

3. **None** of the other revenues we receive (Weidner Center, Athletics, Federal grants and contracts, receipts for businesses like the residence halls and bookstore...) are for classroom instruction and, under various policy restrictions, we could not "raid" any of those auxiliaries to help support instruction even if we wanted to.

So, believing in simplicity, I add together tuition (and student fees) with GPR to get what is essentially the budget allocated to us to fund instruction. What do our customers (students, legislators, citizens) get for the payments they make? Divide by student FTE, and the result is a measure of our instructional cost efficiency. Table 1 shows the result and is what I have always used as a simple, understandable, measure of UWGB's instructional cost efficiency.

Now, simple measures simplify. No analysis is possible without some simplifying assumptions. That's what LAB did in their good work (e.g., assuming any position with "director" in the title was administrative even though some directors, arguably, are closely involved in instruction). Such assumptions are unavoidable in any quality research, and as with the example of LAB, the assumptions seem reasonable even when exceptions can be imagined.

So too, I think, with the assumptions I made in coming up with a measure of instructional cost efficiency. Simplifying, yes. I miss the other things the legislature purchases with GPR (research activity, community service, economic development activities...) when I assume all GPR is for instruction. But still, it comes pretty close to what the person on the street, as well as in the legislature or in the chancellor's chair, will think of as how productively we use the budget we have to support instruction.

As can be seen in Table 1, UWGB runs in the middle of the pack, spending \$8,544 for instruction of each full-time student. Contrary to the picture that appears when total revenues are considered, UWGB is about \$500/student *below* the average for UW comprehensives once we zero in on instruction.

Actually, we are doing a much better job than that. What Table 1 misses are the differences in scale between smaller and larger comprehensives. A lot of costs do not depend upon the number of students served. Certainly, each campus is going to have to pay for one chancellor whether they have 5,000 students or 12,000 students. But it goes deeper than that. For example, the collection-related costs of maintaining a library are a function of the number and types of academic programs a campus has, and such costs are not a function of the number of students using those collections. It's an example of a fixed overhead cost associated with instruction.

The accepted way (if I recall my undergraduate economics correctly) to look at these scale considerations is to graph operational costs against size and then plot the best fitting line. As campuses get larger, costs per student should be seen to drop.

In Figure 1, I have done just that, plot for the comprehensives using the same data as in Table 1. You see instructional costs dropping as campus size increases.

Here, for me, the most important point to make is that almost all the campuses fall right on the line. That suggests that the variation in "instructional cost efficiency" that might have been inferred from the variation in Table 1 is almost all due to differences in campus size. We do not have to get into nuances of different program mixes or different missions (e.g. UW-Superior's public liberal arts mission) to get a very tight fit.

Of course, I also like Figure 1 because it points out that there is one dramatic outlier: UWGB is way below the line.

From one perspective, we are *very* efficient given our size, much more so than would be evident from Table 1 alone, about \$1,000 per student below what the line in Table 1 predicts our instructional funding per student should be. Multiply by the number of FTE we have, and that "shortfall" (as we see it) or "savings" (as some in the legislature might see it) is about \$4.64M/yr.

Efficient, yes. But what does that mean for our students? As I am sure Ms. Kari Kaufert regrettably experienced, more patience in getting access to classes, longer waits to see advisors and other support professionals, larger classes, the very highest student-to-faculty ratios among the comprehensives, etc.

Knowing how our students are experiencing that instructional funding "skinniness," you may understand, Dean, why I tend to bristle when I see a table that could be misread as implying our campus in particular may be fat.

Let me return to that table in the LAB report in which total revenues are divided by student FTE. Why does UWGB look so "expensive" in that analysis? Well, what I said at the hearing was that the LAB table really measures mission *effectiveness* rather than instructional efficiency. *Our goal is to make those numbers even bigger through new and expanded programs serving our community on an entrepreneurial and cost recovery basis.*

Finally, a little editorializing, if I may. The LAB audit was shaped, in part, by the desire to make you, your colleagues, the Regents, and others aware of *all* the revenue streams that comprise the resources the UW System generates, most often entrepreneurially, in responding to Wisconsin's needs and opportunities. That is helpful. It's a remarkable success story and needs to be repeated over and over.

The problem though, is that in tight times the attractiveness of using other revenue streams for other purposes is very great. But, the reality is that every one of these streams involves some customer paying for some service, and we have to deliver the service being paid for. Federal auditors, for example, would start demanding return of grants were they to find that federal grants were helping cover instruction. And even if we tried to run some of our enterprises at a profit in order help cover instruction, current statewide policy would not allow the transfer. That, by the way, is sound policy in my view for were we to make such transfers, our customers (be they buying fine arts performances, a room in a residence hall, or an athletic ticket) would, rightly I think, be very upset to find they were also supporting classroom instruction. As every business person knows, upset customers go away.

It's like that proverbial bunch of grapes we see dangling just out of reach. We badly need them not just because of the fiscal situation the state is in but also because reinvestment in access to higher education is key to our getting out of that fiscal situation. However, those grapes vanish if we leap to grab them to address our greatest need: access.

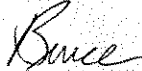
Pooling all revenues masks one invidious trend. Overall, the fiscal picture may look OK but what is happening below the surface should concern us all. Even as we are more successful elsewhere, our capacity to serve our core mission, a mission essential to an economically healthy and vibrant Wisconsin, is being ever eroded.

The Honorable Dean Kaufert
October 20, 2004
Page 4

Bringing it back to UWGB's context, reducing administrators in the Weidner Center, residence halls, or the athletic program will damage the ability of these enterprises to generate the revenues upon which they depend but will not free up one dollar to fill the \$4.64M shortfall in our instructional funding. That \$4.64M problem, *substantially and unavoidably a GPR problem in my view*, still remains and, in the larger UW context, continues to challenge all our abilities to lead as we share with you a commitment to build brighter futures for our State.

Enough editorializing. As with all helpful analyses, the LAB audit included, results often lead to more questions than answers. But, one hopes, the questions become more and more focused and the answers, consequently, better and better; so, please do not hesitate to follow up with additional questions or concerns. In that spirit, I will copy my friend and our alum, the honorable Senator Rob Cowles, the honorable Co-Chairs and our respected colleague, Director Mueller.

Sincerely,



Bruce Shepard
Chancellor

c: Senator Rob Cowles
Representative Suzanne Jeskewitz
Janice Mueller
President Kevin Reilly
Senator Carol A. Roessler

Table 1: Instructional Funding by UW Institution: 2003 – 04

Institution	Instructional Funding (GPR + Tuition & Fees)	Students (FTE)	Instructional Funding per Student (Col 2/Col 3)
UW-Madison	\$654,362,991	36,334	\$18,010
UW-Milwaukee	\$225,452,126	18,604	\$12,118
UW-Superior	\$24,067,947	2,236	\$10,764
UW-Parkside	\$38,414,287	3,712	\$10,349
UW-Platteville	\$49,216,366	5,280	\$9,321
UW-Stout	\$62,808,850	6,922	\$9,074
UW-Stevens Point	\$69,430,286	7,901	\$8,788
UW-River Falls	\$45,783,908	5,229	\$8,756
UW-Green Bay	\$39,694,332	4,646	\$8,544
UW-Eau Claire	\$79,564,080	9,442	\$8,427
UW-La Crosse	\$68,356,120	8,138	\$8,400
UW-Whitewater	\$73,070,170	9,097	\$8,032
UW-Oshkosh	\$76,215,572	9,501	\$8,022
UW-Colleges	\$57,099,735	8,756	\$6,521
Average			
Comprehensives	\$56,965,629	6,555	\$8,952

Instructional Cost by Campus Size

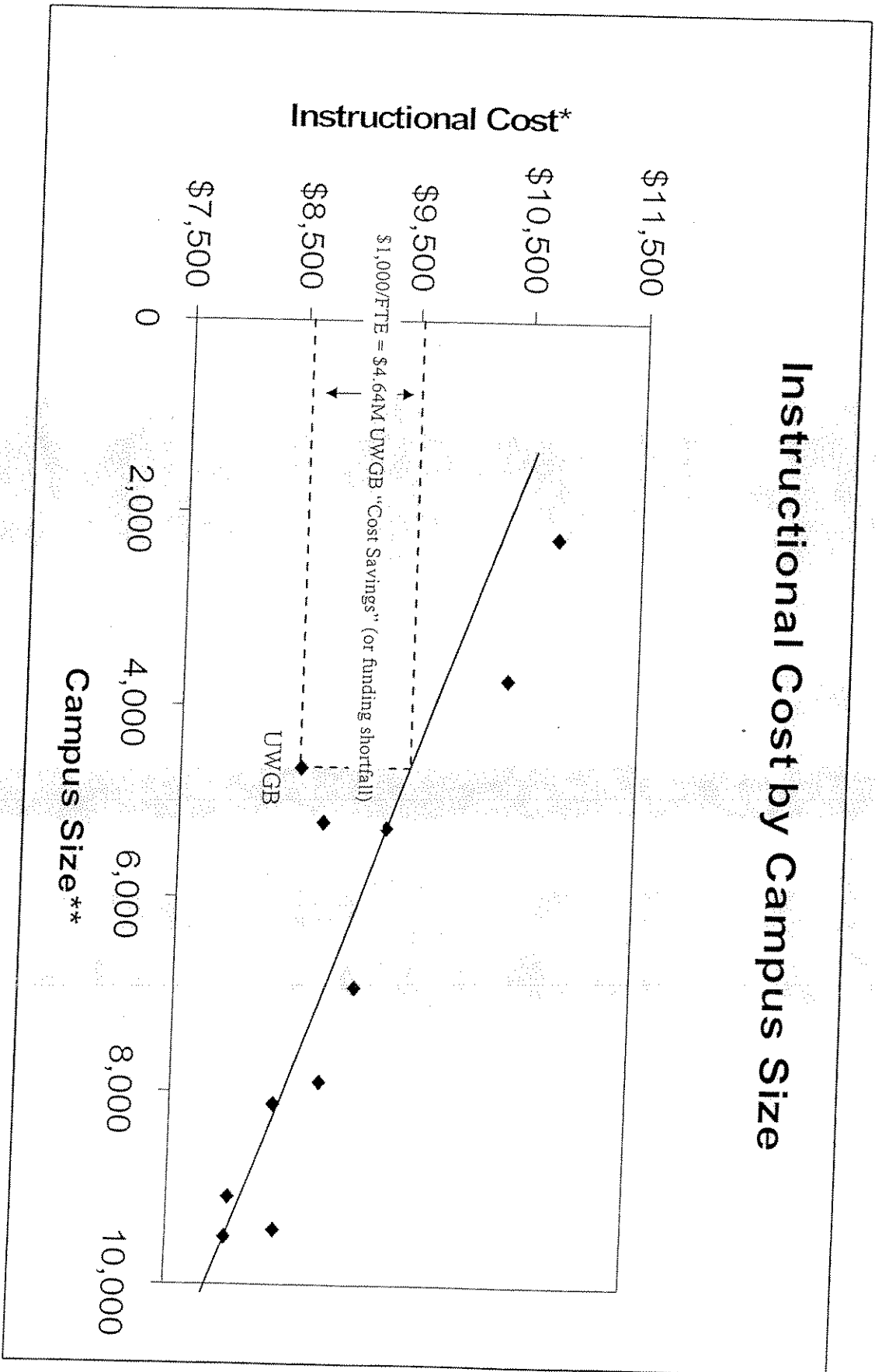


Figure 1: Instructional Funding by Campus Size: UW Comprehensives, 2003-04

*From Table 1. Instructional Funding per Student FTE as measured by GPR + Tuition and Fees
 **From Table 1: Campus Size as measured by full time equivalent students

