- \$7.8 million in expenditures for supplies and services coded as Institutional Support.
- However, LAB found an additional \$1.5 million in expenditures that were administrative in nature but coded as activities other than Institutional Support
- Pg. 36?? Better accounting of Institutional Support at universities
- Additional \$6.2 million in expenditures for supplies and services in offices of academic deans, directors of student services, and physical plant directors throughout UW System.
- Combined with the \$1.5 million in administrative expenditures we found coded as other activities, UW System's total expenditures for administrative supplies and services increase by \$7.7 million
- Administrative expenditures totaled \$495 million in FY 02-03 or nearly 3 times the amount recorded as Institutional Support.
- 15% of UW System's \$3.3 billion in operating expenditures was administrative in nature
- Estimate that administrative staffing expenditures increased by at least \$4.9 million in FYI 03-04

Staffing Costs

- pay increases for the nearly 3/4 of UW System employees who are unclassified have typically been larger than those of most other state employees, including most classified UW System staff.
- 2/3 unclassified staff are paid less than \$50,000 annually
- 41.4 % unclassified staff are part-time employees.
- managers with annual salaries of at least \$100,000 has more than tripled

34-
36



- System Administration has been responsible for the largest percentage increases in both monthly salary costs and executive salaries.

Unclassified and Classified Staff

- Unclassified represent 72.8% of UW System employees
- 26,740 individuals in unclassified staff positions in March 04
- UW System employed 9,982 individuals as classified staff
 - 87.4% were full-time
 - 12.6% were part-time
- UW System staff in unclassified positions have typically received larger pay increases than other state employees
- 2 additional methods by which UW System staff receive salary increases
 - Statutes allows UW System to allocate funds for salary increases that recognize competitive market factors – decisions are made by the Regents on a case-by-case basis
 - 99-01 budget provided \$19 million in GPR and \$10 million in PR to fund what UW System staff refer to as the Madison Initiative – make faculty and academic staff salaries more competitive with those at UW Madison's peer universities
 - 4,235 salary adjustments totaling \$13.4 million were made from FY 99-00 through FY 00-01
 - Slightly less than ¼ of UW Madison faculty and academic staff received adjustments in each year of the biennium through this initiative
- UW System addressed competitive market factors with 1,836 salary adjustments totaling \$6.5 million
- March 98 – March 03, the largest increase – 57.1% was in System Administration
- Among UW institutions increases ranged from 20.5% to 40.7%
- Most of UW System's highest-paid employees are faculty

NO Number of UW System managers with salaries of \$100,000 or more has tripled in recent years

NO Managers – the number of individuals (UW System President, vice presidents, chancellors, vice chancellors, deans, and individuals with the title of director) more than tripled from 1998 to 2004.

not!

- **When there were more than 300 managers within UW System with annual salaries of \$100,000 or more, there were 177 managers in the rest of the executive branch of state government at the same salary level.**

Executive Salaries

- 01 WI Act 16 authorized Regents to set the salaries for 20 senior executive positions
- Since November 01 Board approved more than \$500,000 in salary increases for senior executives
- Board of Regents approved new salary ranges in September 2003; it also required the related salary adjustments, which totaled at least \$87,000, to be made with funds other than GPR.
- Board rescinded these ranges in October 2003, and it subsequently decided against reconsidering them.
- Executive salary increases were greatest within System Administration and at UW Madison
- Increases for chancellors ranged from 40.3% to 77%
- Only 5 individuals who held senior executive positions in FY 97-98 remained in the same position in FY 03-04
- Indicate that the salaries of 20 UW System senior executives are below the national median for universities national median for universities with comparable budgets.
- in at least one instance a private foundation—the Argosy Foundation—is indirectly supplementing the salary of the Chancellor of UW-Milwaukee by donating funds to the UWM Foundation solely for this purpose. Senior executives are also sometimes provided with housing or housing allowances, state owned vehicles, entertainment

budgets, and club memberships. There is currently no effective reporting mechanism for these types of compensation.

Recommendation

To assist the Legislature in understanding executive compensation within UW System, we recommend UW System provide the Legislature with complete periodic reports on executive salaries, fringe benefits, and cash and noncash compensation from outside sources.

Contractual Services

- Contracts may be negotiated by System Admin. or by individual institutions.
- FY 01-02 UW System spent \$84.8 million for contractual services
 - \$10.5 million – 12.4% was coded in accounting records as Institutional Support
 - However LAB identified numerous examples of contractual services costs that were administrative in nature but recorded under activity codes other than Institutional Support.

Contractual Services Expenditures

- Both the procurement process and the level of DOA's involvement differ depending on a contract's anticipated cost.
- Pg. 54–table 30 shows at cost level, process and how much DOA is involved in approval
- Contractual services coded as Institutional Support increased from \$3.2 million to \$10.5 million (228.1% change) from 97-98 to 01-02

Spending by Institution

- Spending for administrative services provided by contractors increased at most institutions.
 - Increase of more than 100% at 6 campuses (OSH 1 of 6)
 - System Administration 424.3% increase
 - Oshkosh 214.2% increase
 - Madison 33.4%
- Services contracted for:
 1. Computer consultants: FY 01-02 found \$10.3 million in payments by UW System to individual and corporate computer consultants
 2. Investment services – for investment services to manage UW System's trust funds – found approximately \$1.2 million in payments to at least 8 private investment firms
 3. Accounting, auditing and consulting services
 4. Executive search firms – used in filling high-level positions. With the departure of UW System President and chancellors at 4 campuses, payments to search firms totaled approximately \$236,000 in FY 03-04

Other Contractual Services Expenditures

- some expenditures that are administrative were recorded as other activities
- 12.4% of the \$84.8 million UW System expended for contractual services was coded as Institutional Support
- LAB identified more than \$800,000 in expenditures that are administrative in nature, such as payments for accounting services and executive searches, but were recorded as other activities. (see recommendation below)
- UW Oshkosh coded its payments to University Accounting Services as Student Services. All other campuses with expenditures to this firm coded payments as Institutional Support. Pg. 58
- UW Oshkosh coded about \$10,000 for advertising its MBA program as Instruction. Pg. 59

Recommendation

We recommend System Administration provide all University of Wisconsin institutions with guidance in coding contractual expenditures in their accounting records to ensure accuracy and consistency.

Future Consideration

- April 2003, Regents began a strategic planning process to examine whether statutory or organizational changes could improve UW System's ability to fulfill its education, research, and public service missions and enhance its services.
 - June 2004 report, "Charting a New Course for the UW System"
 - Contains 27 recommendations that address three core issues:
 - maintaining the quality of education
 - ensuring access and affordability, and
 - continuing to serve Wisconsin's citizens.
- 3 additional questions related to position control, legislative oversight and student access are particularly relevant:
 - To what degree should the Legislature control the number and types of positions in UW System?
 - How will the relationship between UW System and the State be defined in the future?
 - How will student access to UW System be maintained?

Legislative Control of UW System Positions

- UW System employs 44.3 % of state government workforce
- UW is state's largest employer
- 18,315.1 GPR funded positions represented 52.1% of all GPR positions authorized
- Legislature has traditionally controlled the number of UW System positions closely, but in recent years UW System has been granted more flexibility than other state agencies to manage its positions.
- Current position reporting mechanisms are ineffective
 - In exchange for increased flexibility in staffing, the Legislature has required a number of reports detailing UW System positions by funding source and type.
 - However, none are particularly effective. For example, the format of Regents' annual report to Jt. Finance on management and staff positions—makes it difficult to analyze trends because more than 1,800 job titles are presented without meaningful description, and with little analysis.
 - **the numbers of authorized and vacant positions included in UW System's quarterly report to DOA are often inconsistent with numbers included in DOA's quarterly report to Jt. Finance.**
 - **neither UW System nor DOA could account for these differences.**
 - **Authorized staff differed by 993.1 positions as recently as October 2003**
- Current reports also make it difficult to accurately track funding sources for positions, in part because of the flexibility UW System has to pool its funds from various sources, such as tuition revenue, federal indirect cost reimbursements, and especially general program operations—the education, research, and public service appropriation that accounts for 76.2 percent of its entire GPR allocation. Because UW System commingles these funds and does not finalize the amount and type of expenditure that will be supported from each major funding source
- because the fund transfers to implement staffing decisions occur only at a summary level, **each individual position's funding source cannot be independently tracked or verified.** (UW System's practice to use GPR funds first, thus ensuring that funds do not lapse.)
- **UW System officials agree that current position reports are not effective and further note that they are expensive to produce. However, they indicate that they**

What
would
be more
effective

wish to seek a balance among expanded authority to create and abolish positions, streamlined reporting, and increased accountability for outcomes.

- The Legislature has been reluctant to relinquish position control, in part because of the magnitude of the State's investment in UW System, which includes not only GPR support for positions and other operating expenditures, but also financial support for UW System buildings and infrastructure and a longstanding public commitment to higher education.
- Further debate is expected on the Legislature's oversight of UW System positions.

Recommendation

We recommend UW System seek statutory changes to streamline and improve its position reporting in order to ensure accuracy, transparency, and timeliness in reporting the number and types of UW System positions.

