

- contractual services, including expenditures for administrative services provided by contractors and amounts spent by individual UW System institutions.

Our report concludes with a number of options for the Legislature to consider as it deliberates future state funding and student access to UW System institutions.

Staffing Levels

The number of permanent employees on UW System's payroll increased by 89.3 full-time equivalent positions from March 2003 to March 2004. In March 2004, UW System employed 31,971.8 permanent, project, and limited-term employees (LTEs). To determine how these staff are employed, we analyzed the number of positions in various reporting categories.

We found that in March 2004, 42.3 percent of all filled positions were held by staff categorized as Professional Non-faculty. That category includes researchers and research assistants, teaching assistants, program support staff, financial services and human resources staff, and those who provide various student services and public outreach. Faculty held 27.7 percent of all filled positions in March 2004, and managers 4.4 percent. The remaining 25.6 percent were categorized as Clerical and Secretarial, Service/Maintenance, Technical and Paraprofessional, and Skilled Crafts.

We looked at position growth since March 1998 and found that the number of UW System employees increased in all categories except Clerical and Secretarial and Service/Maintenance. However, we identified more than 500 full-time equivalent Clerical and Secretarial positions that were reclassified to other categories, which helps explain part of this reduction. Among positions in the Professional Non-faculty category, growth was highest for three job titles: research assistant, research specialist, and teaching assistant.

Administrative Positions

To count UW System's filled administrative positions, we reviewed job titles and position descriptions for employees UW System describes as its administrative staff, as well as for staff who have administrative responsibilities that are accounted for with other "activity codes" in UW System's records.

March 2004 payroll records assign 6.9 percent of UW System's 31,971.8 filled positions to Institutional Support, the activity code used by colleges and universities to report system-wide

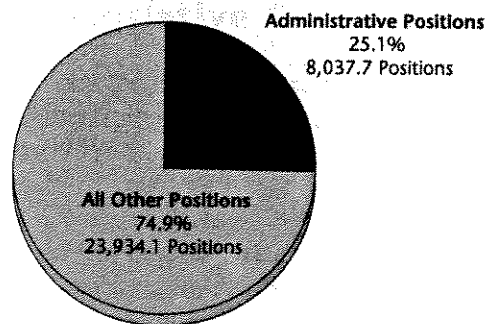
management and long-range planning, fiscal operations, administrative computing support, space management, personnel management, and some other functions.

For comparisons with other universities, UW System often refers to positions coded as Institutional Support as its administrative positions. However, the Institutional Support activity code does not include all administrative positions. We found, for example, that it excludes program assistants who keep records, type correspondence, maintain schedules, and perform similar administrative functions in various academic departments throughout UW System. In UW System's accounting records, the activity code for these staff is Instruction. Similarly, the activity code for accountants and grant managers who ensure compliance with federal requirements for the use of funds that support a large percentage of UW System's research activities is Research, because their work directly supports that activity.

Institutional Support includes only 2,212.6 of UW System's administrative positions. We identified another 5,825.1 positions with administrative duties that were coded as other activities, including Instruction, Research, Public Service, Academic Support, and Student Services. As shown in Figure 1, the 8,037.7 administrative positions we identified represent 25.1 percent of UW System's filled positions in March 2004.

Figure 1

UW System Staffing
(Full-Time Equivalent Positions, March 2004)



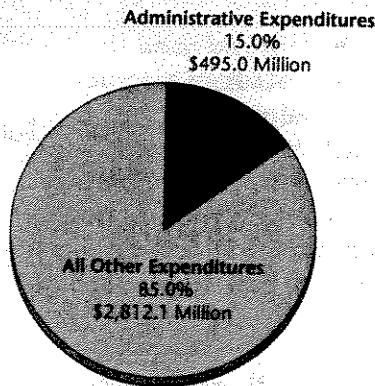
Administrative Costs

In FY 2002-03, UW System's operating expenditures totaled \$3.3 billion. Three core activities—instruction, research, and public service—accounted for 54.4 percent of these expenditures. Only 5.0 percent were recorded as Institutional Support. However, expenditures reported as Institutional Support do not fully represent UW System's expenditures for administrative salaries, fringe benefits, and supplies and services.

We identified an additional \$329.5 million in administrative expenditures recorded as activities other than Institutional Support. When FY 2002-03 expenditures that are recorded as Institutional Support are combined with administrative expenditures recorded under other activity codes, UW System's administrative costs total \$495.0 million. That is nearly three times the amount recorded as Institutional Support, and as shown in Figure 2, it represents 15.0 percent of UW System's \$3.3 billion in operating expenditures for FY 2002-03.

Figure 2

UW System Operating Expenditures (FY 2002-03)



Staffing Costs

We reviewed salaries paid to UW System employees, nearly three-quarters of whom are unclassified staff in faculty, research, and other professional positions. In March 2004, approximately two-thirds of UW System's unclassified staff had annual salaries of less than \$50,000. However, 41.1 percent of all unclassified staff worked less than full-time. In contrast, 12.6 percent of classified staff worked less than full-time. Wages have generally increased less rapidly for classified than for unclassified employees.

The Legislature has granted UW System additional flexibility to ensure faculty and senior executive salaries remain competitive. Since November 2001, the Board of Regents approved more than \$500,000 in salary increases for 20 senior executive positions. Although salary increases for senior executive positions were 40 percent or more since FY 1997-98, salaries remain below the median for comparable institutions.

Contractual Services

UW System routinely contracts with private vendors that provide a wide range of services, including administrative services. In FY 2001-02, 12.4 percent of expenditures for contractual services were coded as Institutional Support. However, some expenditures that appear to be administrative in nature, such as payments for accounting services and executive searches, were coded as Public Service and Academic Support. We identified more than \$800,000 in administrative expenditures coded as other activities and include a recommendation to improve consistency in accounting for contractual expenditures.

Matters for Legislative Consideration

We highlight three questions for the Legislature's consideration as it reviews our evaluation, strategic planning documents developed by the Board of Regents, and UW System's 2005-07 biennial budget proposal:

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

Recommendations

Our report also includes recommendations for UW System to:

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

■ ■ ■ ■

Introduction ■

UW System is one of the nation's largest post-secondary public education systems, and Wisconsin's largest employer.

UW System is one of the largest post-secondary public education systems in the United States. With nearly 32,000 full-time equivalent staff, it is also Wisconsin's largest employer. UW System consists of:

- 13 four-year institutions, including 11 comprehensive universities that emphasize undergraduate education and 2 research universities that serve both undergraduates and a large number of graduate students;
- 13 two-year campuses known collectively as UW Colleges, which offer general education associate degrees and course credits that transfer to other degree-granting universities;
- UW-Extension, which offers public service and continuing education programs in classrooms statewide, as well as through distance learning courses; and
- System Administration, which assists the UW System President and the Board of Regents in operating, managing, and governing the system.

In the 2003-04 academic year, more than 160,000 individuals were enrolled in UW System degree programs, including more than 135,000 full-time equivalent students. Enrollment in non-credit programs through UW-Extension exceeded 180,000. Excluding

capital budgets and funds for loans provided directly to students, UW System's operating expenditures were approximately \$3.3 billion in FY 2002-03. One-third of that amount—\$1.1 billion—was funded with GPR.

To address concerns about reductions in GPR support, UW System's administrative staffing and service delivery, and its non-instructional costs, we analyzed staffing levels at each campus and in System Administration from FY 1997-98 through FY 2003-04. We also analyzed administrative expenditures, including salary expenditures for administrative staff from FY 1997-98 through FY 2002-03, and expenditures for contracted services. In addition, we reviewed state and UW System accounting records, payroll and staffing data maintained by UW System, and information related to salaries within UW System and at peer universities. We also examined payment vouchers and contracts, and we interviewed campus business staff, faculty, and System Administration staff.

Enrollment and Degrees Conferred

System-wide enrollment exceeded 135,000 in 2003-04.

As shown in Table 1, enrollment at UW System's degree-granting institutions increased 8.2 percent in the five-year period that ended with the 2002-03 academic year, and 0.1 percent in the academic year that ended in June 2004. UW-Madison had the largest enrollment in both periods, and UW-Superior the smallest. During the five-year period that ended in 2002-03, enrollment increased everywhere but UW-La Crosse, where the number of full-time equivalent students declined 2.2 percent. However, there were declines at six campuses in the 2003-04 academic year. Appendix 1 provides additional enrollment, staffing, and expenditure information by campus.