OCT 25 2004

UNIVERSITY OF WISCONSIN-EAU CLAIRE
STUDENT SENATE – 48th SESSION

NOTIFICATION OF ACTION TAKEN

FOR TRANSMITTAL TO: Dr. Donald Mash, Chancellor
Andrew Soll, Vice Chancellor, Business & Student Services
Jim Doyle, Governor
Dr. Kevin Reilly, President, UW-System
Toby Marcovich, President, Board of Regents
David Walsh, Vice-President, Board of Regents
All Board of Regents Members
Christena O'Brien, Reporter, Leader-Telegram
Rob Kreibich, Representative
Ron Brown, Senator
✓Carol Roessler, Senator, Co-Chair of Joint Leg. Audit Committee
Robert Cowles, Senator
Alberta Darling, Senator
Jeffrey Plale, Senator
Julie Lassa, Senator
Suzanne Jeskewitz, Assembly Member, Co-Chair of Joint Leg. Audit Com
Samantha Kerkman, Assembly Member
Dean Kaufert, Assembly Member
David Cullen, Assembly Member
Mark Pocan, Assembly Member

ACTION BY: UW-Eau Claire Student Senate

CONCERNING: Resolution 48-R-13, In Opposition to Changes in the Definition of Administrative Costs in the UW-System.

DATE: October 21, 2004

Resolution 48-R-13, In Opposition to Changes in the Definition of Administrative Costs in the UW-System passed unanimously by Student Senate on October 18, 2004.

Action by: _____

Date _____

Notice transmitted by: Chad Wade
Chad P. Wade, Student Body President

Date 10-21-04

c: Dr. Kimberly Barrett, Associate Vice Chancellor
c: Jodi Thesing-Ritter, Associate Dean of Development

Passed Unanimously
October 18, 2004
48-R-13

UNIVERSITY OF WISCONSIN-EAU CLAIRE
STUDENT SENATE RESOLUTION

IN OPPOSITION TO CHANGES IN THE DEFINITION OF
ADMINISTRATIVE COSTS IN THE UW-SYSTEM

1 WHEREAS, the Legislative Audit Bureau (LAB) recently released
2 a report on administrative costs in the UW-System; and

3 WHEREAS, the LAB reported that 25% of UW-System employees
4 were administrative; and

5 WHEREAS, the UW-System in the past has used a national
6 standard to calculate what constitutes an administrative
7 employee; and

8 WHEREAS, using the national standard the UW-System reports
9 that only 7% of total employees are administrative; and

10 WHEREAS, in a 2001 comparison to 19 similar systems, in
11 which the UW-System used the national standard, the UW-System had
12 the lowest percentage of administrative costs in the total
13 budget; and

14 WHEREAS, using the LAB's method will no longer allow the UW-
15 System to compare its administrative costs with other similar
16 systems; and

17 WHEREAS, Governor Doyle's budget instructions included an
18 exercise requesting a 10% decrease in administrative costs; and

19 WHEREAS, the perception of increased administrative costs
20 coupled with the governor's budget exercise could be paving the
21 way for large cuts to the UW-System;

22 BE IT THEREFORE RESOLVED that the UW-Eau Claire Student
23 Senate rejects the LAB's definition of administrative employees;
24 and

25 BE IT FURTHER RESOLVED that UW-Eau Claire encourages the
26 state to maintain the old definition in order to allow the UW-
27 System to judge its administrative cost against other college
28 systems; and

29 BE IT FINALLY RESOLVED that upon passage President Wade
30 transmit copies of this resolution to Dr. Donald Mash,
31 Chancellor; Andrew Soll, Vice Chancellor, Business & Student
32 Services; Governor Jim Doyle; Dr. Kevin Reilly, President, UW-
33 System; Toby Marcovich, President, Board of Regents; David Walsh,
34 Vice-President, Board of Regents; Members of the Board of
35 Regents: Roger Axtell, Mark Bradley, Elizabeth Burmaster, Eileen
36 Connolly-Keesler, Danae Davis, Guy Gottschalk, Gregory Gracz,
37 Milton McPike, Jose Olivieri, Charles Pruitt, Gerard Randall,
38 Jr., Beth Richlen, Peggy Rosenzweig, Jesus Salas, and Brent
39 Smith; Christena O'Brien, Reporter, Leader-Telegram;

40 Representative Rob Kreibich; Senator Ron Brown; State Senator
41 Carol Roessler, Co-Chair of Joint Legislative Audit Committee;
42 State Senator Robert Cowles; State Senator Alberta Darling; State
43 Senator Jeffrey Plale; State Senator Julie Lassa; Assembly Member
44 Suzanne Jeskewitz, Co-Chair of Joint Legislative Audit Committee;
45 Assembly Member Samantha Kerkman; Assembly Member Dean Kaufert;
46 Assembly Member David Cullen; and Assembly Member Mark Pocan.

Submitted by:

Chad Wade, Student Body President
Meredith Marx, Student Body Vice President
October 18, 2004



Board of Regents

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

email: board@uwsa.edu
website: <http://www.uwsa.edu>

To: Toby E. Marcovich, President
UW System Board of Regents

From: Mark J. Bradley, Chair
Board of Regents Business and Finance Committee

Date: October 27, 2004

Re: Report on UW System Salaries and Pay Plan Recommendations

In August you asked the Business and Finance Committee to examine the issue of competitive compensation for UW System faculty, staff and academic leaders. Regents Connally-Keesler, Pruitt, Randall, Rosenzweig and I have done so. As committee chair I submit this report with recommendations for your consideration.

Over the past three months members of the Business and Finance Committee have studied some alarming data concerning rates of turnover among our faculty, the aging of our faculty and staff, and how the average salaries we pay our unclassified employees compare to the median salaries that peer group institutions (our competition) pay their employees. We also heard presentations from representatives of four campuses on the impact of non-competitive salaries upon recruitment and retention efforts at their respective institutions. The Legislative Audit Bureau report on UW System Staffing released in September provided additional useful salary information. Finally, as part of the listening sessions that you recently conducted in Eau Claire and Oshkosh, we received input on the competitive pay issue from students, faculty, and private business owners.

While we were engaged in this work, the Compensation Advisory Committee, a group comprised of faculty and academic staff representatives of each institution, and the six-member Fringe Benefits Advisory Committee, were advising President Reilly on some of the same issues. The compensation committee reviewed salary data from established peer groups and national reports on faculty salaries. The committee also examined projections of several economic indicators obtained from the U.S. Bureau of Labor Statistics, Wisconsin Economic Outlook, and the Wisconsin Department of Revenue, and reviewed the results of a survey concerning anticipated pay plans for faculty and staff at UW System peer institutions. The fringe benefits committee likewise reviewed information concerning the number and availability of group health insurance plans to university faculty and staff, their families and domestic partners, and the competitive impact of employee premium cost sharing. The committee also reviewed the necessity of a comprehensive statewide dental plan.

These reports, presentations, and discussions point to some very serious problems:

- The total compensation package we are able to provide to our faculty, staff and academic leaders significantly lags behind the competition.
- Our most talented teachers are regularly being solicited by public institutions that offer more pay and traditional teaching loads.
- Our deans and department chairs face intense pressures from within and outside of their peer groups to retain their brightest researchers.
- Other public universities see the UW System as fertile ground to recruit future “stars” who will bring to their institutions research support in amounts measured in multiples of their salaries.
- Department chairs throughout the System are witnessing failed searches because of their inability to offer a competitive compensation package to qualified candidates.
- When searches for new faculty are successful, the beginning salary often is more than the salary being paid to veteran members of the department who have persevered through years of comparatively low pay increases, a condition commonly referred to as the “Wisconsin loyalty tax.”
- We will soon face even more fierce nationwide competition for qualified faculty and staff as our current employees reach retirement ages.
- We have witnessed recently the departure of three eminently qualified Chancellors, two of whom accepted positions at public institutions for significantly more pay and attractive retirement benefits.
- We currently pay six of our eleven comprehensive campus Chancellors and two of our System Vice Presidents less than the minimum of the salary range that we established for them in 2002-03. While others earn at least the minimum of their ranges, the Legislative Audit Bureau reports that the salaries of twenty of our senior executives throughout the System are below the national median for universities with comparable budgets.
- Our failure to match other public institutions in providing domestic partner health insurance benefits to our employees puts us at a distinct competitive disadvantage.

SOME RECENT PAY PLAN HISTORY

In 1986, the Governor recommended and the Legislature approved an increase in the pay plan that significantly narrowed the gap that had existed between UW System faculty, staff and academic leaders and their counterparts at peer institutions. Since 1986, however, the gap has been allowed to widen to our competitive disadvantage.

The Board of Regents' normal practice is to consider its unclassified pay plan recommendations in concert with planning for the state biennial budget that begins in December of each even-numbered year. In recognition of the serious fiscal crisis faced by state government, the Board delayed its 2003-05 pay plan recommendation for almost a year, even though it recommended a salary increase of up to 4% each year (2003-04 and 2004-05) "to the full extent of funds available in the compensation reserve." Unfortunately, the Legislature did not grant any pay plan increases in 2003-04. It did, however, require unclassified state employees, including our faculty, staff, and academic leaders, to pay a share of their group health insurance premiums beginning in calendar year 2004.

For 2004-05 the Legislature approved a general wage increase of 1% plus \$209 for annual appointees, and 1% plus \$171 for academic year appointees. In addition, a \$250 lump sum payment was made available to faculty and academic staff, but not to our academic leaders in university senior executive salary groups.

OUR CURRENT COMPETITIVE POSITION

What is our current competitive position relative to our markets?

- Data for 2003-04 and survey results of pay plans implemented at peer institutions in 2004-05 suggest that UW System faculty will enter the 2005-07 biennium 7.6% below peer group medians.
- Our academic staff face an even worse market position; they will be 17.7% below the medians at comparable institutions.
- Our leaders in senior executive salary groups will not fare much better than the academic staff. Salaries for the people the Board of Regents depends on most for quality leadership are predicted to be 16% below the median salaries for their peer group this fiscal year.