Defining the Relationship between UW System and the State

- June 04 Regents report "there are no substitutes in adequate, stable state support for our instructional mission."
- Wisconsin is not alone in reducing state funding for its university system or in debating the relationship between the state and the university system
 - GPR support is declining in many states.
 - Recent press accounts indicate that Washington has limited enrollment.
 - State funding for the University of California was reduced 6%
 - University of Colorado, considered an enterprise rather than a state agency, has \$2,400 annual voucher provided directly to enrolled students by the State of Colorado is intended to replace state funding.
- UW System is seeking greater flexibility to manage its operations:
 - In the absence of major structural change, UW System has asked the Legislature to provide greater short-term flexibility for its operations
 - set salaries without executive or legislative approval;
 - make its purchases independently;
 - retain its proceeds from the sale of real estate; *no*.
 - retain its investment earnings; and
 - **remove its capital budget from the State's capital budgeting process.**
- amounts provided by the State for UW System buildings and infrastructure are an important component of UW System's budget, and one that is typically not highlighted by UW System in its resource discussions
- \$523.4 million in general obligation bonds has been authorized for UW System building projects in recent years
- The value of UW System buildings is approximately \$2.7 billion
- Pg. 65 table 33 shows new GPR-supported GO bonds for UW System capital projects – large increase in 01-03 for Biostar Initiative
- **05-07 biennium budget UW System is requesting an additional \$211.6 million for the biennium, with the goal of using these funds to maintain its instructional quality and operations. The exact mix of program revenue and GPR that would fund this increase is not known at this time.**
- Gov and Legislature – LAB suggest careful review of administrative staffing and expenditures. Our analysis indicates that both are higher than previously reported.
 - as operating expenditures increased 35% from 98 to 03, when they reached \$3.3 billion, UW System's enrollment increased 8.2 percent.

Maintaining Student Access

- In July 03 and July 04 Regents approved highest tuition increase allowed in Act 33:
 - \$700 at UW Madison and UW Milwaukee
 - \$500 at remaining 4 year campuses and UW Colleges

- Only 1 Big Ten school has a lower undergraduate resident tuition rate than UW Madison
- Wisconsin had 47 public postsecondary students for every 1,000 residents in 2000, the latest year for which information was available. That rate compares favorably to those of the other states with schools in the Big 10 Conference.
- April 2004 report from UW System, only 11% of resident freshman students in 2002 were from families with incomes of less than \$28,353. In 1992 resident freshman had 14.5% of new resident freshmen were from families with low incomes.
- FY 01-02 - 60% of all UW System students received some form of financial aid.
- 03-05 biennial budget provided additional funding for student financial aid programs.
 - source of this funding was \$26.5 million of UW System's auxiliary reserves.
- Some other universities and states have implemented initiatives
 - 2003, Illinois passed a "truth in tuition" law - tuition for new students at 4-year campuses frozen at the level the students are charged as freshmen.
 - Indiana assessed a surcharge (\$500 to \$1,000) for new students to target financial aid to low-income students.
- Student access affected by UW System's capacity-enrollment plan through 06-07:
 - access rate that will allow approximately 30% of WI high school graduates to attend a UW System institution;
 - establishing enrollment at 133,823 full-time equivalent students by fall 2006
 - increasing the number of nontraditional and working adult students served
 - better serving minority and disadvantaged students.
- Fall 2003, 9 of the 13 UW Colleges campuses were above capacity
- **FY 02-03 operating expenditures per full-time equivalent student ranged from \$8,981 to \$28,659.**

Recommendation

We recommend UW System report to the Joint Legislative Audit Committee by February 1, 2005, on its administrative staffing and service delivery costs by institution and provide specific proposals to reduce administrative expenditures and increase operating efficiencies in the 2005-07 biennium.

*Read UW Response
at 9:15*

* Note: hearing notice attached



WISCONSIN STATE LEGISLATURE
Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

September 17, 2004

125% For Immediate Release
For More Information Contact:
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UW System Administrative Staffing Levels Concern Audit Co-Chairs

(Madison) Today, Joint Legislative Audit Committee co-chairs, Senator Carol Roessler (R-Oshkosh) and Representative Suzanne Jeskewitz (R-Menomonee Falls), announce the release of the nonpartisan Legislative Audit Bureau's (LAB's) audit analyzing administrative staffing levels at each of the 13 university campuses, 13 two-year colleges, the University of Wisconsin (UW) Extension, and System Administration. The audit reviewed expenditures for salaries, administrative contractual services, and administrative staffing for a five-year period (1998 to 2003) and the most current year (2003 to 2004).

"In our first hearing as audit co-chairs we authorized this audit because of legislative questions about the efficiency of UW System's administrative staffing and non-instructional costs," Roessler stated. "I am very concerned with the LAB's finding that UW System added 89 permanent full-time employees in the last year, especially in light of major budget reductions," Roessler stated.

In March 2004, UW System employed 31,971 full-time equivalent employees, making the UW the State's largest employer.

"This audit revealed that the number of UW System employees making over \$100,000 has tripled in the last six years," Jeskewitz remarked. "I don't have a problem with paying competitive salaries, but what I am anxious to learn is why UW System officials continue to maintain that top administrators and other employee salaries are not competitive when their priority seems to be using scarce budget dollars to increase administrative positions rather than making our salaries more competitive."

Co-Chairs Roessler and Jeskewitz will follow-up on LAB's recommendation that UW System report to the Joint Legislative Audit Committee in early 2005 on their specific proposals to reduce administrative expenditures and increase operating efficiencies.

Jeskewitz highlighted another LAB recommendation stating, "Inconsistencies in reporting among the campuses has led to an understatement of administrative outsourcing costs. Since the audit uncovered that contracts for administrative expenditures tripled in recent years, we need greater accountability through more consistent accounting and reporting of these costs."

"A total of 25% of UW System's positions in March 2004 were administrative positions. 8,037 administrative positions is a considerable number, particularly when compared to 8,872 faculty positions," Roessler added. "Complete periodic reports on executive salaries, fringe benefits, and compensation from outside sources will be required to be reported to the Audit Committee in the future."

In response to the audit, the Co-chairs will consider legislative remedies for streamlining UW position reporting. Roessler and Jeskewitz agree that the increase in staff and associated costs will be further examined in a public hearing. A hearing in front of the full Audit Committee on the UW System Staffing audit is scheduled for October 6, 2004.

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Recommendations

Our report also includes recommendations for UW System to:

1. provide the Legislature with complete periodic reports on executive salaries, fringe benefits, and cash and noncash compensation from outside sources (*p. 50*);
2. provide all UW institutions with guidance in coding contractual expenditures in their accounting records to ensure accuracy and consistency (*p. 59*);
3. seek statutory changes to streamline and improve its position reporting in order to ensure accuracy, transparency, and timeliness in reporting the number and types of UW System positions (*p. 63*); and
4. report to the Joint Legislative Audit Committee by February 1, 2005, on its administrative staffing and service delivery costs by institution, and provide specific proposals to reduce administrative expenditures and increase operating efficiencies in the 2005-07 biennium (*p. 69*).



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September 17, 2004

Kevin P. Reilly, President
University of Wisconsin System
1720 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin 53706

Dear President Reilly:

The Joint Legislative Audit Committee will hold a public hearing on Legislative Audit Bureau report 04-10, *An Evaluation: University of Wisconsin System Staffing*, on Wednesday, October 6, 2004, at 9:00 a.m. in Room 411 South of the State Capitol.

As this audit report relates to the activities of the University of Wisconsin System, we ask you to be present at the hearing to offer testimony in response to the audit findings and to respond to questions from committee members. Please plan to provide each committee member with a written copy of your testimony at the hearing.

Please contact Ms. Karen Asbjornson in the office of Senator Carol Roessler at 266-5300 to confirm your participation at the hearing.

Sincerely,

Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

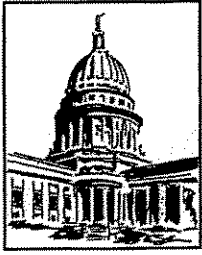
Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

Enclosure

cc: Ms. Janice Mueller
State Auditor

SENATOR ROESSLER
P.O. Box 7882 • Madison, WI 53707-7882
(608) 266-5300 • Fax (608) 266-0423

REPRESENTATIVE JESKEWITZ
P.O. Box 8952 • Madison, WI 53708-8952
(608) 266-3796 • Fax (608) 282-3624



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

September 17, 2004

Mr. Toby E. Marcovich, President
Board of Regents
University of Wisconsin System
c/o Marcovich, Cochrane, Milliken & Swanson
1214 Belknap Street
Superior, Wisconsin 54880

Dear Mr. Marcovich:

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Asbjornson, Karen

From: Matthews, Pam
Sent: Monday, October 04, 2004 3:27 PM
To: James Chrisman; Karen Asbjornson; Pam Shannon
Subject: FW: Wednesday's hearing on the audit of UW System staffing

FYI ...

Pamela B. Matthews
Research Assistant
Office of Representative Sue Jeskewitz
24th Assembly District

Office: 608-266-3796
Toll Free: 888-529-0024
Pam.Matthews@legis.state.wi.us

-----Original Message-----

From: Christianson, Peter C. [mailto:PCC@quarles.com]
Sent: Monday, October 04, 2004 3:11 PM
To: Rep.Jeskewitz
Subject: Wednesday's hearing on the audit of UW System staffing

I am sorry that I will be unable to attend the hearing to be held this Wednesday on the audit of the UW System.