Table 1
Full-Time Equivalent Student Enrollment, by Campus¹

| Campus | 1997-98 Academic Year | 2002-03 Academic Year | 2003-04 Academic Year | Change | |
|---------------|-----------------------------|-----------------------------|-----------------------------|---------------------------------|-------------------------------------|
| | | | | Five Years Ending 2002-03 | One Year (2002-03 to 2003-04) |
| Colleges | 6,131 | 8,782 | 8,756 | 43.2% | -0.3% |
| Milwaukee | 15,553 | 18,141 | 18,604 | 16.6 | 2.6 |
| Platteville | 4,561 | 5,256 | 5,280 | 15.2 | 0.5 |
| Parkside | 3,217 | 3,658 | 3,712 | 13.7 | 1.5 |
| Superior | 2,041 | 2,235 | 2,236 | 9.5 | <0.1 |
| Oshkosh | 8,790 | 9,570 | 9,501 | 8.9 | -0.7 |
| Stout | 6,697 | 7,041 | 6,922 | 5.1 | -1.7 |
| Madison | 34,763 | 36,328 | 36,334 | 4.5 | <0.1 |
| River Falls | 4,926 | 5,148 | 5,229 | 4.5 | 1.6 |
| Eau Claire | 9,370 | 9,745 | 9,442 | 4.0 | -3.1 |
| Green Bay | 4,333 | 4,474 | 4,646 | 3.3 | 3.8 |
| Whitewater | 8,892 | 9,180 | 9,097 | 3.2 | -0.9 |
| Stevens Point | 7,690 | 7,851 | 7,901 | 2.1 | 0.6 |
| La Crosse | 8,426 | 8,243 | 8,138 | -2.2 | -1.3 |
| Total | 125,390 | 135,652 | 135,798 | 8.2 | 0.1 |

¹ Comparable full-time equivalent enrollment data are not available for UW-Extension.

As shown in Table 2, UW System granted more than 29,000 degrees in FY 2002-03. The majority were bachelor's degrees.

Table 2

**Degrees Conferred by UW System
FY 2002-03**

| Type | Number Conferred |
|------------------------------|------------------|
| Bachelor's Degree | 21,426 |
| Master's Degree | 5,148 |
| Associate Degree | 1,235 |
| Doctoral Degree | 726 |
| Advanced Professional Degree | 618 |
| Total | 29,153 |

The Board of Regents

***The Board of Regents
allocates funds and
adopts a budget for each
UW System institution.***

The 17-member Board of Regents establishes policies to govern UW System and plans for the future of public higher education in Wisconsin. It was established in 1971, when the State merged two systems of higher education that each contained four-year and two-year schools. Its responsibilities are enumerated in s. 36.09, Wis. Stats., and include:

- allocating funds and adopting a budget for each UW System institution;
- determining the educational programs to be offered;
- establishing a mission statement for each institution; and
- appointing the President of UW System, who has full executive responsibility for system operation and management; the 15 chancellors who head individual campuses, UW Colleges, and UW-Extension; and the 13 deans of UW Colleges.

UW System Administration is directed by the President of UW System and also assists the Board of Regents. The responsibilities of UW System Administration are enumerated in s. 36.09(2)(a), Wis. Stats., and include:

- reviewing the administration of established policies;
- planning the programmatic, fiscal, and physical development of UW System;
- maintaining fiscal controls; and
- compiling and recommending operating budgets that serve to allocate staff positions and available funding among UW System institutions.

Funding and Expenditures

UW System funds its operations through four sources:

- program revenue, which includes tuition, student fees, donations, and receipts from auxiliary enterprises such as student housing;
- GPR, which is appropriated from the State's General Fund;
- revenue from federal grants, which primarily fund research at UW-Madison; and
- segregated revenue, which includes trust fund income and receipts from state segregated funds, such as the Recycling Fund.

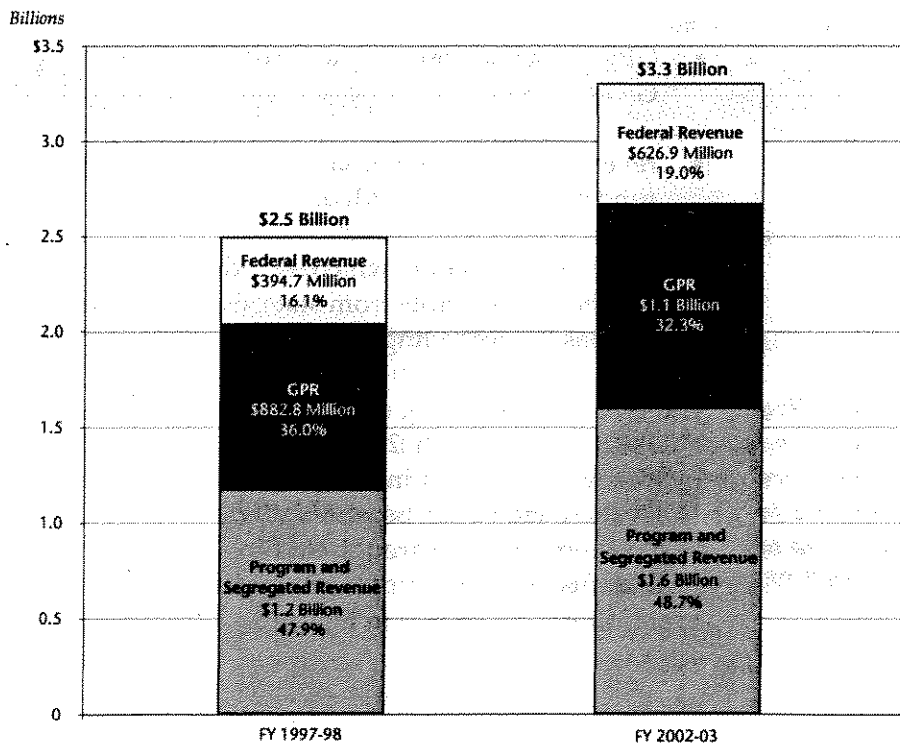
Although GPR funding increased, it supported a smaller share of expenditures in FY 2002-03 than in FY 1997-98.

UW System's operating expenditures increased 35.0 percent from FY 1997-98 through FY 2002-03. As shown in Table 3, GPR funding increased 21.2 percent in that period, from \$882.8 million to \$1.1 billion. However, because federal revenue increased 58.8 percent, largely through funding for research projects at UW-Madison, GPR supported a smaller share of FY 2002-03 expenditures, as shown in Figure 3.

Table 3
Change in Operating Expenditures
FY 1997-98 to FY 2002-03
(In Millions)

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

Figure 3
Change in GPR and Federal Funding
FY 1997-98 to FY 2002-03



As shown in Table 4, UW-Madison accounted for more than one-half of UW System's operating expenditures in FY 2002-03. UW-Milwaukee had the next largest share, and all other institutions each accounted for 4.0 percent or less.

Table 4
Operating Expenditures by Institution
 FY 2002-03
 (In Millions)

| Institution | Expenditures | Percentage |
|-----------------------|------------------|---------------|
| Madison | \$1,717.5 | 51.9% |
| Milwaukee | 358.7 | 10.8 |
| Oshkosh | 131.4 | 4.0 |
| Eau Claire | 121.4 | 3.7 |
| Stevens Point | 119.5 | 3.6 |
| Whitewater | 115.3 | 3.5 |
| La Crosse | 109.9 | 3.3 |
| Stout | 102.0 | 3.1 |
| Extension | 91.2 | 2.8 |
| Colleges | 78.9 | 2.4 |
| Platteville | 77.6 | 2.3 |
| River Falls | 75.3 | 2.3 |
| Green Bay | 73.5 | 2.2 |
| Parkside | 55.6 | 1.7 |
| System Administration | 40.4 | 1.2 |
| Superior | 38.9 | 1.2 |
| Total | \$3,307.1 | 100.0% |

As shown in Table 5, UW Colleges had the greatest percentage increase in expenditures from FY 1997-98 through FY 2002-03. That increase is due, in part, to a 43.2 percent increase in enrollment at UW Colleges during the five-year period we reviewed. Among all other UW System institutions, expenditure increases ranged from a low of 26.5 percent at UW-Eau Claire to a high of 42.3 percent at System Administration.