THE NOVEMBER 2004 PAY PLAN PROCESS

Funding for biennial pay plan awards for faculty, staff, and academic leaders in university senior executive salary groups is budgeted in the "compensation reserve" appropriation contained in the biennial budget. In order to advise the Governor and the Legislature of the projected salary increases needed to competitively recruit and retain faculty, academic staff, and academic leaders, we are expected to make known our pay plan request in time for biennial budget deliberations. Moreover, pursuant to Wis. Stat. §

230.12(3)(e), the Board is required to convey faculty, academic staff, and university senior executive salary recommendations to the Director of the Office of State Employment Relations (OSER) so that the Director may make a pay plan recommendation to the Legislature's Joint Committee on Employment Relations (JCOER). JCOER possesses the final authority to approve pay plan recommendations, except for those matters that require legislative action for implementation. President Reilly is expected to transmit the Board's 2005-07 unclassified pay plan recommendation to the OSER Director immediately following the action we take at our November meeting.

SUMMARY OF BUSINESS & FINANCE COMMITTEE RECOMMENDATIONS

Enclosed are draft resolutions that the Business and Finance Committee (with all Regents invited) will consider at its meeting on November 4, 2004. Let me briefly highlight what we are recommending in light of our findings:

Salary Increases Needed to Close Gap and Prevent Further Erosion Relative to Peer Group Medians

1. **Proposal:** A salary increase of 2% each year for all unclassified employees (faculty, staff and academic leaders), provided sufficient funds are placed in the biennial budget to distribute at least 3% each year to address market adjusted salary needs of the faculty and academic staff, for a total increase of 5% in each year of the 2005-07 biennium.

Discussion: By Regent Resolution 8887 (August 2004), the Board adopted the 2005 UW System GPR/Fee Biennial Operating Budget Request. The request includes a 3% per year increase in faculty and academic staff salaries in an effort to move toward competitive market salaries. Although faculty, academic staff and academic leaders will not achieve peer market median salary levels if only 3% percent is provided, the increase will help to restore a portion of lost market standing. This is not just wishful thinking. Six times in the past fourteen years the Governor and Legislature have authorized funds to address market adjusted salary needs of UW System faculty and academic staff.

Preliminary survey results suggest that faculty, academic staff and many academic leaders at peer institutions will see pay increases during 2005-07 just above predicted rates of the consumer price indexes. Predicted rises in the cost of living approach 2% each year, and survey results suggest salaries at peer institutions will rise 2.5% each year.

When we adopted our 2005-07 biennial operating budget request in August, we discussed that each 1% increase in our pay plan equals a 0.6% increase in tuition. Thus, if JCOER were to approve a 2% pay plan each year of the biennium, tuition would need to rise from the projected 4.3% to 5.5% each year. That tuition increase falls within the range of predicted rises in Wisconsin personal income in the next two fiscal years.

2. Proposal: Adjust academic staff salary ranges by the total pay plan increase.

Discussion: The unclassified compensation plan submitted to JCOER contains the authority to adjust academic staff salary ranges. Since the academic staff title and salary range structure was established in 1986, the Board of Regents has recommended that the salary ranges be increased by at least the full amount of any pay plan. If the 3% increase that is designated in part to address market adjusted salary needs is included in the biennial budget, academic staff salary ranges will need to rise by the full amount of all salary increases if the most experienced staff at the top of the salary ranges are to be eligible for a market adjustment increase.

Academic Leader Salary Ranges

1. Proposal: Adopt 2004-05 salary ranges for academic leaders.

Discussion: We have not updated our senior executive salary group ranges to reflect current peer group data since 2002-03. Thus, we are operating with old data for the salary ranges that we establish for the group consisting of the UW System President and two Senior Vice Presidents, the 15 Chancellors, and the Vice Chancellors at the two doctoral campuses. Our salary ranges for two Vice Presidents and the 13 non-doctoral institutions' Vice Chancellors are similarly outdated. Those 15 academic leaders are also subject to salary ranges approved by JCOER. The testimony we heard from students, representatives of faculty organizations, and private business owners supports the need to pay competitive salaries to recruit and retain qualified leaders. Moreover, we should adhere to our state-approved policy in this area out of basic fairness to the people we depend on most to operate our complex institutions.

2. Proposal: Adjust academic leader salary ranges for 2005-07 to prevent overlap.

Discussion: State law requires that the unclassified pay plan proposal submitted by the OSER Director to JCOER "shall include the salary ranges and adjustments to the salary ranges for the university senior executive salary groups (for Vice Presidents and non-doctoral institution Vice Chancellors and Provosts)." Wis. Stat. § 230.12(3)(e). The salary ranges for these two senior executive salary groups were adjusted by 1% in 2004-05, the first increase since fiscal year 2001-02. The Regents salary policy for Vice Presidents and Vice Chancellor/Provosts requires salary ranges, as does the unclassified pay plan approved by JCOER. This creates two overlapping salary ranges for these two categories of senior executives. We can solve that problem by recommending that JCOER adopt the Regents senior executive salary range structure for these two senior executive groups.

Salary Increases For Certain Academic Leaders

1. **Proposal:** Increase the salaries of the six Chancellors who are currently paid below the minimum of their 2002-03 ranges and the one Chancellor who is below the 2004-05 range that is now before us for approval – Doug Hastad (UW-La Crosse), Rick Wells (UW-Oshkosh), Jack Keating (UW-Parkside), Dave Markee (UW-Platteville), Bruce Shepard (UW-Green Bay), Julius Erlenbach (UW-Superior), and Jack Miller (UW-Whitewater). Also increase the salaries of two System executives who are currently paid below the minimum of their 2002-03 ranges – Vice President for Finance Debbie Durcan and Vice President for University Relations Linda Weimer. The new salaries should be at least the minimums for the 2004-05 ranges and should be effective November 1, 2004.

Discussion: In addition to not receiving at least the minimum pay for their salary ranges, all of these dedicated people were denied the 2.1% salary increase approved for January 1, 2003. These are some of the people from whom we have asked the most. The harder they have worked to manage in a time of severe budgetary crisis and keep our institutions functioning to serve our students, the further behind they have gotten in terms of the purchasing power of their salaries. The business leaders who testified at our listening sessions frankly were bewildered by this state of affairs. The total cost of this proposal is approximately \$88,000. That total cost is less than the typical cost of a national search and screen process that we would conduct if only one of these nine people were to leave because his or her salary had not been adjusted for over two years.

State Group Health Insurance Premiums

1. **Proposal:** Work to prevent further increases in faculty and academic staff required contributions to state group health insurance.

Discussion: The Department of Employee Trust Funds determines state group health insurance premiums. UW System unclassified employees pay approximately 5% of the total premium if they select a plan in Tier 1, 10% of the total premium if they select a plan in Tier 2, and about 13% if they select the state standard plan. In calendar year 2005, employee contributions to Tier 1 plans will increase from \$18 to \$22 per month for single coverage and \$45 to \$55 per month for family coverage. Employee contributions to Tier 2 plans will increase from \$47 to \$50 for per month and \$117.50 to \$125 per month for family coverage. The contribution rates for selecting the standard plan remain unchanged at \$100 per month for single coverage and \$250 per month for family coverage.

State health insurance premiums are projected to rise just 5% for 2005, far below the predicted increase of 10 to 12% and below the national average of 12.5%. Given the success of the new Tier structure, and the savings that accrued to the state, employee health insurance premium contributions should not be raised above rates charged to other state employees. (It should be noted that 70% of university civil service employees who are unionized have not settled on 2003-05

contracts and they pay no health insurance premiums. Non-represented graduate assistants contribute one half of the premium amounts charged to faculty and academic staff.)

Domestic Partner Health Insurance Benefits

1. Proposal: Endorse state group health insurance for domestic partners of all state employees and work with the Governor and the Legislature to amend state statutes to provide such benefits.

Discussion: UW System institutions are at a competitive disadvantage in recruiting and retaining qualified faculty and staff because they do not offer health insurance benefits for their employees' domestic partners. With the exception of the Pennsylvania State University and UW-Madison, all of the Big 10 universities provide such benefits to their employees. Statements of support for this benefit have been approved or are being considered for approval by all UW System institutions, Letters & Science Deans, Chief Student Affairs Officers, and United Council of Student Governments. The UW System Fringe Benefits Advisory Committee cautions that, in the absence of domestic partner benefits, we will experience increased difficulty in retaining existing faculty and staff and recruiting new faculty and staff to replace our rapidly aging workforce. Several students, faculty, staff, and private employers expressed support at the listening sessions for including domestic partner benefits as part of a competitive compensation plan.

Pay Plan Distribution Guidelines

1. Proposal: Follow general compensation distribution plan and guidelines for pay plan adjustments greater than 2%. Distribute pay plan adjustments of 2% or less across-the-board.

Discussion: At or around the time the Board adopts a pay plan recommendation, the Board usually adopts pay plan distribution guidelines for the forthcoming biennial pay plan. Historically, the Board's guidelines have required that pay plan increases be distributed on the basis of merit. The 2003-05 General Compensation Distribution Plan and Guidelines for the 2003-05 pay plan were adopted by the Board in December 2002 as Resolution 8639. The guidelines provided that "not less than one-third of the total compensation plan shall be distributed on the basis of merit/market and not less than one-third of the total compensation plan shall be distributed on the basis of solid performance." The "customary guidelines" are used by the UW System President to direct the Chancellors to begin faculty and academic staff performance evaluations, the results of which can be converted to compensation awards consistent with the Board's criteria for pay plan increases irrespective of the amount of the pay plan that is usually approved by JCOER much later. The guidelines are needed by the

faculty and academic staff governance bodies so that they and the Chancellors can develop merit pay distribution plans at their institutions.

The timetable and process for the 2003-05 pay plan request and distribution guidelines was unusual in that the pay plan distribution guidelines preceded a pay plan request by almost one year. Due to delays in the budget and an unsettled pay plan outlook, the Board did not adopt a pay plan recommendation until October 2003 at which time the Board requested a pay plan of "up to 4 percent each year to the full extent of funds available in the compensation reserve." (Resolution 8745) In addition, the Board took the unprecedented step of suspending the merit-based pay plan distribution guidelines if the pay plan ultimately approved by JCOER was less than 2% in any year. The Board directed that in such case, the less than 2% amount should be distributed across the board to all those who had at least a solid performance rating. Indeed, that proved to be the case when the 2004-05 pay plan (revised in May 2004 by JCOER following Board adoption of Resolution 8817 in April) was far less than 2%.

I recommend that the merit-based pay distribution guidelines adopted by Resolution 8639 should apply to any 2005-07 pay plan greater than 2% in any year, but a pay plan of 2% or less should be distributed across the board to satisfactory performers because such an amount represents a cost-of-living adjustment. It will be necessary for the UW System President to distribute those guidelines and ask the Chancellors, faculty, and academic staff to conduct their performance reviews so that satisfactory performance can be documented if the pay plan is 2% or less. The full merit reviews will also be needed in the event the 3% increase is not provided as a separate amount in the budget process but is instead included in a total pay plan of 5% each year.