I am concerned that there will be a lot of hand-wringing and finger-pointing about what a terrible job the UW is doing managing its administrative costs. Please resist the urge to participate in such activity and consider the larger picture.

Pasted below is an article which appeared in yesterday's Wisconsin State Journal. The UW System -- and in particular the Madison campus -- is in danger of losing its position as one of the preeminent research institutions in the world.

This threat isn't emerging because alumni are not giving freely of their hard-earned dollars in support of their alma mater. Giving to the UW Foundation is at an all-time high. In recent years, it has been donors and not the state which pick up most of the cost of on-campus new construction.

It isn't because faculty members aren't doing their jobs, either. Faculty members have been attracting competitive research dollars at record levels.

The problem is that the Governor and Legislature apparently don't fully comprehend the value of the Madison campus -- and the economic engine which it is -- to the Wisconsin economy. Quite frankly, it's the greatest hope for our economic future.

At the hearing on Wednesday, please resist the urge to kick the dog. Please consider asking the UW officials who testify what can be done to

better support the university and its mission. Wisconsin's economic future depends upon it!

Tech status of state is under siege

Judy Newman
Wisconsin State Journal
October 4, 2004

Laura Kiessling works in her UW-Madison lab with a staff of 22 students and researchers, trying to unlock the secrets of molecules that cause the pain and swelling common in arthritis and the proteins that might play a role in Alzheimer's disease.

Her husband, Ron Raines, and the staff of 20 in his lab are developing proteins that will fight cancer cells.

Kiessling and Raines also have started a company in Madison, Quintessence Biosciences, that employs 10.

Together, the two professors of chemistry and biochemistry have brought in about \$2.5 million per year worth of federal grants to the UW, and they provide jobs for about 50 people.

It's scientists like Kiessling - who won a prestigious "genius grant" from the MacArthur Foundation in 1999 - and Raines who represent what many consider to be the future for Wisconsin's economy: a stake in technology, bringing the potential for lifesaving discoveries and advances that will make the business world move faster and more efficiently.

But a new report says Wisconsin is facing a double threat in its effort to become that kind of national technology center.

Shrinking state funds and bold attempts by several other states to grab a big slice of the so-called "new economy" pie could jeopardize Wisconsin's research foundation and "threaten the state's ability to produce high-wage, private sector jobs," according to a study being released today by the Wisconsin Technology Council.

The report, The Economic Value of Academic Research and Development in Wisconsin, says the state's institutions spent \$883 million on research activities in the 2002 fiscal year, \$662 million of that by UW-Madison alone. That translates to 31,788 jobs, based on U.S. Department of Commerce estimates that every \$1 million in research and development spending provides 36 jobs. And it doesn't even include jobs in new companies created to commercialize the technology.

If those figures hold true, academic research accounts for more jobs in Wisconsin than all of the construction workers in the state (in July 2004), more jobs than the entire work force of the city of La Crosse (28,718).

Although the state is spending \$2 billion for the UW System in the current biennium, it represents state support of 27 percent of the university's operating cost, compared to nearly 50 percent support in 1973.

"There's underlying concern about support for the UW System budget, in terms of making sure that the infrastructure that we've built up for more than a century now isn't allowed to crumble away," said Tom Still, Technology Council president.

State budget director David Schmiedicke said, though, cuts in the biennial budget were unavoidable. "The state faced the worst budget deficit in its history: \$3.2 billion. Difficult decisions needed to be made," he said. "I think all agencies, including the university, had to take significant reductions in operations. That was necessary to balance the budget without raising taxes."

TOUGH TIMES NOW At UW-Madison, tough times already have begun, some professors and department chairmen say.

* State funds are diminishing for startup costs, the \$500,000 to \$900,000 it takes to bring in a new faculty member and provide him or her with laboratory equipment and staff for the first two or three years, until the research has progressed far enough to apply for federal grants, said Prof. Jim Skinner, chairman of the Chemistry Department.

"We're definitely getting hurt by that now," Skinner said. "We have made offers but they're not good enough."

For the past two years, Skinner has tried to recruit an assistant professor in biological mass spectrometry, or analysis of the structure of biological molecules as an outgrowth of the human genome project. Each time, the UW has lost. Last year, a candidate from Australia, Gavin Reid, went to Michigan State University instead for a better offer, Skinner said.

"This is a very important research area; it would round out our research offering," he said. "Then it hurts us in attracting students when we don't have a full research complement."

* UW-Madison is losing current faculty members to other universities offering \$1 million to \$2 million in startup packages. "This is money that can't be found in federal grants," Skinner said. "Every year there's probably three or four of these attempts to hire our faculty away that we have to then try to counter."

Sometimes it works, sometimes it doesn't. Last year, Rob Corn, whose research involved DNA diagnostics, or biotechnology chips that can identify genetic diseases, was lured away by University of California at Irvine. It was a "significant loss," Skinner said.

* Lack of state investment in infrastructure has left some laboratories in "complete disrepair," said Carl Gulbrandsen, managing director of WARF, the Wisconsin Alumni Research Foundation. Three physiology labs from the UW Medical School moved to University Research Park last year "to have facilities at the level they need," he said.

"The name of the game in recruiting top scientists is to give them state-of-the-art research facilities," Gulbrandsen said. "If they don't have it here, they're going to go somewhere else."

* The Madison Initiative was created in 1999 with the state, WARF and the UW Foundation providing a total of \$20 million a year to lure some of the most promising faculty candidates. The project attracted chemistry and genetics professor David Schwartz, whose research has drawn millions of dollars in grants and has established a startup DNA analysis company, OpGen. But faced with a growing budget deficit, the state stopped contributing to the program in 2001.

"This has been a terrifically successful program; it's now in jeopardy," Gulbrandsen said.

* The state budget has limited faculty salary increases to 1.35 percent in the past year and 0 percent the previous year. Meanwhile, state rules limit pay allowed for certain staff, chemistry professor Kiessling said. While she doesn't want to leave the UW, issues like those are frustrating, she said.

"There are great things about the university, but the lack of support is certainly a concern. And if it were like this for another two or three years, then yeah, there's a good chance that I'll leave," Kiessling said.

SEARCHES HAMPERED It's disheartening, said chemistry professor Lloyd Smith. "Cuts that have occurred at the UW in the last couple of years have been really pretty difficult."

Smith, one of the founders of Third Wave Technologies, a publicly traded Madison company that makes tools to diagnose disease susceptibility, said recent faculty searches in which he's been involved have suffered for lack of adequate funding.

"That's a huge problem because we're competing nationally for the very best faculty," Smith said. "We need to have the very best on this campus if we're going to stay as good as we are, to be the nucleus of feeding technology development for the entire state."

The UW-Madison School of Engineering increases its research activities each year and they now total more than \$100 million a year, said Dean Paul Peercy. Most of the money comes from federal and industry financing.

"We're living in an incredibly high-technology environment," Peercy said. "For companies in the U.S. to continue to be competitive, they need leading-edge research."

For Peercy, increasing Congressional mandates resulted in budget cuts that slashed a UW engineering project involving research into electricity transmission. At least two academic staff members lost their jobs.

Funding issues are critically important now, said Michael Sussman, biochemistry professor and director of the UW's Biotechnology Center. Concerns have been heightened with the \$3 billion ballot initiative in California in November; the money would be used to support stem-cell

research there.

If it's approved, California will go after scientists like Wisconsin's James Thomson, a pioneer in stem cell research, Sussman said. And if it's successful, he said, hopes for the biotechnology industry here "will fade away."

The technology council study recommends:

- * Reversing the decline in state funding for the UW System, with continued investment in capital improvement programs such as BioStar and HealthStar.

- * Initiating more collaborative research among UW- Madison, Medical College of Wisconsin in Milwaukee and Marshfield Clinic.

- * Setting up a state commission to explore additional options and track efforts in other states.

Wisconsin industries could also do more to set up joint research projects with the state's schools, the technology council's Still said.

That's especially important as manufacturing moves more into technology, added engineering dean Peercy.

The state's biggest "unmet potential," Still said, is in classified and sensitive research related to federal homeland security programs.

"Prevention, detection, remediation we've got all the technologies here to really do that," said Still. "That's an area where we might be missing one of the biggest boats."

And if California can vote on additional funding for stem-cell research, Wisconsin can, too, Sussman suggested. "Why aren't we proposing a \$400 million stem cell initiative? It was discovered here. The best research is going on here. But it won't continue unless we put support toward it," he said.

Budget director Schmiedicke had no projection about the state's allocation for the UW in the next biennial budget.

"Clearly, the governor sees the university and education, generally, as a priority and clearly, he understands the connection between investments in education and the university and the state's economic health," Schmiedicke said. At the same time, he added, with expected growth in Medicaid and other costs, "it's going to be a challenging budget."



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

Media Advisory

FOR IMMEDIATE RELEASE

October 5, 2004

For further information, contact:

Sen. Carol Roessler (608) 266-5300

Rep. Suzanne Jeskewitz (608) 266-3796

Committee to hold public hearing on audit of UW System Staffing

(Madison)... On Wednesday, October 6, 2004, the Joint Legislative Audit Committee, co-chaired by Senator Carol Roessler (R-Oshkosh) and Representative Suzanne Jeskewitz (R-Menomonee Falls), will hold a public hearing on the University of Wisconsin System Staffing audit, report 04-10, released by the non-partisan Legislative Audit Bureau (LAB) on September 17, 2004.