Table 5

Change in Operating Expenditures by Institution
 FY 1997-98 to FY 2002-03
 (In Millions)

| Institution | FY 1997-98 | FY 2002-03 | Change in Expenditures | Change in Enrollment |
|-----------------------|------------------|------------------|------------------------|----------------------|
| Colleges | \$ 52.6 | \$ 78.9 | 50.0% | 43.2% |
| System Administration | 28.4 | 40.4 | 42.3 | N/A |
| Parkside | 39.6 | 55.6 | 40.4 | 13.7 |
| River Falls | 53.8 | 75.3 | 40.0 | 4.5 |
| Milwaukee | 257.2 | 358.7 | 39.5 | 16.6 |
| Superior | 28.2 | 38.9 | 37.9 | 9.5 |
| Green Bay | 53.5 | 73.5 | 37.4 | 3.3 |
| Oshkosh | 96.8 | 131.4 | 35.7 | 8.9 |
| Madison | 1,267.9 | 1,717.5 | 35.5 | 4.5 |
| Whitewater | 88.1 | 115.3 | 30.9 | 3.2 |
| La Crosse | 84.0 | 109.9 | 30.8 | -2.2 |
| Stout | 78.7 | 102.0 | 29.6 | 5.1 |
| Platteville | 60.0 | 77.6 | 29.3 | 15.2 |
| Extension | 71.5 | 91.2 | 27.6 | N/A |
| Stevens Point | 94.1 | 119.5 | 27.0 | 2.1 |
| Eau Claire | 96.0 | 121.4 | 26.5 | 4.0 |
| Total | \$2,450.4 | \$3,307.1 | 35.0 | 8.2 |

Table 6 shows UW System's budget for the current biennium, as authorized under 2003 Wisconsin Act 33, the 2003-05 Biennial Budget Act. It includes a total of \$1.9 billion in GPR funding.

Table 6

UW System Budget, by Funding Source
 FY 2003-04 and FY 2004-05
 (In Millions)

| Funding Source | FY 2003-04 | FY 2004-05 | Biennial Total |
|--------------------|------------------|------------------|------------------|
| Program Revenue | \$1,793.9 | \$1,910.0 | \$ 3,703.9 |
| GPR | 969.8 | 938.7 | 1,908.5 |
| Federal Revenue | 715.1 | 715.1 | 1,430.2 |
| Segregated Revenue | 27.4 | 29.1 | 56.5 |
| Total | \$3,506.2 | \$3,592.9 | \$7,099.1 |

UW System's \$1.9 billion in GPR funding reflects a \$250.0 million budget cut for the 2003-05 biennium, primarily to the general program operations appropriation for education, research, and public service. In FY 2003-04, GPR was reduced by \$110.0 million compared to available funding for the same purpose in FY 2002-03. In the current year, the reduction is \$140.0 million. To partially offset the \$250.0 million GPR reduction, Act 33 authorized an additional \$150.0 million in spending funded by program revenue, which includes tuition and student fees.

■ ■ ■ ■

Staffing Levels ■

Along with a \$250.0 million reduction in UW System's GPR budget appropriation, 2003 Wisconsin Act 33 reduced the number of permanent staff positions UW System is authorized to fill. However, a loss of 650.0 GPR-funded positions has been almost totally offset by an increase in positions funded with program revenue. Furthermore, payroll records indicate that actual staffing levels—which include project and limited-term positions, as well as permanent staff—increased after UW System's GPR budget and position authority were cut under Act 33. Positions with administrative duties, as recorded in UW System payroll records and position descriptions, represent one-quarter of UW System staff.

Authorized Positions

Act 33 eliminated a total of 64.4 permanent positions within UW System.

UW System's position authority is intended to reflect permanent staff with full fringe benefits. As part of the State's budgeting process, the Legislature authorizes positions by funding source. However, like many state agencies, UW System held a number of positions vacant in anticipation of cuts to its 2003-05 biennial budget. As shown in Table 7, Act 33's reduction of 650.0 GPR-funded positions was offset by authority to add 585.6 program revenue-supported positions. Therefore, in total, 64.4 positions were eliminated.

Table 7

**Authorized Positions
(Full-Time Equivalents)**

| Funding Source | FY 2002-03 Base | 2003 Act 33 | Change | |
|--------------------|-----------------|-----------------|--------------|--------------|
| | | | Number | Percentage |
| GPR | 18,965.1 | 18,315.1 | -650.0 | -3.4% |
| Program Revenue | 6,349.5 | 6,935.1 | 585.6 | 9.2% |
| Federal Revenue | 4,233.8 | 4,233.8 | 0.0 | 0.0 |
| Segregated Revenue | 85.7 | 85.7 | 0.0 | 0.0 |
| Total | 29,634.1 | 29,569.7 | -64.4 | -0.2% |

Job loss was minimal when positions were eliminated.

We did not independently confirm the number of layoffs. However, job loss was minimal when authorized positions were eliminated. For example, although UW-Milwaukee indicated that 89 full-time equivalent positions would be eliminated, only 16 of those positions were held by staff who either were laid off or did not have their contracts renewed. Of the remaining 73 positions:

- 56 were vacant when Act 33 took effect;
- 9 became program revenue-funded positions;
- 6 were held by staff who transferred to other vacant positions; and
- 2 became part-time positions.

In April 2004, 3.0 percent of the positions UW System was authorized under Act 33 were vacant.

Similarly, UW-Madison indicated that it would lay off approximately 25 individuals, UW-Green Bay that it would lay off fewer than 8, UW-La Crosse that it would lay off or not renew contracts for 7, and UW-Eau Claire that it would not lay off any permanent staff. In April 2004, UW System reported 884.5 authorized positions were unfilled system-wide. That vacancy rate amounts to 3.0 percent of the 29,569.7 positions authorized under 2003 Wisconsin Act 33.

UW System does not maintain position information on the State's mainframe personnel management system, and two reports that include information on its authorized positions—UW System's quarterly report to the Department of Administration (DOA), and DOA's quarterly report to the Joint Committee on Finance—differ significantly. For example, as of October 1, 2003, UW System reported having 993.1 more authorized positions than DOA reported to the Joint Committee on Finance. Most of these positions were funded with federal and program revenue. Because differing reports on UW System's position authority could not be readily reconciled, we used payroll records—which reflect filled permanent and other positions—to analyze actual staffing levels throughout UW System.

Filled Positions

UW System's March 2004 payroll included 31,971.8 permanent, project, and LTE staff.

Like other state agencies, UW System hires project and limited-term employees (LTEs) to perform work for which it does not have permanent position authority. Project employees may be hired for up to four years, and LTEs may work no more than 1,044 hours in a year. Payroll data include these employees, as well as staff in all filled permanent positions. In March 2004, UW System's payroll included 31,971.8 permanent, project, and LTE staff.

To understand changes in actual staffing levels, we analyzed March payroll data for three years: 1998, 2003, and 2004. Changes from March 1998 through March 2003 reflect increases and declines in UW System's filled permanent, project, and LTE positions during the five-year period before its authorized position levels were reduced under 2003 Wisconsin Act 33. Changes from March 2003 through March 2004 reflect the initial effects of Act 33's GPR reductions and program revenue increases on UW System staffing.

UW System added 89.3 permanent employees from March 2003 to March 2004.

UW System's payroll includes an increasing number of permanent staff, along with declining numbers of project and LTE staff. As shown in Table 8, both project and LTE positions have been reduced since March 1998, while the number of filled permanent positions increased by 12.2 percent from March 1998 to March 2003, and an additional 0.3 percent when 89.3 permanent employees were added to the payroll in the following year. It should be noted, however, that 50.0 LTE positions at UW-Madison were converted to permanent classified positions under a provision of 2001 Act 16, the 2001-03 Biennial Budget Act.

Table 8

**Permanent, Project, and LTE Positions
(Full-Time Equivalents)**

| Status | March 1998 | March 2003 | March 2004 | Five-Year Change (March 1998 to March 2003) | | One-Year Change (March 2003 to March 2004) | |
|--------------|-----------------|-----------------|-----------------|---|-------------|--|----------------|
| | | | | Number | Percentage | Number | Percentage |
| Permanent | 27,058.7 | 30,366.9 | 30,456.2 | 3,308.2 | 12.2% | 89.3 | 0.3% |
| LTE | 1,517.4 | 1,308.0 | 1,231.5 | -209.4 | -13.8 | -76.5 | -5.8 |
| Project | 323.2 | 291.0 | 284.1 | -32.2 | -10.0 | -6.9 | -2.4 |
| Total | 28,899.3 | 31,965.9 | 31,971.8 | 3,066.6 | 10.6 | 5.9 | <0.1 |

Some UW System institutions made increasing use of LTE staff during the five-year period shown in Table 8. For example, the number of filled LTE positions at UW-La Crosse increased from 23.4 in March 1998 to 41.3 in March 2003 because additional LTE staff were hired to perform the duties of approximately 20 permanent positions that were held vacant in anticipation of budget reductions under Act 33. Changes in LTE staffing levels at individual UW System institutions are shown in Appendix 2.

System-wide enrollment increased 8.2 percent in the five-year period before Act 33 took effect, while staffing levels reflected in UW System's payroll increased 10.6 percent. In total, 3,066.6 permanent, project, and LTE positions were added, as shown in Table 9. In contrast, the number of filled positions increased less than 0.1 percent system-wide from March 2003 to March 2004, and only UW-Madison, UW Colleges, and System Administration added staff.