CONCLUSION

On behalf of the Business and Finance Committee, I look forward to working with you and our fellow Regents on implementing these important recommendations.

cc: Members, Business and Finance Committee
Vice President Durcan

BUSINESS AND FINANCE COMMITTEE

Resolution: I.2.a.(1)

Whereas, s. 20.923 (4g), *Wis. Stats.*, gives the Board of Regents the authority to establish salary ranges for: System President; Senior Vice Presidents; Chancellors; UW-Madison Vice Chancellor; and, UW-Milwaukee Vice Chancellor; and

Whereas, s. 20.923 (4g), also provides that the Board of Regents must recommend the salary ranges for vice presidents and non-doctoral institution vice chancellors/provosts; and

Whereas, s. 20.923 (4g), goes on to state; "The board of regents shall set the salaries for these positions within the ranges to which the positions are assigned to reflect the hierarchical structure of the system, to recognize merit, to permit orderly salary progression and to recognize competitive factors;" and

Whereas, on October 10, 2003, the Board adopted Resolution 8736 to amend the Senior Executive Salary Policy (Regent Policy Document 94-4) "to reflect current law regarding the Board of Regents authority to determine executive salary ranges and set executive salaries, and to specify that salary ranges for an ensuing fiscal year will be adopted by resolution by a majority of the full membership of the Board in open session by roll call at a regularly scheduled meeting;" and

Whereas, during the 2003-04 fiscal year the Board of Regents did not adopt executive salary ranges pursuant to RPD 94-4 for the ensuing (2004-05) fiscal year; and

Whereas, the proposed salary range dollar values noted in the attached table (Appendix A) of proposed executive salary ranges are constructed according to RPD 94-4, with the midpoints of the ranges set at 95% of the 2004-05 predicted peer medians and the minimums set at 90% and the maximums set at 110% of those midpoints; and

Whereas, senior executives did not receive consideration for the 2.1% increase that all other unclassified staff were considered for as part of Phase II of the 2002-03 pay plan to be effective January 1, 2003; and

Whereas, our academic leaders are 16% below predicted peer group median salaries this fiscal year; and

Whereas, the Legislative Audit Bureau, Report 04-10, September 2004, acknowledged that based on data available through the College and University Professional Association for Human Resources annual survey, "the salaries of 20

UW System senior executives are below the national median for universities with comparable budgets.”

Now, therefore be it resolved;

That, in accordance with Regents Executive Salary Policy, the Board adopts 2004-05 salary ranges for academic leaders in senior executive salary groups as set forth in Appendix A; and

That, again in accordance with Regents Executive Salary Policy, the Board directs that those salaries of the seven Chancellors of comprehensive institutions who are not serving interim appointments and the two Vice Presidents who are all below the range minimums established in this resolution be raised to those minimums effective November 1, 2004.

11/05/04

I.2.a.(1)

BUSINESS AND FINANCE COMMITTEE

Resolution: I.2.a.(2)

Whereas, pursuant to s. 230.12(3)(e) *Wis. Stats.*, the Regents are charged with the responsibility to recommend to the Director, Office of State Employment Relations a proposal for adjusting compensation and employee benefits for university faculty, academic staff, and senior executives for the 2005-07 biennium; and,

Whereas, the Director shall submit a proposal for same, which shall be based upon the competitive ability of the Board of Regents to recruit and retain qualified faculty and academic staff, data collected as to rates of pay for comparable work in other public services, universities and commercial and industrial establishments, recommendations of the Board of Regents and any special studies carried on as to the need for any changes in compensation and employee benefits to cover each year of the biennium; and,

Whereas, the Board of Regents has considered those factors and heard from constituents in two public listening sessions and concluded that to recruit and retain faculty and academic staff a salary increase of 6.3 percent each year is needed; and,

Whereas, the Board of Regents recognizes a 6.3 percent salary increase is needed in order to obtain competitive faculty salaries by the end of the biennium but will only cut the market gap for academic staff by less than half of what is needed to bring us to competitive academic staff salaries; and,

Whereas, the Board of Regents is cognizant of the difficulty of funding the needed pay plan in the current fiscal climate including lack of availability of full funding in the compensation reserve, of tuition revenue sources, and of base budget reallocation capabilities, our combined request of 5 percent in each year of the 2005-07 biennium from all sources is less than what is needed as noted above; and,

Whereas, the Board of Regents is acutely aware of the negative impact that a lack of domestic partner health care benefits has on our ability to attract and retain not just individuals who would take advantage of this benefit but all faculty and academic staff.

Now, therefore be it resolved;

That the Board of Regents directs the UW System President to notify the Governor and the Legislature that the UW System has identified a need for a 6.3 percent salary increase each year of the 2005-07 biennium for faculty, academic staff and university senior executives in order to obtain competitive faculty

salaries and to begin to close the gap with academic staff salaries by the end of the biennium; and

That the Board of Regents directs the UW System President to transmit to the Director of the Office of State Employment Relations, currently available information on unclassified salaries for UW System peer institutions and related economic indices, and request that the Director recommend to the Joint Committee on Employment Relations (JCOER) a salary increase of two percent each year provided sufficient funds are placed in the biennial budget to distribute at least three percent each year to address market adjusted salary needs of the faculty and academic staff; and

That the Board of Regents directs the UW System President to recommend to the Director of the Office of State Employment Relations for transmission to JCOER that:

The UW System be authorized to increase the academic staff salary ranges by the full amount of the pay plan and monies provided to address market adjusted salary needs each year; and,

The salary ranges for university senior executive salary groups one (Vice Chancellors at non-doctoral institutions) and two (Vice Presidents) set by the Board of Regents pursuant to their Executive Salary Policy be adopted; (see Appendix A) and,

The Board of Regents endorses state group health insurance for domestic partners of all state employees and encourages the Governor and the Legislature to amend state statutes to provide that benefit and directs the UW System President to work with the Governor and the Legislature toward that end; and

That the Board of Regents adopts the 2003-05 pay plan distribution guidelines for 2005-07 if the pay plan exceeds two percent each year. However, the Board suspends those pay plan distribution guidelines if the authorized amount for an unclassified pay plan is two percent or less in any year, and directs that in such instance the pay plan percentage be distributed across-the-board to all those who have at least a solid performance rating, with any unused funds distributed by the Chancellor in consultation with the governance bodies to address salary needs specific to their institution; and

That the Board of Regents directs that any and all monies provided to address market adjusted salary needs that may be provided in the biennial budget shall be distributed to correct market needs and salary needs specific to each institution with due regard to establishing average salaries at peer group medians.

Appendix A

Proposed 2004-05 Regent Salary Ranges for Senior Executive Groups 3, 4, 5, 6, 7, 8, and 9

<u>Position Title</u>	<u>Senior Exec Group</u>	<u>2002-03 Regent Salary Range</u>			<u>Proposed 2004-05 Regents Salary Range</u>		
		<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>
System President	9	\$275,608	\$306,231	\$336,854	\$277,541	\$308,379	\$339,217
UW Madison Chancellor	8	\$274,327	\$304,808	\$335,288	\$297,968	\$331,075	\$364,183
UW-Milwaukee Chancellor	7	\$205,232	\$228,035	\$250,839	\$232,767	\$258,629	\$284,492
UW-Madison Vice Chanc	6	\$201,243	\$223,603	\$245,963	\$198,148	\$220,165	\$242,181
Senior Vice President	5	\$203,278	\$225,865	\$248,451	\$195,166	\$216,851	\$238,536
UW-Milwaukee V Chanc	4	\$185,353	\$205,948	\$226,542	\$179,128	\$199,031	\$218,934
<u>Chancellors</u> <u>(Comprehensives, Colleges, & Extension)</u>	3	\$164,686	\$182,985	\$201,283	\$168,622	\$187,357	\$206,093

Proposed 2004-05 Regent Salary Ranges for Senior Executive Groups 1 and 2 to be Recommended to the Director, Office of State Employment Relations for Transmission to JCOER

<u>Position Title</u>	<u>Senior Exec Group</u>	<u>2002-3 Regents Salary Range</u>			<u>Proposed 2004-05 Regents Salary Range</u>		
		<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>
Vice President	2	\$144,796	\$160,884	\$176,973	\$157,145	\$174,606	\$192,066
<u>Vice Chancellors</u> <u>(Comprehensives, Colleges, & Extension)</u>	1	\$117,978	\$131,087	\$144,196	\$125,917	\$139,907	\$153,898

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon recommendation of the President of the University of Wisconsin System, all new quasi-endowments greater than \$250,000 where the donor is silent as to the expenditure of principal be identified as designated endowments, with only the income from the trust available for expenditure in accordance with the terms of the trust agreement. (However, where the donor explicitly states that the principal of the gift be made available for expenditure, this policy will not apply.) If a university wants an exception to this proposed rule, the request for exception, with appropriate justification, should be contained in the university's recommendation for acceptance and be incorporated in the Regent resolution. If at a later date, the university wishes to seek an exception to the Regent imposed restriction, it should submit a request to the Office of the Vice President for Finance for consideration at the next meeting of the Business and Finance Committee. In considering requests for exceptions to this policy, the Committee will employ the following guidelines:

- If the wording of the gift document indicates a desire for some form of "memorialization," it will generally be designated a permanent endowment (unless an appropriate physical memorial could be accomplished; e.g., a plaque or a naming opportunity).
- If the donor directs that the gift be used for a specific purpose, if that purpose could also benefit future generations *by providing funding to those future generations* (e.g., for scholarships, assistantships, fellowships, professorships, student loans), it will generally be designated a permanent endowment. However, recognizing the significant annual funding required to meaningfully support a professorship or named chair, the Committee may reevaluate the appropriate dollar level for permanent endowment.
- If the donor directs that the gift be used for a specific purpose, if that purpose could also benefit future generations *by expending funds presently* (e.g., for research in the applied and medical sciences, for art or library acquisitions, for building or physical plant purposes), an exception to policy may be granted. Here, the Committee will also look more favorably to requests for immediate expenditure where a "return on investment" in excess of expected endowment returns can be reasonably demonstrated (such a demonstration need not necessarily be in the form of a financial investment analysis, e.g., projecting an internal rate of return or a net present value).

- If the donor does not direct that the gift be used for a specific purpose (i.e., it is unrestricted or fully discretionary), then the benefiting institution will propose its intended use for the gift as a part of its request for an exception to policy. The Committee will then apply the above guidelines as appropriate.
- The Committee will also entertain proposals to expend principal not immediately but over a significant period of time as a way of perpetuating, though not permanently, the support from a gift under some circumstances. (An example might be a \$500,000 gift for a named professorship.) If an annuity-like stream is desired by the benefiting institution, UW System Trust Funds can offer options of either a purchased annuity or an estimated annuity-like drawdown of both principal and income, based on the funds' expected average rates of return.
- These guidelines, and the dollar level threshold for designation as permanent endowment, will be periodically reviewed by the Committee.

As the revised policy replaces that provided under Resolution 5631 of October 5, 1990, Resolution 5631 is hereby rescinded.



Office of the President

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website: <http://www.uwsa.edu>

October 28, 2004

Senator Carol Roessler
Co-Chair, Joint Audit Committee
8 South, State Capitol
Madison, WI 53702

Representative Suzanne Jeskewitz
Co-Chair, Joint Audit Committee
314 North, State Capitol
Madison, WI 53702

Dear Senator Roessler and Representative Jeskewitz:

Thank you once again for a productive discussion on Oct. 6 about the Legislative Audit Bureau report on UW System staffing. I very much appreciated the opportunity to testify, as did Regent Marcovich, Chancellor Wells, and Professor DeLuca. I hope I made it very clear that I support the audit's four recommendations. We look forward to reporting back to you in February on our progress toward making the UW System an even more efficient and effective system of public higher education.