The hearing will be held at:

Wednesday, October 6, 2004

9:00 A.M.

411 South

State Capitol

Madison, Wisconsin

The Legislative Audit Bureau will present its findings and then UW System officials will have an opportunity to respond. The hearing will be open to the public for comment.

The audit was approved in early 2003 and analyzed administrative staffing levels at each of the 13 university campuses, 13 two-year colleges, the University of Wisconsin Extension, and System Administration. The audit covered expenditures for both salaries and administrative contractual services. The audit reviewed expenditures for administrative staffing for a five-year period (1998 to 2003) and the most current data (2003 to 2004).

Note: Interested persons may listen to live broadcast of the audio portion of the hearing on the Internet while the Committee is in session. It can be accessed on the Legislature's website by clicking the Senate In-Session link or entering the following URL: <http://www.legis.state.wi.us/insession/senate/>. It can also be accessed at the Legislative Audit Bureau's website by clicking the Legislative Audit Committee link or entering the following URL: <http://www.legis.state.wi.us/lab/JCAHearing.htm>.

###

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An Evaluation: University of Wisconsin System Staffing

Legislative Audit Bureau
October 2004

1

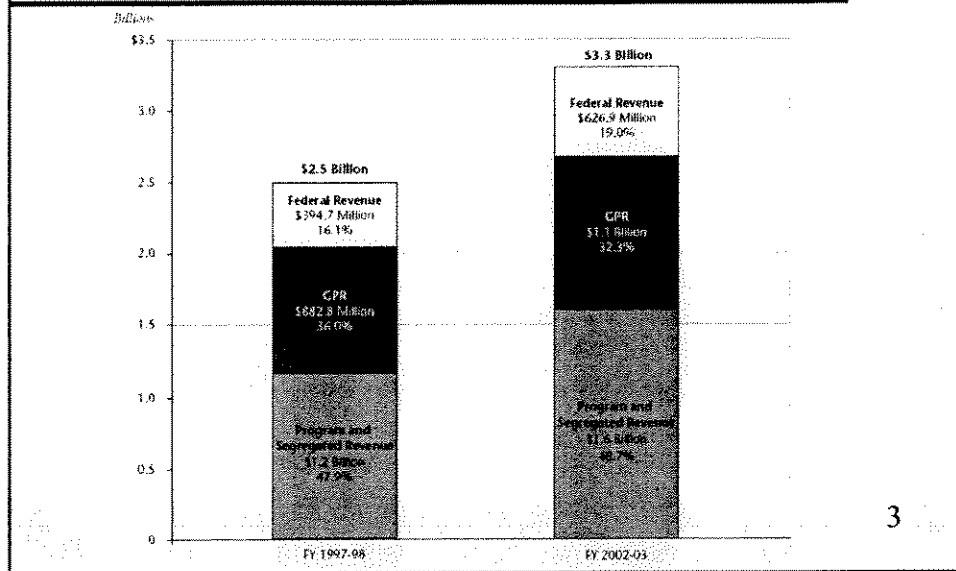
Change in Operating Expenditures FY 1997-98 to FY 2002-03

(In Millions)

Funding Source	FY 1997-98	FY 2002-03	Change
Program Revenue	\$1,157.1	\$1,589.5	37.4%
GPR	882.8	1,069.7	21.2
Federal Revenue	394.7	626.9	58.8
Segregated Revenue	15.8	21.0	32.9
Total	\$2,450.4	\$3,307.1	35.0

2

Change in Operating Expenditures FY 1997-98 to FY 2002-03



Permanent, Project, and LTE Positions

(Full-Time Equivalents)

Status	March 1998	March 2003	March 2004	One-Year Change (March 2003 to March 2004)
Permanent	27,058.7	30,366.9	30,456.2	89.3
LTE	1,517.4	1,308.0	1,231.5	-76.5
Project	323.2	291.0	284.1	-6.9
Total	28,899.3	31,965.9	31,971.8	5.9

4

Change in Filled Positions, by Position Type

Position Type	March 2004	Five-Year Change (March 1998 to March 2003)	One-Year Change (March 2003 to March 2004)
Professional Non-faculty	13,526.8	2,844.5	257.8
Faculty	8,872.6	470.9	-41.2
Clerical and Secretarial	3,515.3	-548.3	-143.8
Service/Maintenance	3,025.4	27.3	-49.0
Management	1,403.6	75.9	-6.8
Technical and Paraprofessional	1,203.8	162.9	-31.2
Skilled Crafts	424.3	33.4	20.1
Total	31,971.8	3,066.6	5.9

5

UW System Activity Codes for Filled Positions, March 2004

Activity	Positions	Percentage
Instruction	10,786.4	33.7%
Research	6,962.7	21.8
Public Service	2,263.9	7.1
Institutional Support	2,212.6	6.9
Academic Support	3,118.4	9.8
Student Services	2,751.9	8.6
Physical Plant	2,218.4	6.9
Auxiliary Enterprises	1,519.2	4.8
Farm Operations	138.3	0.4
Total	31,971.8	100.0%

6

Administrative Positions as of March 2004

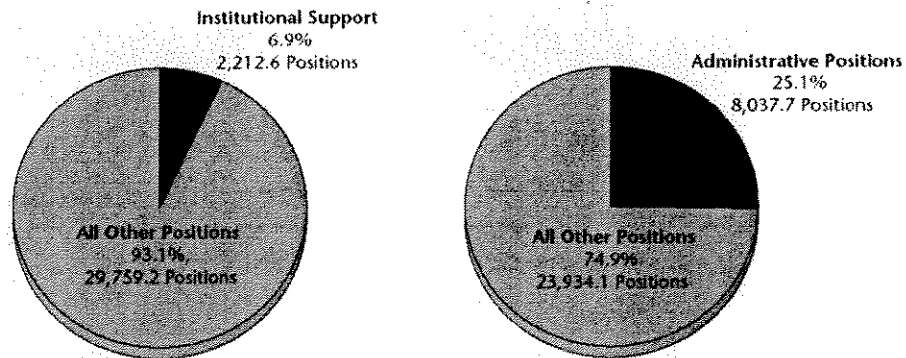
(Full-Time Equivalents)

Position Type	Coded as Institutional Support	Coded as Other Activities	Total
Management	355.4	1,048.2	1,403.6
Clerical and Secretarial	297.7	3,217.6	3,515.3
Professional Non-faculty	1,046.5	1,336.5	2,383.0
Technical and Paraprofessional	242.5	222.8	465.3
Other	270.5	0.0	270.5
Total	2,212.6	5,825.1	8,037.7

7

Two Views of UW System Staffing

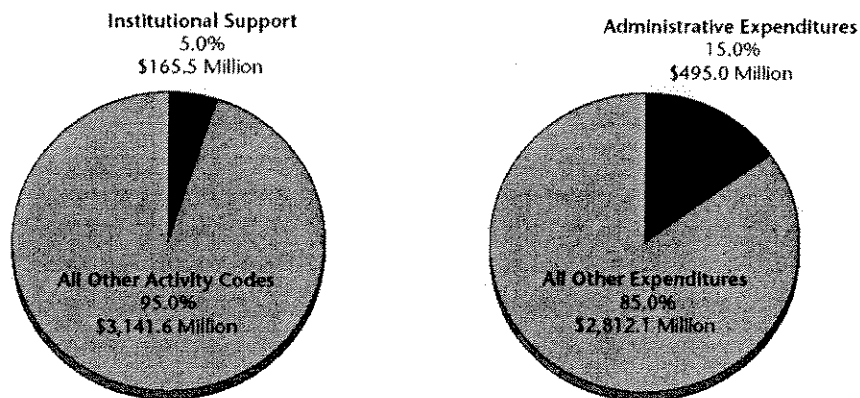
(Full-Time Equivalents)



8

Two Views of UW System Administrative Expenditures

(In Millions)



9

Annual Salary Ranges for Unclassified Staff

Ranges	Full-Time	Part-Time	Total
Less than \$20,000	27	7,786	7,813
\$20,000 to \$50,000	6,962	2,898	9,860
More than \$50,000	8,764	303	9,067
Total	15,753	10,987	26,740

Does not include payments to faculty or other staff who perform additional work during the summer.

10

Hourly Wage Rates for Classified Staff

Ranges	Full-Time	Part-Time	Total
Less than \$10 per hour	560	59	619
\$10 to \$15 per hour	3,592	707	4,299
\$15 to \$20 per hour	2,386	322	2,708
\$20 or more per hour	2,191	165	2,356
Total	8,729	1,253	9,982

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Monthly Salary Costs

Institution	Five-Year Change (March 1998 to March 2003)	One-Year Change (March 2003 to March 2004)
System Administration	57.1%	9.1%
Colleges	40.7	0.0
Milwaukee	38.2	0.7
Madison	35.5	3.7
Parkside	35.3	-4.3
Extension	31.3	-2.4
Green Bay	30.0	0.0
Platteville	29.2	-3.2
River Falls	27.3	0.0
Dashkoh	26.2	1.9
La Crosse	25.0	0.0
Superior	25.0	6.7
Whitewater	23.7	0.0
Stout	23.5	0.0
Eau Claire	21.4	0.0
Stevens Point	20.5	0.0
Total	32.6	2.0

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UW System Annual Salaries of \$100,000 or More

Position Type	March 1998	March 2003	March 2004	Five-Year Change (March 1998 to March 2003)
Faculty	230	807	791	250.9%
Management	105	344	333	227.6
Professional Non-faculty	14	77	84	450.0
Total	349	1,228	1,208	251.9

Does not include any funding provided by foundations.