Table 9

Filled Positions by Institution
(Full-Time Equivalents)

| Institution | March 1998 | March 2003 | March 2004 | Five-Year Change (March 1998 to March 2003) | | One-Year Change (March 2003 to March 2004) | |
|-------------------------|-----------------|-----------------|-----------------|---|-------------|--|----------------|
| | | | | Number | Percentage | Number | Percentage |
| ★ Madison | 14,790.3 | 16,603.2 | 16,807.6 | 1,812.9 | 12.3% | 204.4 | 1.2% |
| Milwaukee | 2,993.2 | 3,390.8 | 3,366.8 | 397.6 | 13.3 | -24.0 | -0.7 |
| Oshkosh | 1,255.4 | 1,357.0 | 1,339.1 | 101.6 | 8.1 | -17.9 | -1.3 |
| Eau Claire | 1,155.8 | 1,186.9 | 1,180.3 | 31.1 | 2.7 | -6.6 | -0.6 |
| Extension | 1,086.1 | 1,129.8 | 1,098.4 | 43.7 | 4.0 | -31.4 | -2.8 |
| Stevens Point | 1,046.3 | 1,080.9 | 1,071.6 | 34.6 | 3.3 | -9.3 | -0.9 |
| Whitewater | 1,011.1 | 1,055.8 | 1,030.7 | 44.7 | 4.4 | -25.1 | -2.4 |
| Stout | 964.2 | 1,048.7 | 1,022.0 | 84.5 | 8.8 | -26.7 | -2.5 |
| La Crosse | 959.7 | 1,020.0 | 997.2 | 60.3 | 6.3 | -22.8 | -2.2 |
| Colleges | 776.9 | 923.9 | 936.1 | 147.0 | 18.9 | 12.2 | 1.3 |
| Platteville | 694.3 | 762.1 | 731.1 | 67.8 | 9.8 | -31.0 | -4.1 |
| River Falls | 589.9 | 642.2 | 634.1 | 52.3 | 8.9 | -8.1 | -1.3 |
| Green Bay | 560.1 | 610.9 | 610.4 | 50.8 | 9.1 | -0.5 | -0.1 |
| Parkside | 482.4 | 562.5 | 544.5 | 80.1 | 16.6 | -18.0 | -3.2 |
| Superior | 346.8 | 378.5 | 375.4 | 31.7 | 9.1 | -3.1 | -0.8 |
| ★ System Administration | 186.8 | 212.7 | 226.5 | 25.9 | 13.9 | 13.8 | 6.5 |
| Total | 28,899.3 | 31,965.9 | 31,971.8 | 3,066.6 | 10.6 | 5.9 | <0.1 |

Position Types

To determine how UW System staff are employed, we relied in part on reports on management and staff positions within UW System that are prepared by the Board of Regents for the Legislature's Joint Committee on Finance. These annual reports, which have been prepared since December 1997, are required by s. 36.11(33)(b), Wis. Stats. Using reporting categories and definitions developed by the federal Equal Employment Opportunities Commission, these reports categorize staff according to six position types and classify high-level executive, administrative, and managerial positions as Management. The federal Affirmative Action/Equal Employment

Opportunity reporting categories on which these reports are based are defined in Appendix 3.

***In March 2004,
42.3 percent of
all filled positions
were categorized as
Professional Non-faculty.***

In March 2004, 42.3 percent of all filled positions within UW System were categorized as Professional Non-faculty. These positions include researchers and research assistants; teaching assistants and project assistants, who typically are also graduate students; administrative program and support staff; financial services staff; human resources staff; and staff who provide various student services and public outreach. Another 27.7 percent of all filled positions were categorized as Faculty. Individuals in these positions typically hold academic ranks such as professor, assistant professor, instructor, and lecturer. For deans, department chairs, and other individuals who have both instructional and managerial responsibilities, full-time equivalent positions are allocated between the Faculty and the Management categories.

As shown in Table 10, only 4.4 percent of UW System's filled positions in March 2004 were categorized as Management. The remaining position types, which account for approximately one-quarter of filled positions, are:

- Clerical and Secretarial, which consists primarily of program assistants, who make up nearly three-quarters of this category;
- Service/Maintenance, which includes custodians, food service workers, construction laborers, and security personnel;
- Technical and Paraprofessional, which includes computer programmers and operators, human resources assistants, and other technicians; and
- Skilled Crafts, which includes electricians, carpenters, and other skilled tradespeople.

Table 10

Filled Positions by Type
(Full-Time Equivalents)

| Position Type | March 2004 | Percentage of Total |
|--------------------------------|-----------------|---------------------|
| Professional Non-faculty | 13,526.8 | 42.3% |
| Faculty | 8,872.6 | 27.7 |
| Clerical and Secretarial | 3,515.3 | 11.0 |
| Service/Maintenance | 3,025.4 | 9.5 |
| Management | 1,403.6 | 4.4 |
| Technical and Paraprofessional | 1,203.8 | 3.8 |
| Skilled Crafts | 424.3 | 1.3 |
| Total | 31,971.8 | 100.0% |

Changes in Filled Positions

The largest increase in filled positions occurred in the Professional Non-faculty category.

During the five-year period before Act 33 took effect, the number of UW System employees increased in all categories except Clerical and Secretarial. As shown in Table 11, the largest increase, 2,844.5 positions, was in the Professional Non-faculty category.

After March 2003, more positions were added than were lost, including 257.8 additional positions categorized as Professional Non-faculty. For the entire period shown in Table 11, Professional Non-faculty staffing levels increased by 3,102.3 positions. In contrast, Clerical and Secretarial staffing was reduced by 692.1 positions.

Table 11
 Change in Filled Positions, by Position Type
 (Full-Time Equivalents)

| Position Type | March 1998 | March 2003 | March 2004 | Five-Year Change (March 1998 to March 2003) | | One-Year Change (March 2003 to March 2004) | |
|-----------------------------------|-----------------|-----------------|-----------------|---|-------------|--|----------------|
| | | | | Number | Percentage | Number | Percentage |
| Professional Non-faculty | 10,424.5 | 13,269.0 | 13,526.8 | 2,844.5 | 27.3% | 257.8 | 1.9% |
| Faculty | 8,442.9 | 8,913.8 | 8,872.6 | 470.9 | 5.6 | -41.2 | -0.5 |
| Clerical and Secretarial | 4,207.4 | 3,659.1 | 3,515.3 | -548.3 | -13.0 | -143.8 | -3.9 |
| Service/Maintenance | 3,047.1 | 3,074.4 | 3,025.4 | 27.3 | 0.9 | -49.0 | -1.6 |
| Management | 1,334.5 | 1,410.4 | 1,403.6 | 75.9 | 5.7 | -6.8 | -0.5 |
| Technical and Paraprofessional | 1,072.1 | 1,235.0 | 1,203.8 | 162.9 | 15.2 | -31.2 | -2.5 |
| Skilled Crafts | 370.8 | 404.2 | 424.3 | 33.4 | 9.0 | 20.1 | 5.0 |
| Total | 28,899.3 | 31,965.9 | 31,971.8 | 3,066.6 | 10.6 | 5.9 | <0.1 |

Some changes in the types of positions filled within UW System can be attributed to reclassifications of certain permanent staff positions. For example, we identified more than 500 full-time equivalent staff whose positions were categorized as Clerical and Secretarial in March 1998 and reclassified as either Professional Non-faculty or Technical and Paraprofessional in March 2004. Many of these staff were program assistant supervisors.

A significant number of new positions are filled with staff who work in research.

More than one-half of the 2,844.5 Professional Non-faculty positions added to UW System's payroll from March 1998 to March 2003, and three-quarters of the 257.8 Professional Non-faculty positions added from March 2003 to March 2004, are reflected in the ten position titles shown in Table 12. Three research-related positions—research assistant, research specialist, and scientist—accounted for more than 40 percent of these positions:

- The number of research assistants increased by 314.4 during the entire period shown.

- The number of research specialists increased by 237.4 positions during the entire period shown.
- The number of scientists increased by 151.3 positions during the entire period shown.