In the meantime, it would be helpful if we could meet with you after the election, along with representatives from LAB and the Fiscal Bureau, to follow up on the questions raised in the hearing. I would be interested in discussing possible formats for a new positions reporting system that would be more useful to legislators and less burdensome to the university. I will ask my staff to follow up with your staff, Jan and Bob about possible meeting dates.

I want to answer questions raised in the audit about the 9 percent growth in salaries at UW System Administration for employees hired between March 2003 and March 2004. During this period we lost 19 people and hired 35 (a net increase of 16). A few employees also received promotions and we had, in some cases, to pay higher salaries to replace employees we had lost. Here are the 35 people hired:

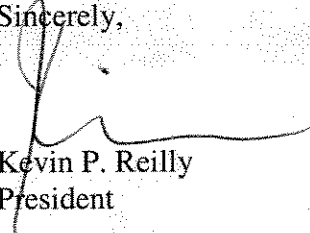
- Eleven employees were hired with federal and grant funding to staff the only university-based U.S. Department of Defense Co-Lab in the nation. This research initiative, carried out in collaboration with the Wisconsin Technical College System, is advancing cutting-edge techniques for standardized distance-learning computer language. The Co-Lab's research has applications to military training, as well as civilian and academic applications across the globe.

Senator Carol Roessler
Representative Suzanne Jeskewitz
October 28, 2004
Page 2

- Seven employees were hired to develop and implement systemwide appointment, benefit, payroll, and course-management systems. This is being done to avoid duplication across our campuses, to centrally address the need to upgrade outmoded technology and software, and to avoid ending up with systems that are not able to "talk to each other." This is an efficiency measure on our part which should help us avoid significant additional costs on each campus in the future.
- Ten people were hired from March 2003 to March 2004 to fill vacancies with the most urgent need.
- Seven of these employees were LTEs and student employees who were hired in lieu of more expensive permanent employees to provide clerical support and do special projects. One example is our annual submission of the UW System's federal funding priorities to the Wisconsin Congressional delegation, which, in turn, leads to federal funding for some of those initiatives.

If you have any further questions about this, don't hesitate to contact me. We look forward to our ongoing discussions with you, your committee members, Jan Mueller, and Bob Lang about where we are and where we want to be. Thank you for your courtesy and taking the time to engage in this important conversation.

Sincerely,



Kevin P. Reilly
President

cc: Members of the Joint Legislative Audit Committee
Governor James Doyle
DOA Secretary Marc Marotta
UW System Board of Regents
UW System Chancellors
LAB Director Mueller
LFB Director Lang



OCT 21 2004
OCT 21 2004

October 21, 2004

Senator Carol Roessler
Wisconsin State Senate
8 South, State Capitol
P. O. Box 7882
Madison, WI 53707-7882

Dear Senator Roessler:

During the recent public hearing on the LAB report addressing UW System administrative expenditures, several questions were posed by committee members that pertained specifically to the UW-Madison campus, including (1) the present status of the Madison Initiative, (2) an apparent increase in the size of the Chancellor's office budget, (3) a perceived increase in administrative positions, and (4) the LAB's projected per-student cost of education. We are taking this opportunity to respond more fully to the first three of these questions than was possible at the time of hearing; by separate letter, Chancellor Wiley has addressed the per-student cost of education.

(1) The present status of the Madison Initiative.

The Madison Initiative was constituted as a continuing partnership between the state and two of UW-Madison's affiliate support organizations, the Wisconsin Alumni Research Foundation (WARF) and the UW Foundation (Foundation). WARF and the Foundation each agreed to provide \$5.0 million per year, and the state agreed to provide a similar \$5.0 million annual contribution, with the shared objective of appointing 150 additional faculty by 2002-03. WARF and the Foundation have honored their original commitments to this partnership, while all funds expressly committed by the state to this venture were either withdrawn or canceled. Given the loss of the state's commitment to provide new GPR to the original partnership, the process of hiring has been more conservative than planned, and the willingness of WARF and the Foundation to continue to support this program independent of state participation remains very much in doubt. As was discussed in detail at the time the original partnership was conceived, donors to the university are extraordinary in their capacity for giving when they perceive their generosity to provide a margin of excellence to the university, but they are unwilling to substitute their gift support for a declining state investment in the institution. Even though the dimensions of the Madison Initiative have so far been more modest than intended, it nonetheless has brought to the campus many of the leading scientists and scholars in the world. We would hope to be able to continue this effort through a revitalized partnership with the state.

(2) An apparent increase in the size of the Chancellor's Office budget.

The only significant change in the Chancellor's Office budget over the last five years resulted from the recommendation of a joint public-university review committee to dissolve the

Office of the Chancellor

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University-Industry Research Program, and replace it with a university-business relations enterprise reporting directly to the Chancellor. The new Office of Corporate Relations was established in 2003 as a component of the Chancellor's Office, adding 6.75 FTE, all of which are funded from non-GPR sources. Apart from this change, the following increases in staff FTEs have occurred:

- One FTE for the Chancellor's Executive Assistant (2002) was reassigned directly to the Chancellor's Office as a matter of accurate accounting.
- One FTE was used for a legislative liaison representing the UW Medical Foundation and the University of Wisconsin Hospital and Clinics, funded entirely by those two independent entities (2003).
- One FTE was used for a person to manage our expanding operations in the Villager Mall in South Madison (2004), a critical nexus between the university and a variety of under-served communities.

The Chancellor's Office has not replaced .7 FTE of departed staff, has reduced its student employment from five to one, and has reduced supplies-and-expense by approximately nine percent (\$13,000). Base adjustments have been given to four staff members in the last five years, in recognition of significantly expanded duties; otherwise, all compensation-related increases are attributable to routine pay plan exercises.

- (3) A perceived increase in administrative positions.

Under the definitions provided by the LAB, the number of employees with administrative duties at UW-Madison has declined 2.4% from 2003-2004 (from 3,623 to 3,535 FTE). Of these positions, the number funded on GPR declined 3.4% (from 2,321 to 2,242 FTE).

We hope you find the above information helpful, and will be more than happy to answer any additional questions you may have. We continue to seek out additional efficiencies and look forward to sharing more information with you about those in February.

Sincerely,



Kristi Thorson
Assistant Director
State Relations



Don Nelson
Assistant Director
State Relations



OCT 21 2004

THE UNIVERSITY
of
WISCONSIN
MADISON

October 21, 2004

Senator Carol Roessler
Wisconsin State Senate
8 South, State Capitol
P. O. Box 7882
Madison, WI 53707-7882

Dear Senator Roessler:

As you are aware, the Legislative Audit Bureau recently released a report addressing administrative costs throughout the University of Wisconsin System. We are taking very seriously the content of this report, and the recommendations provided. In addition, by separate correspondence, my office is answering several questions pertaining to administrative cost savings posed by legislators during the public hearing held on October 6. There was one issue identified at the hearing, however, that I feel I should address personally.

Significant concern was expressed regarding the LAB's findings on the per-student operational cost of education at each system institution. I would be quite alarmed, as I suspect were many of the members in attendance, if the actual annual cost of educating a UW-Madison student was anywhere near the LAB's projection of \$28,659. Since many of the members in attendance seemed concerned about costs directly related to student education, and not a global summary of operational costs, I thought I would provide more information on our annual per-student cost of education.

Let me stress at the outset, there is nothing 'wrong' with the LAB's projection as a matter of arithmetic. It is a simple ratio obtained by dividing UW-Madison's most recent annual expenditures, less a few categories of expenditures that the LAB acknowledged had nothing directly to do with student education, by the number of enrolled student FTEs. Still, in focusing on "operational" expenditures--many of which have no direct relationship to student education--the LAB's projection of \$28,659 has no direct relation to anything that should be expected to scale with enrollment. I would like to provide more exact data on this point, beginning with how the LAB arrived at its projected cost, using the same budget year (FY 02-03) and budget numbers as those employed by the LAB in its report:

	Amount		Student FTE		Cost per Student
Total: UW-Madison Expenditures	\$1,717,500,000	÷	36,328	=	\$47,278
Less: Research, Athletics and Student Loans (per LAB analysis)	(676,375,000)				
	\$1,041,125,000	÷	36,328	=	\$28,659

Office of the Chancellor

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The LAB's reliance on "operational" costs means that its projection of a per-student cost of \$28,659 includes many categories of expenditures having no direct relationship to student education. In particular, if our concern is the actual cost of student education, here are some of the additional categories of expenditures that should be subtracted before calculating the instructional cost/student FTE ratio:

LAB Total:	\$1,041,125,000
Less: Auxiliaries, excluding Research & Athletics	205,509,000
Gifts & Grants, excluding Research & Athletics	111,232,000
Public Service, excluding Research & Athletics	56,379,000
Farm Operations, excluding Research & Athletics	8,524,000
UW Hospital GPR	4,289,000
Veterinary Hospital	2,094,000
Federal Support, excluding Research & Athletics	80,980

Total of Additional Subtractions \$388,107,980

When these categories of expenditures are subtracted further from the UW-Madison's total annual expenditure figure of \$1,717,500,000, the amount of arguable education-related expenditures is reduced to \$653,037,020. When this figure is divided by 36,328 student FTE's, the resulting cost-per-student figure is \$17,976--a figure very close to the number that would result from dividing the total of our state funding plus tuition (\$649,300,000 for 02-03) by 36,328 FTE students (yielding a cost-per-student number of \$17,873). And still, there is more to be considered.

After the subtractions noted above are made, the \$653,037,020 that remains under consideration is comprised almost totally of state funds and tuition. However, the state's portion of this remainder still contains items that are not fully attributable to instructional costs. It includes, for example, \$80,892,000 of "specific purpose revenue" for things such as debt service on buildings, mandatory transfers to other state agencies, and mandatory cost-sharing on federal programs. It also includes large expenditure categories that only partially pertain (roughly 20%) to instructional costs, including \$45,961,000 for physical plant maintenance and \$41,075,000 for "institutional support." If adjustments are made to reflect the direct educational impact of these additional categories, the cost-per-student number is further reduced to \$14,278.

Senator Carol Roessler

October 21, 2004

Page 3

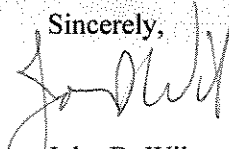
This last figure, obtained by "back of the envelope" arithmetic using easily available gross budget numbers, is remarkably close to our actual instructional costs as determined by detailed analysis. Taking all direct and indirect costs into account, our cost per FTE student in the 2003-04 school year ranged from \$7,338.52 for freshmen to \$48,187.19 for Medical School students. Averaging over all levels and all colleges, we find an overall cost of \$13,376.96/FTE student/year.