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Contractual Services Expenditures

- ◆ \$84.8 million spent in FY 2001-02
 - \$10.5 million in Institutional Support
- ◆ \$7.8 million spent in Institutional Support at System Administration
- ◆ \$800,000 in administrative expenditures were coded incorrectly

14

Legislative Considerations

- ◆ To what degree should the Legislature control the number and types of positions in UW System?
- ◆ How will the relationship between UW System and the State be defined in the future?
- ◆ How will student access to UW System be maintained?

15

Operating Costs per Full-Time Equivalent Student FY 2002-03

Campus	Amount
Madison	\$28,659
Milwaukee	17,719
Superior	16,953
Green Bay	16,069
Stevens Point	14,991
Parkside	14,918
Platteville	14,734
River Falls	14,590
Stout	14,281
Oshkosh	13,565
La Crosse	13,024
Whitewater	12,521
Eau Claire	12,339
Colleges	8,981

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Recommendations to System Administration

- ◆ Provide periodic reports on executive compensation from outside sources
- ◆ Guide the institutions to ensure consistency in coding contractual expenditures
- ◆ Seek statutory changes to streamline position reporting
- ◆ Report by February 2005 on proposed reductions in administrative expenditures

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An Evaluation: University of Wisconsin System Staffing

Legislative Audit Bureau
October 2004

18

Testimony
Joint Legislative Audit Committee
Kevin P. Reilly, President
University of Wisconsin System
October 6, 2004

Thank you, Senator Roessler and Representative Jeskewitz. And thanks to the committee members who are here today to consider the findings of this report. We appreciate this opportunity to discuss it with you and answer whatever questions you might have.

I will lead off with a few remarks in the course of which I will call on my colleague, UW-Oshkosh Chancellor Rick Wells. After my brief remarks, I will turn to UW Regent President Toby Marcovich, and then return to conclude the presentation. I am sure you will have questions and we are happy to answer them.

Let me begin by thanking Jan Mueller and her staff for doing a thorough and professional job. We appreciate their professionalism and cooperation.

We embrace all four of the report's recommendations and we intend to implement them. We will report back to this committee by February 1, 2005 on our specific proposals to reduce administrative expenditures and increase operating efficiencies in the next biennium. We'd like to work with Jan and her staff to consider how best to provide the information in a format that is the most useful for the legislature. I have also asked Bob Lang of the Legislative Fiscal Bureau for his input in that regard, and he has agreed to help.

I believe this process will improve the quality and usefulness of the financial and staffing information we provide to you. At the same time, we want to work with you and your colleagues to remove bureaucratic barriers that prevent us from operating more efficiently in areas such as purchasing, position reporting and streamlining our building programs.

I am committed to making efficiency and openness two priorities of my presidency, and that is another reason I welcome this report.

We appreciate the fact that Appendix Five in the LAB report, which is on page two in our handout, shows that when we apply nationally accepted accounting models for "institutional support" that the federal government uses, the UW System has the lowest administrative expenditures among its 18 peer institutions in the United States – 6 percent compared to the national average of our peer institutions of 10.2 percent. As you will note on page three of the handout, if we were at the national average, we would be spending \$122 million more on institutional support each year.

We have no quarrel with the findings of the report. Over the time frame of the study, our overall university workforce has grown but it is critical to note that during this biennium alone, we have lost more than 600 state-funded positions. Overall our workforce has grown because, while our state funding has declined, our *nonstate* funding has increased particularly in the research area, as you can see on page four of the handout.

We are proud of that growth. It has resulted in more high-wage jobs for Wisconsin and, as important, it has allowed us to undertake important public service and research work in areas like cancer research, nanotechnology and water quality that will have long-term benefits for Wisconsin citizens and for people around the nation and the world. Note the examples of two scientists cited on Sunday's front page of the *Wisconsin State Journal* – UW-Madison Professor Laura Kiessling and her husband Professor Ron Raines have created jobs for 52 people through federal grants and other funding sources they have attracted to Wisconsin. The story is included in the handout.

We very much appreciate this kind of entrepreneurial activity by our faculty and staff, and we want to encourage more of it. It gives our students more opportunities for research involvement and learning outside the classroom. The more we can leverage state dollars to increase outside federal and private grants and gifts, the greater the benefits for Wisconsin. As Sunday's coverage of the Wisconsin Technology Council report pointed out, academic research and development is an important industrial cluster for the state, generating more than \$800 million and producing more than 31,000 jobs annually. This is a good thing for our state.


In the audit report, LAB used its own method of assessing our administrative staffing, counting in administrative costs those positions that have supervisory responsibilities and those who perform some administrative duties. It did not distinguish between employees funded by state dollars, and employees paid for with nonstate dollars whose jobs are created through outside grants, gifts, contracts and fees. For example, no matter what the source of funding, the report, included under administrative costs, clerical employees, research project managers, secretaries, admissions officers, athletic administrators, career counselors and other such employees – those whom most students and most citizens do not generally associate with university administration.

There are no benchmarks by which to measure the LAB's assessment of our administrative staffing against other universities. We cannot determine whether 15% of our budget spent on administration, under LAB's analysis, is low or high. In talking with my colleagues in private industry, many do place their administrative benchmarks in their respective industries in the 15% range. Page five in your handout shows some of the common industry standards in this regard.

As you all know, we took a net GPR cut of \$100 million in this biennium. Just to put this in some perspective – that cut amounts to more than the entire annual GPR budget of UW-Oshkosh, UW-Green Bay and UW-River Falls *combined*.

The university's GPR budget has actually declined when adjusted for inflation over the past decade which has driven our fee budget higher. The rise in other sources of funds has been even more dramatic. Today we have **580 fewer state-funded** employees than we did in 1989. Our employee growth during the period of this LAB study has been almost entirely on non-state funds. One important point to note is that it takes more administrative support to procure both federal and private gift dollars.

A real problem for Wisconsin and UW students is that those declining state funds and rising student fees represent the university's core instructional budget. And yet, while our GPR dollars and positions have declined, our enrollments have increased. We have accomplished that through greater efficiencies. During the last round of state cuts, we made protecting instruction and student services a priority. Our campuses are doing more with less. My colleague UW-Oshkosh Chancellor Rick Wells will give you a feel for how we accomplished that – where the cuts come home – on one of our campuses.



Thank you, Rick. One area in which we need **your** help is in realizing administrative efficiencies as outlined in our recent Regent study, Charting a New Course for the University. Our UW Board of Regents President Toby Marcovich will address some of those recommendations and salary issues.

Presented to the Joint Legislative Audit Bureau Hearing, Madison, WI, October 6, 2004
By Richard H. Wells, Chancellor, UW Oshkosh

The UW System and its institutions have the lowest institutional support expenditures in the nation.

How does it keep its institutional support costs at 6%, well below the national average of 10.2%? Let's look at some UW Oshkosh examples.

Administrative Positions Eliminated/Not Added and Critical Duties Reassigned

- Executive Assistant to the Chancellor – Eliminated in 2002-2003
[Coordinator of Public Access to Information, News Media Relations/Publications, and Policy and Planning Analyses]
- Associate Vice Chancellor for Enrollment Planning and Management -- Not Added in 2002-2003 [Coordinator and Supervisor of staff in the Admissions, Registrar, and Student Advisement Offices]
- Controller [Chief accountant and Cash manager] – Eliminated in 2003-2004

UW Oshkosh Individuals who at 10,000 feet appear to be Administrators

- Director of Head Start, Sally Wilke
[Federally Funded position]

Administrator of one of the nation's largest campus-based child and family development programs, serving 609 children and their families at 11 sites, located in 8 communities in a four-county area. She oversees an FTE staff of 93 and monitors a budget of \$3.8 million.

- Program Assistant, Jane M. Kramer
[GPR Funded secretarial/clerical position]

2.5
25 → Lead program assistant in the department of English [45 faculty and staff that serves 6,000 students with 250 classes each year]. She schedules classes, assigns more than 400 majors, minors and graduate students to advisers, maintains records of the department and its committees, and tracks the budget.

- Associate Director of Residence Life, Tom Fojtik
[Residential Life Program Revenue Funded position]

Serves 3200 students in 11 buildings, oversees \$9 million budget, purchasing, room assignments, technology & information management, facilities & custodial operations as well as overall management of "front office" operation.

4 yr exp 8 m cub

UW Oshkosh Examples of Increased Efficiencies, Effectiveness & Productivity

- Reuse of 200 light poles = a \$300,000 replacement savings & annual reduction of energy costs,
- Reduced water consumption by 24.5 million gallons/year = \$130,986 savings,
- Reduced energy consumption by 563,017 kilowatt hours = \$27,600/year savings.
- Renovated Halsey Science Center for \$17 million versus replacement cost of \$40 million = savings of \$23 million,
- Renovating Taylor Hall, a 500 bed Residence Hall, for \$13 million versus replacement cost of \$30 million = savings of \$17 million,
- Recipient of 2003 EPA Leadership Award – one of only 11 ever presented to a university by the EPA.