Table 12

**Growth in Professional Non-faculty Positions
(Full-Time Equivalents)**

| Title | March 1998 | March 2003 | March 2004 | Five-Year Change (March 1998 to March 2003) | One-Year Change (March 2003 to March 2004) | Net Change |
|---|------------|------------|------------|--|---|------------|
| Research Assistant | 884.4 | 1,131.1 | 1,198.8 | 246.7 | 67.7 | 314.4 |
| Research Specialist | 695.3 | 942.2 | 932.7 | 246.9 | -9.5 | 237.4 |
| Teaching Assistant | 825.9 | 949.3 | 1,001.4 | 123.4 | 52.1 | 175.5 |
| Information Processing Consultant | 276.2 | 415.1 | 432.1 | 138.9 | 17.0 | 155.9 |
| Student Services Coordinator | 204.8 | 330.1 | 357.4 | 125.3 | 27.3 | 152.6 |
| Scientist | 391.6 | 523.1 | 542.9 | 131.5 | 19.8 | 151.3 |
| Project Assistant | 354.9 | 486.7 | 504.7 | 131.8 | 18.0 | 149.8 |
| Outreach Specialist | 235.8 | 379.0 | 372.6 | 143.2 | -6.4 | 136.8 |
| Information Systems Technical Services Specialist | 106.5 | 217.9 | 225.0 | 111.4 | 7.1 | 118.5 |
| Advisor | 200.4 | 296.3 | 299.0 | 95.9 | 2.7 | 98.6 |

Other significant increases in Professional Non-faculty positions added to the payroll include:

- 274.4 additional staff with responsibilities related to information systems and processing;
- 175.5 additional teaching assistants;
- 152.6 additional student services coordinators;
- 149.8 additional project assistants, who are graduate students who may conduct research or perform administrative duties for faculty and staff; and

- 136.8 additional outreach specialists, who provide information and other services to the general public and continuing education students.

Administrative Positions

To count UW System's filled administrative positions, we reviewed job titles and position descriptions for the employees UW System describes as its administrative staff, as well as for staff who have administrative responsibilities that are coded as other activities in UW System's records.

March 2004 payroll records assign 6.9 percent of filled positions to the Institutional Support activity.

UW System organizes its financial records and accounts for positions using 11 activity codes that are based on guidelines developed by the National Association of College and University Business Officers. In March 2004, nearly two-thirds of its 31,971.8 filled positions were coded as one of UW System's three core activities: instruction, research, and public service. As shown in Table 13, only 6.9 percent were coded as Institutional Support, the activity code related to system-wide management and long-range planning, fiscal operations, administrative computing support, space management, personnel management, and some other functions. For detailed descriptions of Institutional Support and UW System's other activity codes, see Appendix 4.

Table 13

**UW System Activity Codes for Filled Positions
March 2004
(Full-Time Equivalents)**

| Activity | Positions | Percentage |
|------------------------------|-----------------|---------------|
| Instruction | 10,786.4 | 33.7% |
| Research | 6,962.7 | 21.8 |
| Public Service | 2,263.9 | 7.1 |
| Institutional Support | 2,212.6 | 6.9 |
| Academic Support | 3,118.4 | 9.8 |
| Student Services | 2,751.9 | 8.6 |
| Physical Plant | 2,218.4 | 6.9 |
| Auxiliary Enterprises | 1,519.2 | 4.8 |
| Farm Operations | 138.3 | 0.4 |
| Total¹ | 31,971.8 | 100.0% |

¹ Excludes positions coded as Financial Aid, which represent student workers paid with financial aid funds, or as Hospitals, which is the activity code for reimbursements for contractual arrangements with the University of Wisconsin Hospital and Clinics Authority.

***Institutional Support
does not fully reflect
all of UW System's
administrative positions.***

Although Institutional Support reflects administrative positions that are not related to any other activity code, the Institutional Support activity code does not fully reflect UW System's administrative positions. For example, it does not include program assistants who keep records, type correspondence, maintain schedules, and perform similar administrative functions in various academic departments throughout UW System. In UW System's accounting records, the activity code for these staff is Instruction, because the work they do supports that core activity of UW System. Similarly, the activity code for accountants and grant managers who ensure compliance with federal requirements for the use of funds that support a large percentage of UW System's research activities is Research, because their work directly supports that activity.

Table 14 shows UW System's activity codes for the 1,403.6 positions that were categorized as Management in March 2004, based on the Board of Regents' most recent annual report to the Joint Committee on Finance. The activity code for 25.3 percent of these positions is Institutional Support. The remaining management positions have other activity codes and, therefore, are not counted as administrators

when UW System uses Institutional Support to characterize its administrative positions. For example, assistant deans of UW System institutions and professional schools whose responsibilities are associated with personnel, student records, and budget development are accounted for under activity codes that include Instruction, Research, Academic Support, and Student Services.

Table 14

UW System Activity Codes for Management Positions¹
 March 2004
 (Full-Time Equivalents)

| Activity | Positions | Percentage |
|------------------------------|----------------|---------------|
| Instruction | 82.8 | 5.9% |
| Research | 71.6 | 5.1 |
| Public Service | 68.7 | 4.9 |
| Institutional Support | 355.4 | 25.3 |
| Academic Support | 388.9 | 27.7 |
| Student Services | 315.9 | 22.5 |
| Physical Plant | 34.6 | 2.5 |
| Auxiliary Enterprises | 81.4 | 5.8 |
| Farm Operations | 4.3 | 0.3 |
| Total² | 1,403.6 | 100.0% |

¹ Based on positions reported as Management in the Board of Regents' annual report to the Joint Committee on Finance using criteria defined by the federal Equal Employment Opportunities Commission.

² Excludes positions coded as Financial Aid, which represent student workers paid with financial aid funds, or as Hospital which is the activity code for reimbursements for contractual arrangements with the University of Wisconsin Hospital Clinics Authority.

Similarly, Institutional Support is not the activity code associated with most staff positions that are categorized as Clerical and Secretarial in Board of Regents' reports to the Joint Committee on Finance. In March 2004, UW System accounted for nearly one-half of these staff with the activity codes for Instruction (28.1 percent), Research (11.0 percent), and Public Service (8.5 percent). As shown in Table 15, only 8.5 percent were assigned to Institutional Support.

Table 15
 UW System Activity Codes for Clerical and Secretarial Positions¹
 March 2004
 (Full-Time Equivalents)

| Activity | Positions | Percentage |
|------------------------------|----------------|---------------|
| Instruction | 986.4 | 28.1% |
| Research | 386.3 | 11.0 |
| Public Service | 300.6 | 8.5 |
| Institutional Support | 297.7 | 8.5 |
| Academic Support | 662.7 | 18.8 |
| Student Services | 632.5 | 18.0 |
| Physical Plant | 52.2 | 1.5 |
| Auxiliary Services | 187.3 | 5.3 |
| Farm Operations | 9.6 | 0.3 |
| Total² | 3,515.3 | 100.0% |

¹ Based on positions reported as Clerical and Secretarial in the Board of Regents' annual report to the Joint Committee on Finance, using criteria defined by the federal Equal Employment Opportunities Commission. Most of these positions are filled by program assistants.

² Excludes positions coded as Financial Aid, which represent student workers paid with financial aid funds, or as Hospitals, which is the activity code for reimbursements for contractual arrangements with the University of Wisconsin Hospital and Clinics Authority.

When we reviewed job titles and position descriptions, we found that 2,306.3 positions categorized as either Professional Non-faculty or Technical and Paraprofessional also have duties that are largely administrative in nature, including:

- administrative program and support staff such as program assistant supervisors, who manage daily administrative activities;
- financial services staff such as accountants, purchasing agents, and budget analysts who track financial transactions, process vouchers, and perform other financial management tasks;
- human resources staff who process employment and payroll forms and manage related records; and

- university relations, communications, and fund-raising staff who work in System Administration and at individual UW System institutions.

As shown in Table 16, only 32.4 percent of these positions are coded as Institutional Support. The remaining two-thirds—1,559.3 positions—are not counted when Institutional Support is used to represent administrative positions within UW System. Rather, they are counted as instructional, research, public service, academic support, or other staff, depending on the activity code assigned to them.

Table 16
UW System Activity Codes for Other Administrative Staff¹
 March 2004
 (Full-Time Equivalents)

| Administrative Area | Coded as Institutional Support | | Coded as Other Activities | | Total |
|------------------------------------|--------------------------------|-------------|---------------------------|-------------|----------------|
| | Number | Percentage | Number | Percentage | |
| Administrative Program and Support | 170.0 | 18.9% | 731.4 | 81.1% | 901.4 |
| Financial Services | 341.0 | 38.2 | 551.8 | 61.8 | 892.8 |
| Human Resources | 140.5 | 60.5 | 91.9 | 39.5 | 232.4 |
| Public Relations | 42.5 | 25.9 | 121.5 | 74.1 | 164.0 |
| Fundraising | 39.0 | 38.3 | 62.7 | 61.7 | 101.7 |
| Legal | 14.0 | 100.0 | 0.0 | 0.0 | 14.0 |
| Total | 747.0 | 32.4 | 1,559.3 | 67.6 | 2,306.3 |

¹ Based on positions reported as Professional Non-faculty and Technical and Paraprofessional in the Board of Regents' annual report to the Joint Committee on Finance, using criteria defined by the federal Equal Employment Opportunities Commission. Does not include 1,487.7 information systems positions.