With these considerations in mind, UW-Madison's real annual cost of education per student remains lowest among our peer institutions, and not at all out of character with other UW System institutions, given that we offer such a different combination of graduate and professional degree programs, as well as an enormous research orientation (among the additional education-related reductions suggested above as being appropriate, most other system institutions would likely only have significant parallel reductions in the area of auxiliaries, although we do not have the data necessary to provide the analysis). Moreover, taking the LAB's definitions, our administrative costs calculate to 11.8%, almost 3% below the UW System average. This reflects economies of scale due to our larger size.

I did feel it was necessary to write to you personally to address this subject because the implications of misunderstanding our actual instructional costs are significant. Two-thirds of our budget comes from sources other than the state and the students. If we rely on the operational per-student cost formulated by the LAB, and a desire is expressed that UW-Madison substantially reduce this cost, the only way to do so would involve scaling back much of the entrepreneurial and fund-raising activities that make UW-Madison an economic powerhouse for the region and the state. If we are speaking specifically of the cost of educating each student at UW-Madison, I believe that the figures I have shared here suggest that we continue to be an enormous bargain to our students and to the state.

I would be happy to discuss this further with you at your convenience.

Sincerely,



John D. Wiley
Chancellor

cc: Governor Jim Doyle
President Kevin Reilly
UW System Chancellors



Margaret S. Lewis
Associate Vice President

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1760 Van Hise Hall, 1220 Linden Drive
Madison, WI 53706
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mlewis@uwsa.edu

NOV 03 2004

To: Sen. Roesler

Date: 10/29/04

- for your information please return to me
- for your approval/signature file
- per your request

Message:

See attached summaries
of public listening sessions
(Eau Claire, Oshkosh)
Note sections on
recruitment + retention
of fac./staff/ac. leaders.
Will be shared w/all
legislators w/campuses +
serving on key committees. →

ML

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

SUMMARY OF THE LISTENING SESSION

Held on October 18, 2004
Tamarack Room
Davies Center
UW-Eau Claire
Eau Claire, Wisconsin
4:00-6:30 p.m.

Regent President Toby Marcovich presiding

Regents who attended the session were Regent President Toby Marcovich, Regent Vice President David Walsh, Regent Mark Bradley, and Regent Guy Gottschalk.

The purpose of the session was to hear public comments on challenges facing the UW in three areas:

- Affordability of a UW education
- Recruitment and retention of top quality faculty, staff and academic leaders
- The role of UW campuses in driving the state's economy.

Twenty-seven persons presented oral remarks and two provided written remarks. Representative Rob Kreibich joined the session and made some concluding remarks.

Affordability of a UW education

Colleen Bates, a member of the Eau Claire County Board, commented that public universities should belong to all the people but that high tuition costs are causing low-income students and people of color to be left behind. This will harm the state in the years ahead.

John Kaiser, an Eau Claire attorney, commented that many families can afford higher tuition and that, for those people, the UW is too good a bargain. He suggested that tuition be raised to the average of peer institutions and that some of that money be used to fund financial aid for those who cannot afford the tuition. For those who would not qualify for need-based aid, but still cannot afford the higher tuition, he suggested making available loans, some part of which would be forgiven for every year that the borrower stays and works in Wisconsin following graduation.

Karl Zimmerman, Marshfield businessman, member of the Wood County Board, and President of the UW-Marshfield Foundation, commented on the need to keep a UW education affordable and to stop the drastic cuts in state support for the university.

Nick Clippert, member of the UW-River Falls Student Senate, urged that for every increase in tuition, there be a corresponding increase in financial aid. He noted that the high cost of education is especially hard on nontraditional students who have families to support and that middle-class students are squeezed financially because they often do not qualify for need-based aid but still cannot afford to pay the higher tuition levels.

Chad Wade, Vice President of the UW-Eau Claire Student Government, commented that students are priced out of an education when tuition goes up more than financial aid. He also pointed out that students are forced to work more hours by the higher costs, decreasing the amount of time that can be spent studying and experiencing other college activities. He noted that he will have \$20,000 in debt upon graduation.

Meredith Marx, UW-Eau Claire Student Senator, commented that students should not bear the burden of faculty costs. While students would accept a slight tuition increase, they do not want to pay more for less.

Avril Flaten, UW-Eau Claire Student Senator, pointed out that many parents who used to be able to pay their children's tuition can no longer afford the much steeper costs. Therefore, students must work more hours, both during the summer and the school year to try to make ends meet. As one of those students, she noted that her grades had suffered from having less time to spend studying. While she did not want to go into debt, she thought that she might have to do that in order to stay in school.

Shawn Peter, of the UW-Stout Student Association, stated that he would favor a cap on tuition and increased funding for the university.

Recruitment and retention of top-quality faculty, staff and academic leaders

Charlie Grossklaus, owner of the Royal Credit Union in Eau Claire, commented that Chancellor Mash has developed an valuable presence in the community, which he witnessed first-hand as Chair of the Chamber of Commerce. As a businessman, he is knowledgeable about the need to reward top staff in order to keep them. In addition, he offers his executive staff deferred compensation, something that the university is unable to do. He also observed that it is less expensive to compensate appropriately than to pay turn-over costs.

Trudy Popenhagen, Community Service Manager for XCel Energy, and member of a UW-River Falls advisory committee, commented that it is of critical importance to pay what is needed to attract and keep the best faculty, staff and leaders. The ability to do so has been impeded both by budget cuts and by the increasingly high cost of living in western Wisconsin due to proximity to the Twin Cities. She pointed out that salaries for faculty at the comprehensive campuses are more than 9% behind their peers and academic staff salaries lag their peers by more than 17%. As examples of the kinds of problems that have been experienced, she noted that several recent searches have had only one or two candidates – or even none. In one case, a position was offered to a high

school teacher who would have had to take a pay cut to accept it – he didn't. In another case, a rising faculty star in agriculture at UW-River Falls couldn't afford to buy a house for his family. He left to take a job with USDA. In response to a question from the regent panel, she indicated that her company offers domestic partner health insurance benefits.

Randall Linton, President and CEO of Luther Health Systems, the largest employer in the Chippewa Valley, spoke about recruitment of staff on the national level and retention of those staff. In order to be successful, he pointed out, recruitment and retention of the best people must be made a priority and adequate resources must be allocated. His organization had found that top-quality potential hires look for the following: 1) They want to join a well-respected organization; 2) they expect high-quality colleagues; 3) they expect competitive salaries and benefits; use of national comparisons is very important in determining what level of compensation and benefits is competitive; 4) They want high quality schools, child care, and health care; and 5) they value life-long learning.

Emilie Rabbit, of the UW-Eau Claire LGBT Student Organization, commented that lack of domestic partner benefits and a proposed constitutional amendment against same-sex marriages would harm the university's efforts to recruit faculty and staff.

Rick Richmond, of UW-Eau Claire, spoke on behalf of the Association of UW Professionals in support of the right to choose collective bargaining for faculty and staff, noting that most neighboring states give these employees the right to choose. He also expressed support for domestic partner benefits.

Sheri Klein, a UW-Stout faculty member and secretary of the Association of UW Professionals, expressed concern about salaries that continue to fall behind similar institutions by as much as \$10,000. She called for raises based on the cost of living and national averages. She also expressed concern about requiring payment of a portion of health care premiums causing many to have to take on second jobs. Another problem, she commented, is replacement of faculty with academic staff, which has an adverse impact on such areas as student advising. She suggested the right to collective bargaining as a partial solution.

Bobby Pitts, of the UW-Eau Claire faculty, commented on recruitment problems caused by budget cuts, noting that inability to fill positions harms student access. At the level of professor, he said that UW salaries are \$8,000 below peer universities, and are falling even further behind. Stating that the board needs to do better for faculty and staff, he noted that he lives modestly, wears second-hand clothes and drives a used car.

Jean Wilcox, a UW-Eau Claire career counselor, commented that academic staff salaries are more than 17% below their peers, even farther behind than faculty. Their salaries are 19% behind peers in the Eau Claire public schools and 33% behind their peers in the area Technical College. These peers, she pointed out, are people of similar qualifications and experience. Noting that retention in the career counseling area has suffered, she said that

three counselors have left in five years for higher paying jobs, adversely affecting the ability to offer this important service to students.

Tom Miller, Chair of the UW-Eau Claire History Department spoke of the problem of faculty retention, giving the example of a faculty seeing new people hired at higher salaries than those being paid to current faculty because of lack of increases over the years. Noting that faculty have a heavy workload, with lots of student writing required, he said that faculty often leave for as much as \$7,000 more in salary and lighter teaching loads. Noting that the History Department has been top-flight, bringing \$2.2 million grants in four years, he stated that help is needed in order to maintain that level of quality.

Larry Glenn, of the UW-Eau Claire academic staff, spoke in support of collective bargaining as a means of seeking improved compensation.

Julie Derks, a UW-Stout student, spoke about recruitment and retention of faculty and staff, noting that problems in this area have resulted in students not being able to get into classes and in classes not being offered as frequently as needed. She commented that health insurance benefits for all are needed and that an amendment against same-sex marriage would only make recruitment and retention more difficult.

Nick Clippert, of the UW-River Falls Student Senate, commented that lack of competitive salaries for faculty and staff harms students. As an example, he noted that the Philosophy Department may be eliminated because of inability to recruit faculty.

Bradley Stafford, President of the Stout Student Association, spoke of the value of career services in developing student relationships with employers through internships and job-shadowing. He pointed out that more staff are needed to serve students in this area.

Chad Wade, President of the UW-Eau Claire Student Association, commented on the importance to students of competitive faculty and staff compensation. In response to a question by Regent Walsh, he said that students would support a slight tuition increase in order to help with this problem. He also indicated that an amendment against same-sex marriage would make it even more difficult to hire faculty and staff.

Meredith Marx, Vice President of the UW-Eau Claire Student Association, agreed that students would support a small tuition increase but commented that the burden of faculty costs should not be put on the shoulders of students. She added that students do not want to pay more for less.

Shawn Peters, a UW-Stout student, commented that inadequate funding for faculty has resulted in classes being cut. 50% of students responding to a poll indicated that there were classes that they were unable to take, resulting in some students not being able to graduate on time. He favored a tuition cap along with increased state funding for the UW.

The role of UW campuses in driving the state's economy

Darcy Fields, a retired Eau Claire business owner made the point that the university is the key to the city's economic future. He felt that budget cutting has gone too far and is jeopardizing the future by cutting into the muscle of the university and, therefore, the city and region.

William Rubin, of the St. Croix Economic Development Corporation, commented that UW campuses are critical in driving the economy of the region. In that regard, he noted that Chancellor Lydecker had been instrumental in obtaining Technology Zone status for the I-94 corridor so that tax credits could be offered. He pointed out the St. Croix County is ranked 91st of the 100 fastest growing counties in the country and is the only county with this status in Wisconsin. The area also is the fastest growing metropolitan area in the state. Stating that UW-River Falls, UW-Stout, and UW-Eau Claire are well-positioned to help drive the economy, he mentioned as examples university involvement with the St. Croix Valley Regional Tourism Alliance and the St. Croix Economic Development Corporation, the assistance offered by Small Business Development Centers, and business incubator analysis that had resulted in development of two new high tech businesses in the area.