For 2000-2004:

- Grants increased from \$4.6 to \$10.6 million, up 130%,
- Foundation Gifts and pledges increased from \$1.7 to \$3.9 million, up 129%,
- Headcount enrollment increased by 2.3% (246) to more than 11,000 students,
- Student FTE increased by 6.7% (598) – the equivalent of adding a small college at UW Oshkosh,
- Degrees conferred increased from 1712 to 1935, up 13%.

Conclusion:

I am proud of our faculty and staff for taking on extra duties without additional compensation to improve our efficiency, effectiveness and productivity in response to historic budget cuts. We cannot continue, however, to meet the needs of Wisconsin citizens and to increase our productiveness without expanded state support. Investing in public higher education that is dramatically increasing in value makes good public policy and excellent business practice. Now's the time to buy because the return on investment has never been higher. BUY NOW!

Presented to the Joint Legislative Audit Committee Hearing, October 6, 2004

Executive Summary of UW-Oshkosh's 2004 Annual Report
Chancellor Richard H. Wells

The scope of accomplishments noted in this 64-page cumulative status report, given the budget cuts, compensation decreases and tuition increases we are experiencing, is astounding, and it suggests that alignment is a successful strategy. By focusing our resources on identified priorities, we have been able to accomplish many remarkable feats during the past four years (2000-2004), a few examples of which are listed below.

We have larger enrollments and FTE, and we have increased the number of students of color, degrees conferred and the retention rates for our first-year students:

- Headcount enrollment increased by 2.3% (246) to more than 11,000 students,
- FTE increased by 6.7% (598)
- Enrollment of students of color increased by 161, up 38.9%,
- Degrees conferred increased from 1712 to 1935, up 13%, and
- Retention rates for first-year students improved from 70.8% to 76.7 %.

We have secured more grants and more private dollars than ever before:

- Grants increased from \$4.6 to \$10.6 million, up 130%, and
- Foundation gifts and pledges increased from \$1.7 to \$3.9 million, and
- Donors increased from 6933 to 7353.

We have raised the level of academic preparedness of our first-year students:

- 10.7% more are from the top 10% of their high school class,
- 19.1% more are from the top 25% of their high school class, and
- Academic Excellence and National Merit scholars increased from 44 to 80, up 82%.

We have expanded support programs for student, faculty and staff development:

- New Student Compact provides \$1,000,000 annually through differential tuition to enhance and integrate student academic support services,
- Faculty Compact launched a new teaching and learning program, and
- New Leadership development programs for faculty, academic staff and classified staff have been implemented.

We have added new academic majors and significantly increased baccalaureate degree completion programs:

- New undergraduate majors in Theatre Arts and Environmental Studies,
- New collaborative Master's Degree in Social Work with UW Green Bay,
- Implemented an accelerated Bachelor's Degree program for non-nursing graduates as well as a MBA foundations online program, and
- Added the state's only "2 plus 2" aeronautics bachelor's Degree program.

We have enhanced our facilities under the Facilities Master Plan:

- \$850,000 allocated to improve 13 classrooms,
- Campus beautification project—landscaping, lighting and signage,
- Identified funding for the new \$21 million Student Health and Wellness center,
- Purchase and renovation of the Newman Center and Credit Union buildings by UWO Foundation,
- New parking plan unveiled,
- Completed First phase of the planned \$5.7 million transformation of the Oshkosh Sports Complex,
- \$13 million renovation of Taylor Hall,
- \$925,000 to design new facility for the Athletic Training major, and
- New \$50 million Academic Building has been placed on the high priority new construction list by UW Board of Regents.

We have won national recognition for our commitment to “Green” principles by decreasing negative environmental impacts by conserving water and energy, by reducing pollution, and by recycling:

- Reduced water consumption by 24,484,000 gallons/year, a savings of \$130,986,
- Reduced energy consumption by 563,017 kilowatt hours, a savings of \$27,600/year,
- Reduced emissions of coal/natural gas boilers by constructing a \$2.8 million heat plant stack,
- Renovation rather than demolition of existing buildings to minimize contributions to landfills,
- Reuse of light poles resulting in more energy efficiency and less light pollution, a \$300,000 savings, and
- Recipient of 2003 EPA Leadership Award – one of only 11 ever presented to a university by the EPA.

These and many other examples of accomplishments, which provide evidence that alignment is a successful strategy, are detailed elsewhere throughout this report.

If there is one place we have not been successful, it is in securing the appropriate level of public investment especially as it relates to student financial aid, instructional support and employee compensation. We must redouble our effort as we make the case for the next biennial budget request. While I do believe the nature of our strategies and operational planning process is serving us well, it is not the major reason for the success of our academic community. In fact, compared to the core reason, it is a minor factor. The character, passion and commitment of the University of Wisconsin Oshkosh **people** and the quality of the everyday **relationships** between students, faculty, academic and classified staff are the core reasons for such success in such difficult times. Strategic plans, like course syllabi, are only as good as the people who develop and use them. A plan is one of many necessary conditions for success, but it is clearly not a sufficient condition. So, I hope you take some time to review the report and take pride in the many individual and collective accomplishments of your colleagues.

Testimony
Joint Legislative Audit Committee
Toby E. Marcovich, President
UW System Board of Regents
October 6, 2004

Thank you, President Reilly. Good morning. On behalf of my Board of Regents colleagues, I want to extend our appreciation for your time and consideration. And a special thanks to Jan Mueller and her hard-working staff for all their efforts.

I should point out that Jan will be journeying all the way up to Superior to discuss the audit with me and my fellow Regents at our monthly meeting tomorrow. Now, that's what I call public service!

I'm sure you're eager to ask your questions – and you'll want to hear from those in the audience – so I will be brief.

My Regent colleagues and I spent almost a year on the *Charting* study, a strategic planning report of public university education in Wisconsin. Of the study's 27 recommendations, one-third deal with administrative efficiency. For example, Recommendation 16 points out:

“The State of Wisconsin should create flexibility in its procurement process to permit more efficient purchasing of goods and services directly in the marketplace, and permit the UW System to take advantage of discounts available through higher education consortium contracts.”

It is estimated that more than \$1 million of savings could accrue to the state from the Big 10 Consortium contract for office supplies alone, with the UW System realizing more than \$600,000 in savings. I mention this to demonstrate that the Regents support and share President Reilly's commitment to efficiency. And we need you to partner with us in this effort.

Together, we can find ways to streamline the burdensome and time-consuming bureaucratic processes that waste taxpayers' dollars and divert our staff from the important work of educating our students and helping advance knowledge and strengthen our state's economy.

As Regent President, I must tell you that not a day goes by that I don't expect a call, telling me that we have lost another star chancellor, another top teacher or another world renowned scientist to a competing university. That is the reality of the business of higher education. It is a highly competitive business and we are being raided all the time. I realize it is sometimes hard to fathom, but we are competing in a national market and, I'm sorry to report, that lately, we are losing more than we are winning in our fight to retain and recruit faculty and staff.

Going into the 2004-05 budget, UW System faculty were already being paid, on average, six percent **less** than their peers, while the gap for UW academic staff is even larger. We are in serious danger of losing more and more of our bright and talented faculty because our salaries simply are not competitive.

We have the same situation with our top academic leaders. On page 50, the LAB report points out that "data available through the Colleges and University Professional Association for Human Resources... indicate that the salaries of 20 UW System senior executives are **below** the national median for universities with comparable budgets."

So, who are these people and why are they receiving these higher salaries? You've noticed, I'm sure, that some 1200 UW System employees make more than \$100,000, which is a high wage in Wisconsin. Who are these people? Well, a bunch of them are coaches. But beyond that, let me tell you about them:

- **More than 75 percent** of those employees are on the UW-Madison campus, our flagship research campus where deans, directors and faculty not only raise millions in private dollars but also collectively generate more than \$700 million in extramural research support annually.
- **More than 70 percent of those employees are faculty**, individuals who on average bring in many times their salary in gifts and grants, some of which is used to underwrite their own salaries. My good friend and college roommate, Dr. Hector DeLuca is with us here today. He is one of UW-Madison's most distinguished and accomplished faculty members. Though he serves as chair of UW-Madison Department of Biochemistry, he takes no pay for that post and half of his salary is paid for with nonstate dollars. I've asked Dr. DeLuca to tell you a little bit about his work and his role as an "administrator."
- Finally, I'd like to point out that the individuals making more than \$100,000 annually represent **less than four percent** of our total employees.

As President Reilly noted, we have grown positions recently on nonstate dollars. So who are these "new" employees and what kinds of work are they doing?

- Some are staff hired with \$3.2 million in federal funding at UW-Milwaukee's Water Institute, working in the Institute's Center for Water Security on research designed to protect us against bioterrorism and ensure the security, quality, and quantity of freshwater supplies serving our citizens.
- Some are scientists and engineers hired through a \$13.6 million National Science Foundation grant in nanoscale science and engineering at UW-Madison to conduct research in various areas of semiconductor physics, optics, mechanics and chemistry, including developing a technique to cheaply and simply manufacture customized gene chips capable of deconstructing long segments of DNA.