It should be emphasized that when administrative positions are accounted for with activity codes other than Institutional Support, they are not "miscoded" in UW System records. As noted, the activity codes used in UW System accounting records are based on definitions developed by a national association and adopted by universities throughout the United States to allow comparisons among them. However, this methodology understates the number of administrative positions, because positions with administrative duties that are coded to other activities, such as Instruction and Research, are by definition excluded from Institutional Support.

When administrative positions with other activity codes are combined with those reported as Institutional Support, UW System's administrative staffing level exceeds 8,000 full-time equivalent positions. As shown in Table 17, 43.7 percent of these positions are filled with program assistants and other staff whose positions are categorized as Clerical and Secretarial in the Board of Regents' annual reports to the Joint Committee on Finance.

Table 17

Administrative Positions
March 2004
(Full-Time Equivalents)

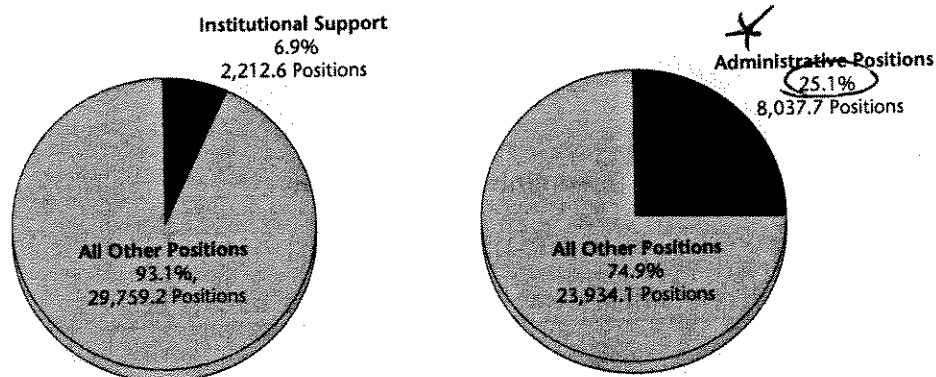
| Position Type | Coded as Institutional Support | Coded as Other Activities | Total | |
|--------------------------------|--------------------------------|---------------------------|----------------|---------------|
| | | | Number | Percentage |
| Management | 355.4 | 1,048.2 | 1,403.6 | 17.5% |
| Clerical and Secretarial | 297.7 | 3,217.6 | 3,515.3 | 43.7 |
| Professional Non-faculty | 1,046.5 | 1,336.5 | 2,383.0 | 29.6 |
| Technical and Paraprofessional | 242.5 | 222.8 | 465.3 | 5.8 |
| Other | 270.5 | 0.0 | 270.5 | 3.4 |
| Total | 2,212.6 | 5,825.1 | 8,037.7 | 100.0% |

In March 2004, 25.1 percent of UW System's filled positions were administrative.

Figure 4 presents two views of UW System's administrative staffing levels. Each view represents the 31,971.8 permanent, project, and LTE positions that were filled in March 2004. The first reflects positions coded as Institutional Support. The second includes all administrative positions shown in Table 17. These positions represent 25.1 percent of the total, and nearly four times the number of positions coded as Institutional Support.

Figure 4

Two Views of UW System Staffing
 (Full-Time Equivalent Positions)



Administrative Expenditures

UW System reports that its administrative costs are the lowest among its peer institutions. In the most recent comparisons available, which are based on data collected by the federal Department of Education for FY 2000-01, UW System reported a lower percentage of operating expenditures categorized as Institutional Support than 18 other university systems it defines as peers. These data are shown in Appendix 5. Expenditures recorded as Institutional Support by Big 10 Universities are shown in Appendix 6.

Institutional Support expenditures do not fully represent administrative costs.

Table 18 shows UW System's operating expenditures for FY 2002-03, the last year for which complete data were available. Three core activities—instruction, research, and public service—accounted for 54.4 percent of these expenditures. Only 5.0 percent of the \$3.3 billion total was recorded as Institutional Support. This \$165.5 million represents costs related to staffing and supplies and services. However, it does not include costs related to administrative positions that are recorded under activity codes other than Institutional Support. Therefore, expenditures coded as Institutional Support do not fully represent UW System's administrative costs.

Table 18

UW System's Operating Expenditures
FY 2002-03
(In Millions)

| Activity | Amount | Percentage |
|------------------------------|------------------|---------------|
| Instruction | \$ 886.8 | 26.8% |
| Research | 671.5 | 20.3 |
| Public Service | 241.1 | 7.3 |
| Academic Support | 330.5 | 10.0 |
| Student Services | 293.1 | 8.9 |
| Physical Plant | 281.9 | 8.5 |
| Auxiliary Enterprises | 247.4 | 7.5 |
| Institutional Support | 165.5 | 5.0 |
| Financial Aid | 145.7 | 4.4 |
| Farm Operations | 11.2 | 0.3 |
| Hospitals ¹ | 32.4 | 1.0 |
| Total | \$3,307.1 | 100.0% |

¹ Hospitals is the activity code for reimbursements for contractual arrangements with the University of Wisconsin Hospital and Clinics Authority.

Less than one-third of FY 2002-03 administrative staffing costs were recorded as Institutional Support.

Table 19 shows estimated staffing costs for all positions we identified as administrative based on payroll and other data in UW System's FY 2002-03 accounting records, whether the positions were coded as Institutional Support or under other activity codes. For positions coded as Institutional Support, total salaries and fringe benefits reflect actual costs. For positions coded as other activities, we calculated fringe benefit costs using a rate of 32.9 percent. Less than one-third of our estimated total of \$479.5 million was recorded by UW System as Institutional Support.

Table 19

Estimated Administrative Staffing Costs
 FY 2002-03
 (In Millions)

| | Coded as Institutional Support | Coded as Other Activities | Total |
|--------------------------------|--------------------------------------|---------------------------------|----------------|
| Salaries: | | | |
| Management | \$ 33.7 | \$ 88.4 | \$ 122.1 |
| Clerical and Secretarial | 8.8 | 87.9 | 96.7 |
| Professional Non-faculty | 50.4 | 57.6 | 108.0 |
| Technical and Paraprofessional | 9.2 | 8.2 | 17.4 |
| Other | 14.5 | 0.0 | 14.5 |
| Total Salaries | 116.6 | 242.1 | 358.7 |
| Fringe Benefits | 41.1 | 79.7 ¹ | 120.8 |
| Total Staffing Costs | \$157.7 | \$321.8 | \$479.5 |

¹ Calculated using a fringe benefit rate of 32.9 percent.

UW System's FY 2002-03 accounting records also show \$7.8 million in expenditures for supplies and services coded as Institutional Support. These costs represent expenditures for such things as office equipment and furniture, telephone service, postage, printing services, and employee travel. However, we found an additional \$1.5 million in expenditures that were administrative in nature but coded as activities other than Institutional Support. These are primarily expenditures for supplies and services related to communications, public relations, fund-raising, and marketing, such as:

- \$312,366 related to UW-Madison's external relations, which was coded as Academic Support;
- \$278,813 related to UW-Green Bay fund-raising, which was coded as Public Service; and
- \$144,204 related to university relations at UW-Milwaukee and five UW Colleges campuses, which was coded as Instruction.

In FY 2002-03, UW System spent an additional \$7.7 million for administrative supplies and services that were not recorded as Institutional Support.

We also identified an additional \$6.2 million in expenditures for supplies and services in offices of academic deans, directors of student services, and physical plant directors throughout UW System. These offices are directed by individuals whose positions are categorized as Management in the Board of Regents' annual reports to the Joint Committee on Finance, and the expenditures could appropriately be considered administrative. When administrative supplies and services expenditures for these offices are combined with the \$1.5 million in administrative expenditures we found coded as other activities, UW System's total expenditures for administrative supplies and services increase by \$7.7 million, as shown in Table 20.

Table 20

**Expenditures for Administrative Supplies and Services
Coded as Activities Other than Institutional Support
FY 2002-03
(In Millions)**

| | Amount |
|---|--------------|
| Associated with: | |
| Academic Deans | \$4.3 |
| Directors of Physical Plant | 1.4 |
| Directors of Student Services | 0.5 |
| Coded as Activities Other than Institutional Support | 1.5 |
| Total | \$7.7 |

Administrative expenditures totaled \$495.0 million in FY 2002-03, or nearly three times the amount recorded as Institutional Support.

When expenditures related to staffing, supplies, and services that are recorded under other activity codes are combined with those recorded as Institutional Support, UW System's administrative costs for FY 2002-03 total \$495.0 million. As shown in Table 21, expenditures coded as Institutional Support represent approximately one-third of that total.