Tom Still, President of the Wisconsin Technology Council spoke about the council's recent report, "The Value of Academic Research and Development." In 2002, academic research and development totaled \$883 million, including \$696 million in the UW System, and was responsible for 31,000 jobs in Wisconsin. The report indicated that Wisconsin ranks 15th in attracting federal research and development funding, which grew even in hard times, with the UW adding \$57 million in the last year. This funding, the report pointed out, could be at risk unless state support increases because research and development funding tends to go to states with well-equipped laboratories and well-compensated researchers. In that regard, he pointed that the UW ranked third in 1995 but slipped to 6th in 2002. In addition, the number of faculty, courses and labs are down, at the same time the number of students is increasing.

The report recommends: 1) that the state begin restoring support for the UW; 2) that investment be made in projects to attract research and development; 3) that a fund be created to connect researchers more closely to the private sector; and 4) that the UW, the Marshfield Clinic and the Medical College of Wisconsin work more closely together. In conclusion, he pointed out that academic research and development is big business in Wisconsin, ranking with plastics and forest products, and that investment is needed to keep this growth engine strong.

In response to a question by Regent Walsh, Mr. Still noted that more faculty are getting and accepting outside offers. While UW-Madison could withstand this problem initially because of its high ranking in R&D funding, another biennium like the last one could hurt because other states will see more opportunities to take away Wisconsin's best researchers.

Gus Myron, of Phillips Plastics, in Menomonie, spoke of the value of UW-Stout graduates to his business. He expressed concern that reductions in funding would result in elimination of programs and specific courses that prepare graduates to hit the ground running in businesses such as his. Graduates that he hires from the local area tend to stay, while those hired from elsewhere are more likely to move on after a short time. He also was concerned that continual budget cuts would result in universities being less willing to innovate and take risks in areas that benefit business. He pointed out that the Stout Technology Park is a good example of what the UW can do to drive the economy, and he urged reinvestment by the state in the university.

Linda Clark, Community and Economic Services Manager of XCEL Energy, commented that her company looks to local businesses for supplies and markets, as well as to the Twin Cities area. Entrepreneurial companies that boost the economy, such as Phillips Plastics and Cray Computers, locate in this area, she pointed out, in part because of the programs offered by UW-Eau Claire, UW-Stout and UW-River Falls. As programs that are valuable to the economy, she cited the examples of the UW-Stout Technology Transfer Institute and the UW-Eau Claire Materials Science Center. For the state to grow out of its deficit, she suggested that what is needed are: 1) affordable education for all students; 2) access to advanced degrees for workers; and 3) R&D and technology transfer grants to institutions outside of Madison.

Jim Schuh, of Chippewa Falls Main Street, Inc., commented on how economic development in the area has benefited from the UW, noting that his organization benefits from university interns, assistance from the Small Business Development Center, and from advice from UW-Extension agents.

James Hanke, land use planner for the City of Chippewa Falls, remarked that he works with the university on at least a weekly basis. For example, he uses a market analysis model provided by UW-Extension and has received assistance from university interns. In addition, the UW-Eau Claire and UW-Stout chancellors hosted a session for potential Angel Investors, and they consistently work with communities in initiatives aimed at entrepreneurial growth. He also noted the valuable assistance provided by the Small Business Development Centers. Noting that universities play a critical role in economic growth, he expressed concern that loss of state funding would tend to reduce the universities to their core mission and force them to cut back on important economic development activities. He suggested replication of the university research park model in the area and that access be found to equity for business investment.

Chad Wade, President of the UW-Eau Claire Student Association, commented that the UW and economic growth go hand in hand and that education is pivotal in retraining workers for the new economy. Noting that the UW educates fewer students now than 20 years ago, he asked how much better off the state might have been if those students had not been left behind.

David Miller, Director of Barron County Economic Development, submitted written comments about the importance of UW-Extension work in promoting economic growth.

In that regard, the Extension community development agent had collaborated with his office in offering tax incremental financing seminars and had assisted the City of Rice Lake in its development efforts. He also took the lead in conducting a county labor market study and assessing the economic impact of new businesses. The Extension agricultural agent took the lead in the state's Agricultural Development Zone program and provides expertise in economic development and marketing information and in activities important to agriculture.

Comments by Representative Rob Kreibich

State Representative Rob Kreibich noted that he has spoken to parents who see a trend of middle-income students being priced out of a university education. He stated that he would propose legislation to ban raiding of auxiliary reserves for financial aid funding and to keep financial aid linked to tuition increases. In order to reduce time to degree, he suggested four-year graduation guarantees and more collaboration to facilitate credit transfer.

He felt that post-secondary education must be made a higher priority for the state and that the goal should be for 33% of the population to have bachelor's degrees. Noting that there is intense competition for state resources, he said that the UW will need to use tuition increases matched by financial aid, that there must be an ongoing effort to save money through efficiencies, and that students need to be graduated in a timely way.

Recognizing the great competition for state funds, Regent Walsh referred to student remarks that indicated a culture of not wanting to go into debt and expressed appreciation for Representative Kreibich's comments about financial aid. Noting Mr. Still's remarks that university research and development are the state's economic driver, he expressed concern that this economic engine will be choked off if the funding problem is not solved.

Representative Kreibich suggested that more flexibility might be helpful, noting that the UW is one of the most regulated public universities, and that such measures as consortium purchasing show a promise of savings. He also commented that serving more part-time and non-traditional students is a priority.

Regent President Marcovich added that additional flexibility would help the university to better finance itself.

Regent Gottshalk suggested that the regents' study on Charting a New Course for the UW System be used as a base for such consideration.

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

SUMMARY OF LISTENING SESSION

Held on October 25, 2004
Reeve Union, Room 227
UW-Oshkosh
Oshkosh, Wisconsin
4:00 – 6:45 p.m.

Regent President Toby Marcovich presided from 4:00 – 6:00 p.m.
Regent Mark Bradley presided from 6:00 – 6:45 p.m.

Regents who attended the listening session were Regent President Toby Marcovich, Regent Mark Bradley, Regent Eileen Connolly-Keesler, Regent Milton McPike, Regent Chuck Pruitt, and Regent Peggy Rosenzweig.

The purpose of the session was to hear public comments on challenges facing the UW in three areas:

- Affordability of a UW education
- Recruitment and retention of top quality faculty, staff and academic leaders
- The role of UW campuses in driving the state's economy

Thirty-two people spoke at the session and six e-mailed comments were received. Senator Carol Roessler and Representative Gregg Underheim, also attended the session.

Affordability of a UW education

Andrea Gullickson, Chair of the UW-Oshkosh Department of Music, remarked that, while the department has streamlined its curriculum as much as possible, it has now reached the point that students do not have a full range of courses from which to choose, and that time to degree for music majors has been increased by about a year. She also urged that no more money be taken from auxiliaries to fund financial aid and pointed out that budget cuts on remodeling of the department's 30-year-old building eliminated climate controls, causing ongoing damage to musical instruments.

Glen Grzyb, Chair of the UW-Oshkosh Department of Sociology, commented that the remarkable stability of American society is due in part to the fact that all segments of the population have had the opportunity, through education, to climb the social and economic

ladder and make a better life for themselves and their families. Now, however, that ladder is seen as increasingly difficult to climb due to the rising cost of education which results from cost-shifting from the state to tuition. Because availability of grants has decreased, students increasingly must turn to loans to finance their education or forego college altogether. The consequence, he warned, will be a hardening of class lines, reduced opportunities and a sense of hopelessness among those who feel unable to reach for the American dream.

John Vette, CEO of SNC Manufacturing, commented that, while debt is a challenge for students, education still is a good value as long as the quality of that education is maintained. Declining access for lower-income students should be dealt with by making available as much financial aid as possible and by increased promotion in the high schools of the life-long benefits of higher education.

Andrew Hable, a UW-Milwaukee student, commented that too many students are being priced out of higher education and that the board's budget request for increased financial aid is helpful. Increasing tuition, he stated, should be a last resort.

James Keller, of J.J. Keller Associates, commented that people need access to higher education in order to enjoy a high-quality life.

Joyce Bytoff, of the Coldwell Banker Real Estate Group, suggested investing more heavily in the UW Colleges, which have lower tuition rates than other universities. She commended the development of collaborative degrees with four-year institutions and suggested that UW Colleges could offer bachelors degree programs as a means of increasing the number of college graduates in the state.

Dave Omachinski, President and CEO of Oshkosh B'Gosh, commented that bright lower-income students are being lost because of the rising tuition and he urged that the state put its focus back on education because those students represent the future of the state.

Melanie Schroeder and Stephanie Currick, UW-Fox Valley students, commented that the Colleges provide access for lower-income and first-generation students and that more degrees should be offered on those campuses. They also remarked that rising tuition causes students to work more hours so that they have less time to study and participate in co-curricular activities.

Bridget Bell, a UW-Oshkosh student, commented that increasing financial aid to cope with tuition increases would not help students like her who do not qualify for those benefits. She works four jobs while taking 18 credits.

John Burr, Chair of the UW-Oshkosh Philosophy Department, urged the board to oppose the trend toward privatizing higher education and shifting costs to students.

David Herrick, Vice President of the UW-Fond du Lac Student Government, remarked that the steep increase in tuition has hurt him personally and that it is not uncommon for students to work multiple jobs. He urged that state funding for the UW be restored.

Eric Buhrow, President of United Students in Residence Halls at UW-Oshkosh, spoke against having students pay for their own financial aid by taking auxiliary money that had been set aside for student needs in residence halls and other areas.

Steve Dutch, a geologist at UW-Green Bay and a member of The Association of UW Professionals, commented that tuition is rising faster than inflation because the share of state support is declining. He suggested reducing regulatory micro-management and state mandates in order to save money.

Recruitment and retention to top-quality faculty, staff and academic leaders

John Lenz, of CMS Research, Oshkosh, noted that he runs the Rocket Club, in which young students learn the scientific method through experiments and develop their interest in this area. It is the mission of the university to satisfy their growing curiosity and desire to learn. He commented that, with the inspiration of talented faculty and staff, some of these students now work for NASA and the Jet Propulsion Laboratory and that the UW needs to hire and retain the best people in order to continue to serve students well.

Fran Finley, of Affinity Health Systems, commented that, just as in her organization, it is necessary for the UW to offer competitive compensation in order to recruit and retain quality people. Noting that the UW lags in this area, she pointed out that lack of competitive compensation contributes to loss of talented faculty and staff. For example, nursing faculty with doctorates are paid much less than they could earn in the private sector, a situation which causes a shortage of faculty to train the new nurses that are so much needed now and in the future.

Aaron Scherer, Executive Director of the UW-Oshkosh Paine Art Center, commented that professionals seek an environment where they are respected and that, if the proposed amendment to ban same-sex marriages passes, he and his partner will leave the state. Lack of domestic partner benefits, he pointed out, also places the UW at a competitive disadvantage in recruitment and retention.

Craig Culver, founder and head of Culver Franchising Systems, commented that it is very important to be competitive in pay in order to attract the best people and that the UW should become the "employer of choice". He also suggested that outstanding teachers should be paid more than others.