- And they're some of the cutting-edge researchers and graduate students who are working to map the human genome with Dr. David Schwartz, UW-Madison professor of genetics and chemistry, who has brought \$11 million to the campus since he came aboard six years ago as part of a state investment in what was then called the Madison Initiative, for which the funding has been cut in recent years.

As President Reilly mentioned, we are proud of the growth in entrepreneurial activity of our faculty and staff. These are the kinds of good paying, "knowledge economy" jobs Wisconsin needs. The university's academic research and development is one of the best ways to do this, and, hopefully, will produce jobs like these in numbers that far exceed 89 – or 890!

Thank you again for your time and attention. My fellow Regents and I pledge to continue our commitment to serve students and Wisconsin citizens, to be responsible in spending state dollars, and to be forward-thinking and innovative – as a world-class university system should be. We are eager to hear more suggestions on how we can improve all that we do, and, in this regard, I invite everyone to attend two public listening sessions that the Board of Regents will hold this month.

These sessions will be held on Monday, October 18, at UW-Eau Claire and Monday, October 25, at UW-Oshkosh. We want to give the public and our campus constituents a chance to share their ideas on college affordability, our progress in recruiting and retaining high quality faculty and staff and our role in the economic development of their regions and the state. We hope to have a good turnout and a lively discussion about university issues, including how we can function more efficiently.

Thank you for the opportunity to speak before you today. I'd be more than happy to answer questions. I'd like to now turn back to President Reilly.

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HANDOUTS

University of Wisconsin System Presentation
Joint Legislative Audit Committee
October 6, 2004

Handout Materials

- A. Charts/Graphs Accompanying President Reilly's Testimony
- B. Testimony by UW System President Kevin P. Reilly
- C. Testimony by UW Regent President Toby E. Marcovich
- D. Regent Study: "Charting a New Course for the UW System"
- E. Handouts Provided by UW-Oshkosh Chancellor Richard Wells

Appendix 5

Comparison of University System Expenditures by Activity

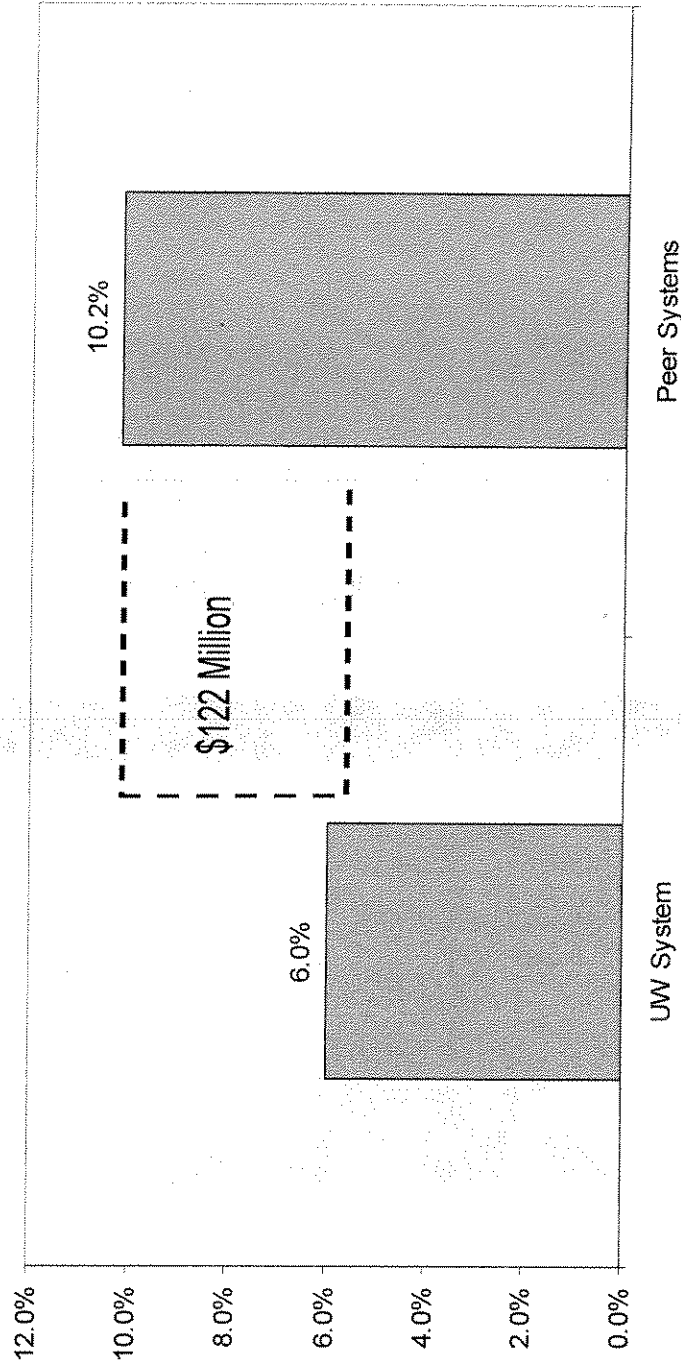
Academic Year 2000-01

University System	Institutional Support	Instruction	Research	Academic Support	Physical Plant	Public Service	Student Services	Other ¹
City University of New York	16.5%	38.6%	5.4%	8.2%	10.1%	4.4%	8.3%	8.4%
California State University	14.5	38.2	3.4	13.0	7.4	3.8	9.0	10.7
Pennsylvania State System	14.1	44.8	0.4	10.3	9.1	3.3	9.0	8.9
University of Houston	13.2	36.5	12.8	11.9	6.9	5.2	3.5	10.1
State University of New York	12.5	34.3	11.4	7.2	10.0	5.7	4.3	14.6
University of Maryland	11.1	32.8	22.9	9.5	6.6	6.2	3.8	7.1
University of Texas	10.8	38.2	23.3	5.9	7.8	4.2	2.5	7.1
University of Massachusetts	10.7	31.7	17.6	9.2	7.6	10.2	6.1	6.9
University System of New Hampshire	9.9	32.2	21.0	9.6	4.8	5.1	5.6	11.8
State University of New Jersey	9.7	39.3	16.8	8.0	8.1	2.3	5.1	10.7
State University System of Florida	9.3	37.1	20.3	11.0	6.4	5.0	4.3	6.6
University of California	9.1	30.1	27.0	12.4	5.0	4.6	4.0	7.8
University of North Carolina	8.7	41.1	14.1	8.7	7.7	8.8	2.7	8.1
University of Indiana	8.6	39.6	11.6	11.9	7.0	8.7	3.5	9.2
University of Nebraska	7.9	38.5	18.7	9.6	6.5	9.4	2.6	6.7
Louisiana State University	7.7	35.3	19.7	10.7	6.3	15.3	2.0	3.0
University of Tennessee	6.9	39.4	16.3	9.3	6.8	12.2	4.9	4.2
University of Illinois	6.8	29.3	22.8	9.1	7.8	13.2	3.2	7.8
University of Wisconsin	6.0	32.9	20.9	11.4	6.2	4.8	7.5	10.3
Average	10.2	35.4	17.6	10.1	7.1	6.2	4.8	8.6

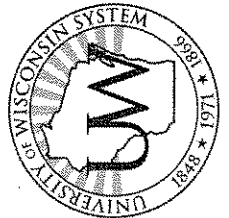
¹ Includes financial aid and mandatory transfers such as debt service.

Source: U.S. Department of Education, Integrated Post-secondary Education Data Survey