Table 21

Administrative Expenditures
 FY 2002-03
 (In Millions)

| Expenditure Type | Coded as Institutional Support | | Coded as Other Activities | | Total | |
|-----------------------|--------------------------------|--------------|---------------------------|--------------|----------------|---------------|
| | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| Salaries | \$116.6 | 23.5% | \$242.1 | 48.9% | \$358.7 | 72.4% |
| Fringe Benefits | 41.1 | 8.3 | 79.7 ¹ | 16.1 | 120.8 | 24.4 |
| Supplies and Services | 7.8 | 1.6 | 7.7 | 1.6 | 15.5 | 3.2 |
| Total | \$165.5 | 33.4% | \$329.5 | 66.6% | \$495.0 | 100.0% |

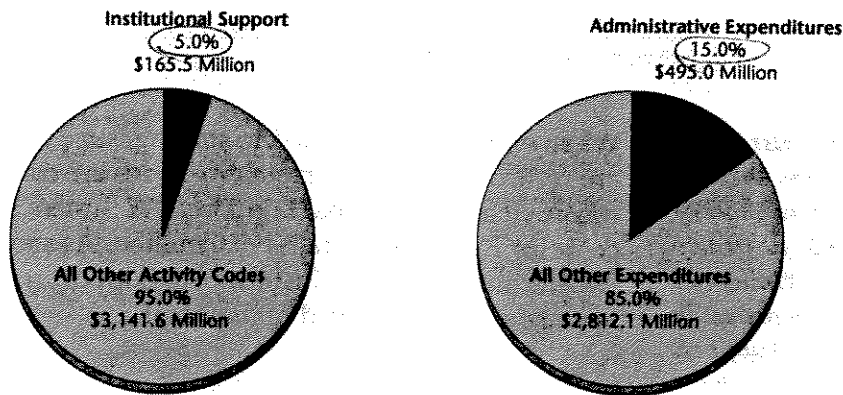
¹ Calculated based on a fringe benefit rate of 32.9 percent.

15.0 percent of UW System's \$3.3 billion in operating expenditures was administrative in nature.

Figure 5 presents two views of UW System's FY 2002-03 operating expenditures of \$3.3 billion. The first highlights expenditures coded as Institutional Support. The second shows all administrative expenditures included in Table 21.

Figure 5

Two Views of UW System Operating Expenditures
 FY 2002-03



We estimate that administrative staffing expenditures increased by at least \$4.9 million in FY 2003-04.

Administrative expenditures are likely to have increased in FY 2003-04 because of increases in staffing costs. We estimate that from March 2003 to March 2004, UW System's administrative salary and fringe benefit costs, which represented 96.8 percent of FY 2002-03 administrative expenditures, increased by at least \$4.9 million.

■ ■ ■ ■

Staffing Costs ■

As would be expected, UW System's monthly salary costs have increased over time. However, from FY 1997-98 through FY 2001-02, pay increases for the nearly three-quarters of UW System employees who are unclassified have typically been larger than those of most other state employees, including most classified UW System staff. Two-thirds of unclassified staff are paid less than \$50,000 annually, but 41.4 percent of unclassified staff are part-time employees. The number of managers with annual salaries of at least \$100,000 has more than tripled. System Administration has been responsible for the largest percentage increases in both monthly salary costs and executive salaries.

Unclassified and Classified Staff

Unclassified staff represent 72.8 percent of UW System employees. They are faculty, research, and other staff whose activities are considered core mission activities, as well as staff who provide support services and specialized functions. Salary ranges for the majority of UW System's unclassified staff are included in the State's compensation plan.

Two-thirds of unclassified staff are paid less than \$50,000 annually, but more than one-third are part-time employees.

As shown in Table 22, UW System employed 26,740 individuals in unclassified staff positions in March 2004. Approximately two-thirds of UW System's unclassified staff had annual salaries of less than \$50,000. However, 41.1 percent are part-time employees, including those who work less than full-time for family or other reasons, as well as adjunct faculty with less than full-time teaching loads.

Table 22

Annual Salary Ranges for Unclassified Staff¹
 March 2004

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

¹ Does not include payments to faculty or other staff who perform additional work during the summer.

In March 2004, UW System employed 9,982 individuals as classified staff; 87.4 percent were full-time and 12.6 percent were part-time employees. Hourly wages for classified staff are primarily negotiated through collective bargaining agreements and ranged from \$9.00 to \$50.00 per hour. Table 23 shows hourly wage rates for full-time and part-time classified staff.

Table 23

Hourly Wage Rates for Classified Staff
 March 2004

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

UW System staff in unclassified positions have typically received larger pay increases than other state employees.

Every two years, the Legislature's Joint Committee on Employment Relations and the Governor approve standard wage adjustments for state employees, including UW System staff. As shown in Table 24, these adjustments have generally been greater for UW System's unclassified staff than for other state employees, including UW System's classified staff and classified staff in other state agencies.

Table 24

**State Compensation Plan General Wage Adjustments
FY 1997-98 through FY 2004-05**

| Year | Unclassified UW System Staff ¹ | Classified Staff ² |
|-----------|--|-------------------------------|
| 1997-98 | 4.0% | 3.0% |
| 1998-99 | 4.5 | 3.5 |
| 1999-2000 | 5.2 | 2.1 |
| 2000-01 | 5.2 | 4.0 |
| 2001-02 | 3.2 | 1.0 |
| 2002-03 | 4.2 | 5.8 |
| 2003-04 | 0.0 | 0.0 |
| 2004-05 | 1.0 | — ³ |

¹ Includes faculty and academic staff, but excludes senior executives whose salaries are set by the Board of Regents.

² Reflects wage adjustments provided to the largest statewide bargaining unit. Other bargaining units received differing amounts during these years.

³ The largest statewide bargaining unit has not reached agreement with the State on wage adjustments for 2004-05.

The Legislature has provided two additional methods by which UW System staff receive salary increases.

- Section 36.09(1)(j), Wis. Stats., allows UW System to allocate funds for salary increases that recognize competitive market factors. Specific criteria have not been developed for determining who receives these increases, which are awarded primarily to faculty who are being recruited by other institutions. Instead, decisions are made by the Board of Regents on a case-by-case basis.

- 1999 Wisconsin Act 9, the 1999-2001 Biennial Budget Act, provided \$19.0 million in GPR and \$10.0 million in program revenue to fund what UW System staff refer to as the Madison Initiative, which was intended, in part, to make faculty and academic staff salaries more competitive with those at UW-Madison's peer universities. Reports provided by UW System to the Joint Committee on Finance indicate that as part of this initiative, 4,235 salary adjustments totaling \$13.4 million were made from FY 1999-2000 through FY 2000-01, and slightly less than one-quarter of UW-Madison faculty and academic staff received adjustments in each year of the biennium through this initiative.

UW System addressed competitive market factors with 1,836 salary adjustments totaling \$6.5 million.

UW System reported to the Joint Committee on Finance that it used its authority to recognize competitive factors when it made 1,836 salary adjustments totaling \$6.5 million from FY 1997-98 through FY 2002-03. As shown in Table 25, UW Colleges had the largest number of adjustments, which were made to address salary compression for faculty and other unclassified staff. However, staff at UW Colleges received the smallest adjustment amounts, which averaged \$814. In contrast, only 425 UW-Madison staff received salary adjustments under this authority, but the average adjustment was \$10,603.

Table 25

**Base Salary Adjustments to Recognize Competitive Factors
FY 1997-98 through FY 2002-03**

| Institution | Average Adjustment | Number of Adjustments | Amount |
|-----------------------|--------------------|-----------------------|--------------------|
| Madison | \$10,603 | 425 | \$4,506,317 |
| Colleges | 814 | 1,109 | 902,681 |
| Milwaukee | 2,760 | 190 | 524,334 |
| Stout | 5,433 | 27 | 146,689 |
| Green Bay | 4,165 | 24 | 99,963 |
| Extension | 5,641 | 13 | 73,327 |
| River Falls | 7,510 | 9 | 67,589 |
| Oshkosh | 3,875 | 15 | 58,129 |
| System Administration | 5,078 | 10 | 50,784 |
| Stevens Point | 3,885 | 8 | 31,082 |
| Whitewater | 5,990 | 2 | 11,980 |
| Parkside | 5,293 | 2 | 10,586 |
| Superior | 9,661 | 1 | 9,661 |
| La Crosse | 9,117 | 1 | 9,117 |
| Eau Claire | - | 0 | 0 |
| Platteville | - | 0 | 0 |
| Total | \$ 3,542 | 1,836 | \$6,502,239 |

Table 26 shows UW System's monthly salary costs by institution. From March 1998 to March 2003, the largest increase—57.1 percent—was in System Administration. Among the other UW System institutions, increases ranged from 20.5 percent to 40.7 percent. Information on monthly salary expenditures by position type is provided as Appendix 7.