Rosemary Smith, undergraduate program director and member of the faculty in the UW-Oshkosh College of Nursing, commented that replacement of retiring faculty is a major problem for the department because their salaries are not competitive and are far below the mean of their peers.

Suzanne Marnocha, of the UW-Oshkosh College of Nursing faculty, pointed out that there are few faculty in the college who have doctorates because they could earn so much more in the private sector. In response to a question by Regent Bradley, she indicated that their salaries are \$20,000 to \$25,000 below market and that they recruit on both the state and the national level.

Sara Weinzirl, UW-Oshkosh Nursing Student Council President, commented that shortage of faculty in the college has caused deterioration in working conditions for remaining faculty, who must work longer hours and teach more courses in order to provide students with the education that they need.

John Vette, CEO of SNC manufacturing, Oshkosh. He expressed the hope that a way can be found to pay competitive salaries so that the university can maintain its high standards. He suggested that ways be explored to increase productivity.

Andrew Hable, a UW-Milwaukee student, commented that students are only willing to accept a 4.3% tuition increase if there is a GPR increase that will help compensate faculty and staff. He also expressed support for competitive salaries for academic leaders.

Joyce Bytoff, of Coldwell Banker Real Estate, commented that enrollments have increased while faculty and staff positions have decreased, causing stressful working conditions for those who remain.

Crystal Heckert, of the UW-Oshkosh Student Association, commented that the university should offer domestic partner insurance benefits both for competitive and equity reasons. She pointed out that AJR 66 would not allow these benefits to be offered, resulting in problems in recruitment and retention of students, as faculty and staff, and in increased brain drain from the state. She asked the board to look for ways to fund domestic partner benefits if the state does not provide funding.

Thomas Bertram, President of the UW-Oshkosh Student Association, commented that students deserve high quality faculty, staff and academic leaders and that it is unacceptable to have them hired away due to uncompetitive salaries. While students will pay their part, he pointed out that they have already done much more than their share and can no longer afford this responsibility. Therefore, they would not support a tuition increase above 5%. He further stated that it is necessary to pay competitively in order to attract and retain leaders who are able to manage effectively and efficiently to reduce costs. However, these salaries should not be funded from auxiliaries, tuition, fees or removal of faculty positions. Finally, he commented that compensation packages should be equitable as well as competitive and should include domestic partner benefits.

Douglas Heil, Professor of Communication at UW-Oshkosh, commented that, while he supports increasing pay on the basis of solid performance, the merit system of pay increases does not work well, destroys collegiality, and may harm retention. In addition,

he felt that lack of ability to bargain collectively is demoralizing, especially when 0% pay increases have caused many faculty to leave the state.

Bridget Bell, a UW-Oshkosh student, commented that faculty and staff at UW-Oshkosh care about students as individuals, involve them in undergraduate research and bend over backwards to help them learn. She felt they deserve to be rewarded for going the extra mile for students.

John Berg, Chair of the UW-Oshkosh Philosophy Department, commented that faculty recruitment and retention has been difficult and that the most able people hesitate to come or decide to leave because of concern that the UW's quality and reputation are slipping. There also is concern about downsizing of the Liberal Arts and the need to buttress these programs.

Lee McCann, President of the UW-Oshkosh Faculty Senate, commented on the long-term trend of declining state support for the university, noting that the Department of Psychology had more faculty members in 1970 than it does now, even though there are many more students to teach. There has been 50% turnover in the department in the last four years, with faculty leaving for higher salaries and lower teaching loads at other universities. He noted that class size in the department has increased by 50% in the last three years and that students are paying more and getting less.

Ann Malain, a psychologist at the UW-Oshkosh Counseling Center and Co-Chair of the LBGTQ Council, commented that success in recruitment and retention of faculty and staff requires an inclusive climate. In that regard, she felt that lack of domestic partner benefits and the proposed amendment to ban same sex marriages would hamper the university in attracting diverse and talented people to campus. She indicated that she may leave for a more inclusive setting and that others feel the same way.

Dan Meinhardt, assistant professor of Biology at UW-Green Bay, commented that there is a public perception that faculty pay is much higher than it actually is. He suggested that people be educated about the reality of faculty salaries and responsibilities.

Warren Johnson, Chair of the UW-Green Bay Chemistry Department and a member of The Association of UW Professionals, remarked that he teaches because he is motivated by the changes he sees in his students. He expressed concern that faculty have no right to collective bargaining and no input in the decision-making process.

Bill Biglow, President of The Association of UW Professionals at UW-Oshkosh, asked the board to support a bill to allow faculty to bargain collectively as a means of improving salaries and working conditions, while

protecting academic freedom. If collective bargaining had been in place, he did not think faculty salaries would be so far behind their peers.

Six e-mailed comments from UW-Stevens Point students expressed support for domestic partner benefits and opposition to the proposed amendment against same sex marriages, noting that the amendment would prevent implementation of domestic partner benefits and deter quality educators and students from coming to UW campuses.

The role of UW campuses in driving the state's economy

Craig Culver, founder and head of Culver Franchising Systems, commented that the UW is very important to businesses in Wisconsin. He asked that the UW continue to partner with business and technology to grow high-paying jobs that will keep talented graduates in the state and attract more.

Doug Pearson, Executive Director of Chamco, Inc. – the Oshkosh Industrial Development Corporation, commented that UW-Oshkosh is a key catalyst in recruiting business to the area, development of existing businesses and entrepreneurial development. The College of Business Administration anchors efforts to attract new business and provides valuable workforce development resources. For example, the Small Business Development Center provides high quality business counseling to businesses throughout Northeast Wisconsin. The Center for Community Partnerships brings the resources of the university to business and the broader community. The Wisconsin Family Business Forum has served over 400 entrepreneurs throughout the area. The E-SEED program provides entrepreneurial training in collaboration with Fox Valley Technical College and has been responsible for over 40 business startups. Other exciting initiatives are under consideration. For the university to continue to spur economic growth, he said that it must have the resources necessary to work effectively with its many partners.

John Vette, CEO of SNC Manufacturing, commented that his company is highly dependent on UW graduates for success in business and that the university's research and executive training also are very valuable. He urged establishment of more such partnerships.

James Keller, CEO of J.J. Keller and Associates, Neenah, commented that his business hires many talented graduates from the UW and that the university and business need to continue to work together as a team to grow Wisconsin's economy.

Dave Omachinski, President and CEO of Oshkosh B'Gosh commented that his business along with many others hire many talented graduates from the university. While he understands that state funds are limited, he felt that budget cutting has gone too far and that reinvestment in the university is necessary for the success of companies like his.

Bill Whitlock, Regional Vice President of U.S. Bank, commented that UW-Oshkosh is a driving force for the economy and that its job creation and spending by the university, faculty, staff and students provide an enormous economic benefit for the entire area.

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

From: Asbjornson, Karen [mailto:Karen.Asbjornson@legis.state.wi.us]
Sent: Monday, November 29, 2004 8:52 AM
To: lbirdhunter@charter.net
Subject: FW: Example of Fiscal Abuse at the UW - Request for an Investigation

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

From: Malszycki, Marcie
Sent: Monday, November 29, 2004 8:41 AM
To: Asbjornson, Karen
Subject: FW: Example of Fiscal Abuse at the UW - Request for an Investigation

CR email

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

From: Steve Johnson [mailto:steevian@yahoo.com]
Sent: Monday, November 29, 2004 8:40 AM
To: Steve Johnson
Subject: Example of Fiscal Abuse at the UW - Request for an Investigation

To the WI State Legislature:

I wanted to write you about what I have observed and come to know regarding fiscal abuse at the UW. I was real glad to see in the paper last month some news that there would as it appears (finally) be a sincere attempt at doing some auditing in general at the UW, which is long overdue.

I was also equally as disgusted to read last week about how the salary's of the real workers or non management have remained the same or in effect have dropped due to inflation and other rising costs such as health care, etc.

A friend had mentioned that he had known this to always be true and considers it a pathetic situation as long as he'd been in state service at the UW in Madison for the last 20 years. He recently gave me an interesting example of this activity regarding one individual which I found hard to believe, but I have verified it as wages of state workers is public information. I asked him if he or anyone ever

writes to the legislature about this type of thing and he shrugged not knowing, well I thought I would give it a try.

The UW and UW systems has a site for salary information as you may know:

<http://www.uwsa.edu/budplan/redbook/>

I am writing to inform you about this one 'example' (of many I'm sure) of fiscal and budget abuse, and severe mismanagement along with intentional financial discrimination in the favor of certain special individuals who have and abuse authority and power to inappropriately receive financial gains. I am requesting that someone in the state Legislature take interest in and become concerned about this activity, and also hopefully do something about it.

The story regarding this 'example' is that the individual, Mr Robert Steffen, has a background and years of experience in 'human resources.' His position at the UW Madison's department of information technology was mothballed about 5 years ago, and they therefore needed to find another place for Mr Steffen. Conveniently, a supervisory position was available in the department and it needed filling, but this available position was in the main systems engineering and networking department, which is hardly related to HR, but I guess that's no problem since any qualifications issues in this case could be waived. Nevertheless, he was apparently an important person and they moved him right into this newly available position. I won't go into his performance issues that I've heard much about from my friend over the years, but I find it very interesting with regards to what his salary has recently been, and the fact that it has doubled in about 4 years, I would really like to know how this can occur in our state system!

Last year he is on record as planning to retire in January 2006, why doesn't he retire now you may ask if he already knows he wants to retire over two years in advance? The answer is that he is hanging around, doing absolutely nothing, in now apparently in a new position and will do this for another year while he receives over a 10K annual raise which puts him currently at about 100K a year! I believe this is intentionally being allowed and awarded to him to yield a very high retirement income, which as you probably know, is calculated from the highest 3 years income of state service.

I was curious about this and then looked up the supervisors and a few middle managers that I know, as well as higher management, and they all have been receiving over 10K raises every year! How can this be?! They are already paid a high salary, how is it that such annual increases can be justified, especially when there is a 'budget' shortfall!

This practice is completely so outrageous and incredibly unethical, not to mention unfair and probably criminal, and I really find it hard to believe could be true! This also cheats the retirement system that others depend on since this individual supervisor has not really been at this high income for long and has therefore not contributed as much over many years as someone would who had been at this income for several years, not only the last 3!

Here is Mr. Steffen's latest wage info, he's at the bottom of the page, the last few year's information is also available to the public. Next year, his last, the annual income of this one highly expensive 'supervisor' will likely exceed 100K if he gets the same raise as most supervisors and middle management, which is about 10K a year, who says that state jobs are low paying, it depends on the position you have:

<http://www.uwsa.edu/budplan/redbook/book2/pages/pg036.html>

This is only one example of many, I can't see how the UW or any state agency and the Government that oversees this, and is also completely responsible, can justify this.

Please look into this terrible 'practice' that severely takes advantage of the average tax payer and their trust in the UW and in state Government, along with placing a severe financial burden on the whole state!

Thank you!

Steve Johnson, Madison.