LOW ADMINISTRATIVE COSTS

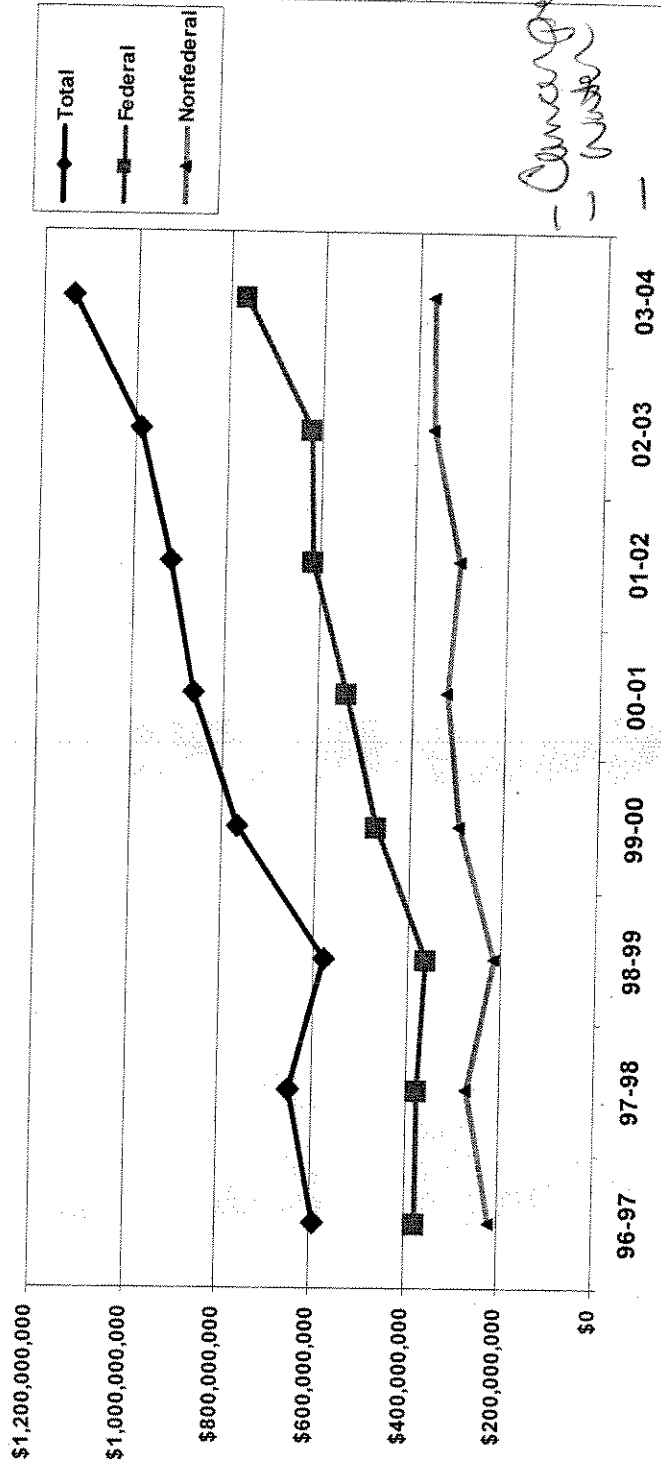


* If the UW System was at the national average for peer University Systems, we would be spending an additional \$122 million per year on institutional support costs.



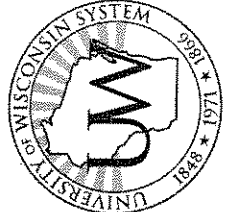
PROS IN UMW FUNDING

**GIFTS, GRANTS AND CONTRACTS AWARDED
1996-97 Through 2003-04**

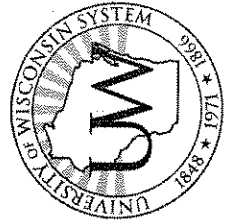


*- Cameron Wenzel
- Nader*

Source: Board of Regents Gifts, Grants and Contracts Yearly Summaries



Meat Processing	19.0%
Breweries	35.1%
Cheese Manufacturing	12.6%
Paper Mills	21.5%
Commercial Printing	32%
Electronic Computer Manuf.	35.9%
Automobile Manufacturing	18.9%
Home Center Retailers	25%
Newspaper Publishers	46.2%



*Risk Management Association (RMA) Annual Statement Studies, Financial Ratio Benchmarks, 2003-04

Joint Legislative Audit Committee
Oct. 6, 2004
Room 411 South, State Capitol

Statement of Thomas W. Still, president, Wisconsin Technology Council

Thank you, members of the committee, for taking my testimony today. We appreciate the excellent work you are doing on behalf of the citizens of Wisconsin.

First, a few words of explanation about the Wisconsin Technology Council: We are the independent, non-profit and non-partisan science and technology advisors to the governor and the Legislature, and were created late in 1999 by a bipartisan vote of the Legislature. We engage in policy work, in economic development, and in building a network for technologists and entrepreneurs in Wisconsin.

Through the course of our policy work, we have recently completed a report titled "The Economic Value of Academic Research and Development in Wisconsin." Copies of the report are available for you today. Here are some highlights of the report's findings:

- Academic research and development activities in Wisconsin total about \$883 million in the latest year. That includes the UW System, the Medical College of Wisconsin, other private colleges and universities, the Marshfield Clinic's research arm and the research programs of the Veterans Administration hospitals.
- Academic R&D is responsible for more than 31,000 jobs, directly and indirectly, in Wisconsin. That is according to an economic multiplier used by the U.S. Department of Commerce Bureau of Economic Analysis and the Association of American Universities.
- Academic R&D represents an area where Wisconsin performs well versus other states in attracting federal dollars. Wisconsin is 15th nationally, even without the inclusion of the Marshfield Clinic and the Veterans Hospitals.
- Academic R&D in Wisconsin has continued to grow, even as the economy retrenched in 2000-2003. In the last year alone, for example, R&D conducted in the UW System grew by \$47.5 million.
- Academic R&D in Wisconsin could be at risk unless state support for the infrastructure supporting such research is maintained. Other states are investing in their infrastructure because they believe it makes sound economic sense.

The report contains these recommendations:

- The governor and Legislature should continue to invest in capital improvement programs such as BioStar and HealthStar, which leverage the assets of the UW-Madison and help to create spinout companies and jobs.
- The governor and Legislature should begin, in the 2005-2007 state budget, the process of restoring state support for UW System operations. Although many states have experienced similar budget difficulties, the erosion in the UW budget has been relatively steady for years and cannot continue if the state wants to protect its investment.
- The governor and Legislature should create a Wisconsin Innovation and Research Fund to help secure federal and corporate grants by providing small matching grants to UW System and private college faculty who collaborate with business on R&D.
- The UW-Madison, the Medical College of Wisconsin and the Marshfield Clinic should re-examine already strong collaborative research relationships to look for more opportunities to joint attract research funding and conduct science. Incentives to conduct inter-institution and interdisciplinary research should be established. This is similar to an approach being followed in Minnesota, where the University of Minnesota and the Mayo Clinic have recently announced joint initiatives.
- The governor and the Legislature should establish a commission, similar to the Michigan Commission on Higher Education and Economic Growth, to explore other options and to more deliberately track "best practices" in other states.

During the course of our research in preparing this report, we studied some of the work of the Council on Governmental Relations in New York. That included documents published in 2004 and 2003 related to the growing administrative costs associated with federal R&D work.

A report dated March 2004 included case studies that describe the complex process involved for universities to establish effective compliance programs that meet new or expanded regulations – such as the Health Insurance Portability and Accountability Act, the PATRIOT Act and control of select biological agents, environmental health and safety, and protection of human subjects in research.

Compliance costs are escalating rapidly over time, according to CGR. Average incremental expenditures for new and expanded requirements range from \$1.8 million per university in 2000 to \$4.1 million of projected expenditures in 2005. A study by CGR of 20 selected research universities showed that all but one were unable to stay under a federal Office of Management Budget cap that was imposed in 1991. The "under-recovery" of administrative costs from the federal government for work being done on federal R&D projects averaged \$5.6 million per institution studied.

In short, increased compliance and administrative costs are increasingly being borne by the universities themselves. This is not to say that UW-Madison and other institutions in Wisconsin should not be aggressively seeking federal research grants – on the contrary, it should remain a high priority. But it is to suggest that states and universities are finding it difficult to manage those administrative costs totally within the grant itself. Also, competition for the grants means that universities must demonstrate adequate facilities and compliance procedures.

A June 2003 report by CGR noted the following: "Universities spend significant resources prior to receiving research awards, and (such awards require) a broad scope of support services needed for the management of a federally funded research project."

Those costs are rising for a variety of reasons, not the least of which are federal regulations. The UW-Madison's facilities and administration rate appears to be lower, according to our research, than rates at other leading research universities.

Academic research and development spending in Wisconsin is a growing industry that create high-paying jobs. By virtue of the work involved, administrative costs can be high. However, those costs are part of the necessary cost of doing business, and will accrue to Wisconsin's economic benefit over time.

Thank you.

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UNIVERSITY of WISCONSIN
GREEN BAY

OCT 22 2004

October 20, 2004

The Honorable Dean R. Kaufert
House of Representatives
Room 308 East
State Capitol
P.O. Box 8952
Madison, WI 53708

Dear Dean:

I appreciated the opportunity to visit with you, too briefly of course, at the recent LAB hearing in Madison and particularly welcomed your asking about a table that seems to suggest that educational expenses were very high at UWGB relative to other UW campuses. That table divided total revenues (not just those associated with instruction) by enrollment and, as you gave me the opportunity to explain, our total revenue picture is, in fact, a big positive, recognizing as it does our effectively serving the community with programs ranging from the Weidner Center to Division I athletics to a Downtown Learning Center (run on a cost recovery basis) to project contracts supporting efforts ranging from better teacher preparation to serving the future needs of major economic sectors such as paper.

That still leaves the critical question though: What are the "real" costs of instruction? "Unpacking" the "cost per student FTE" data is something I promised to provide to you. My effort to do so follows.

I think you will find that once unpacked, UWGB emerges as highly efficient; indeed, I would argue too efficient.

How do we get at what we really want to know, how good a job are we doing in *instructional* costs? Rather than try to "subtract out" all non-instruction related revenues, I simply ask, what funds do we have available to fund instruction, and start with these three assumptions:

1. When students and their parents write us tuition checks, they believe that it is education they are buying, period.
2. When the Legislature sends us GPR, again, it is largely instruction that the people of Wisconsin, through their elected representatives, are funding. (Madison and Milwaukee are different here given their more complex missions but, at least as involves the comprehensives, we are publicly supported primarily because our mission is to educate students.)

CONNECTING LEARNING TO LIFE

Bruce Shepard, Chancellor

David A. Cofrin Library, Suite 810, 2420 Nicolet Drive, University of Wisconsin-Green Bay, Green Bay, Wisconsin 54311-7001
Phone (920) 465-2207 • FAX (920) 465-2192