Table 26
Monthly Salary Costs
 (In Millions)

| Institution | March 1998 | March 2003 | March 2004 | Five-Year Change (March 1998 to March 2003) | One-Year Change (March 2003 to March 2004) |
|-----------------------|----------------|----------------|----------------|---|--|
| System Administration | \$ 0.7 | \$ 1.1 | \$ 1.2 | 57.1% | 9.1% |
| Colleges | 2.7 | 3.8 | 3.8 | 40.7 | 0.0 |
| Milwaukee | 11.0 | 15.2 | 15.3 | 38.2 | 0.7 |
| Madison | 52.1 | 70.6 | 73.2 | 35.5 | 3.7 |
| Parkside | 1.7 | 2.3 | 2.2 | 35.3 | -4.3 |
| Extension | 3.2 | 4.2 | 4.1 | 31.3 | -2.4 |
| Green Bay | 2.0 | 2.6 | 2.6 | 30.0 | 0.0 |
| Platteville | 2.4 | 3.1 | 3.0 | 29.2 | -3.2 |
| River Falls | 2.2 | 2.8 | 2.8 | 27.3 | 0.0 |
| Oshkosh | 4.2 | 5.3 | 5.4 | 26.2 | 1.9 |
| La Crosse | 3.6 | 4.5 | 4.5 | 25.0 | 0.0 |
| Superior | 1.2 | 1.5 | 1.6 | 25.0 | 6.7 |
| Whitewater | 3.8 | 4.7 | 4.7 | 23.7 | 0.0 |
| Stout | 3.4 | 4.2 | 4.2 | 23.5 | 0.0 |
| Eau Claire | 4.2 | 5.1 | 5.1 | 21.4 | 0.0 |
| Stevens Point | 3.9 | 4.7 | 4.7 | 20.5 | 0.0 |
| Total | \$102.3 | \$135.7 | \$138.4 | 32.6 | 2.0 |

① 9.2% enrollment increase

Most of UW System's highest-paid employees are faculty.

Ensuring salaries remain competitive is a long-standing concern of UW System. We reviewed payroll records to determine which staff received the highest salaries. Table 27 shows the number of UW System staff with annual salaries of \$100,000 or more in March 1998, 2003, and 2004. In each period, the majority of these staff were faculty. However, both before and after March 2003, the number of non-faculty professionals in this salary range, such as coaches, increased by the largest percentage.

positions ↑ 10%
 instat ↑ 12% (5 yrs)
 enroll ↑ 8%
 Salaries ↑ 32.6% ??

Table 27

UW System Employees Whose Annual Salaries Are \$100,000 or More¹

| Position Type | March 1998 | March 2003 | March 2004 | Five-Year Change (March 1998 to March 2003) | One-Year Change (March 2003 to March 2004) |
|--------------------------|------------|--------------|--------------|---|--|
| Faculty | 230 | 807 | 791 | 250.9% | -2.0% |
| Management | 105 | 344 | 333 | 227.6 | -3.2 |
| Professional Non-faculty | 14 | 77 | 84 | 450.0 | 9.1 |
| Total | 349 | 1,228 | 1,208 | 251.9 | -1.6 |

aches
Does not include any funding provided by foundations.

The number of UW System managers with salaries of \$100,000 or more has tripled in recent years.

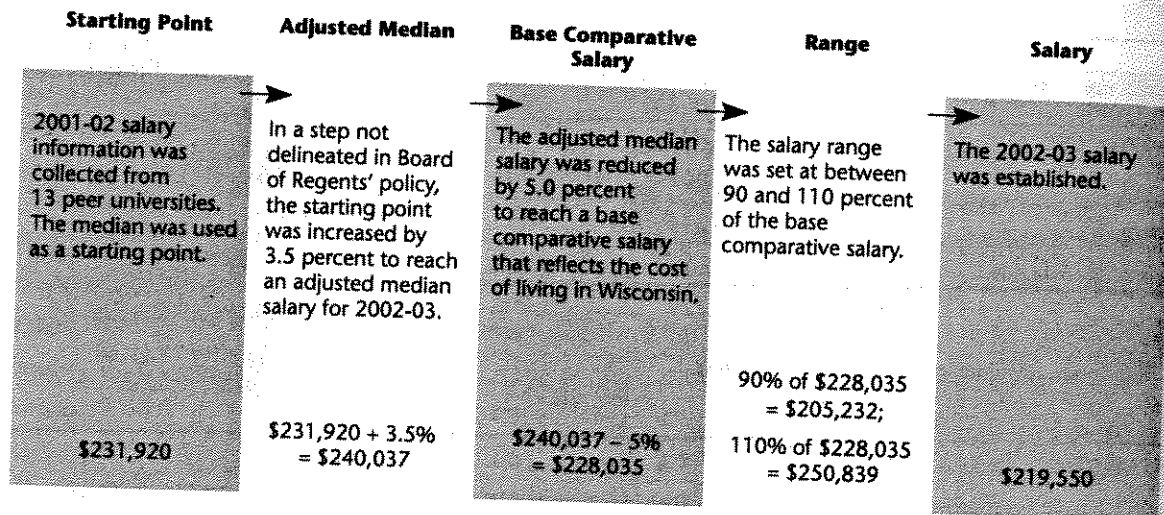
Although the number of managers earning \$100,000 or more declined slightly after March 2003, the number of individuals in this category—which includes the UW System President, vice presidents, chancellors, vice chancellors, deans, and individuals with the title of director—more than tripled from 1998 to 2004. When there were more than 300 managers within UW System with annual salaries of \$100,000 or more, there were 177 managers in the rest of the executive branch of state government at the same salary level.

Executive Salaries

The salaries of most of UW System's highest-paid employees are included in the State's compensation plan. However, 2001 Wisconsin Act 16 authorized the Board of Regents to set the salaries for 20 senior executive positions—including the UW System President, senior vice presidents, chancellors, and vice chancellors serving as provosts at UW-Madison and UW-Milwaukee—based on salaries at comparable universities in other states. Beginning in 2001, the Board has established the salaries for these positions.

UW System staff survey peer institutions annually to determine comparable salaries for these positions. An internal policy document of the Board of Regents identifies peer university systems, as well as the method for establishing salary ranges. The process is summarized in Figure 6, which provides an example of how the 2002-03 salary range was established for the Chancellor of UW-Milwaukee.

Figure 6
Establishing an Executive Salary Range



Since November 2001, the Board approved more than \$500,000 in salary increases for senior executives.

The Board of Regents has established salary ranges and subsequently approved more than \$500,000 in salary increases for senior executives:

- in November 2001 it approved salary increases totaling \$424,600 for staff in the 20 senior executive positions, including an increase of \$91,000 for the UW System President;
- in June 2002 it approved salary increases totaling \$94,400; and
- in June 2004 it approved salary increases totaling \$43,000.

When the Board of Regents approved new salary ranges in September 2003, it also required the related salary adjustments, which totaled at least \$87,000, to be made with funds other than GPR. However, it is not possible to exclude GPR as a funding source because the pool of funds that supports these increases includes GPR. Following an agreement with the Attorney General to resolve potential open meetings law violations, the Board rescinded these ranges in October 2003, and it subsequently decided against reconsidering them.

Executive salary increases were greatest within System Administration and at UW-Madison.

As shown in Table 28, executive salaries have increased significantly since FY 1997-98. Like the monthly salary costs shown in Table 26, the largest increases were associated with System Administration: in the period shown, salaries for two senior vice president positions

increased 81.7 and 64.4 percent. Increases for chancellors ranged from 40.3 to 77.0 percent. Additional information on the salary ranges established by the Board of Regents is included as Appendix 8.

Table 28
Percentage Increase in UW System Senior Executive Salaries¹

| Position | FY 1997-98 | FY 2003-04 | Change |
|--|------------|------------|--------|
| System Administration | | | |
| President ² | \$153,654 | \$304,980 | 98.5% |
| Senior Vice President for Academic Affairs | 123,600 | 224,620 | 81.7 |
| Senior Vice President for Administration | 123,600 | 203,200 | 64.4 |
| Chancellors | | | |
| Madison | 140,323 | 248,350 | 77.0 |
| Milwaukee ³ | 129,780 | 205,232 | 58.1 |
| Parkside | 102,000 | 157,500 | 54.4 |
| Stout | 112,106 | 172,500 | 53.9 |
| Green Bay | 108,614 | 164,686 | 51.6 |
| Colleges | 105,575 | 159,500 | 51.1 |
| Superior | 105,781 | 158,500 | 49.8 |
| Platteville | 108,150 | 160,000 | 47.9 |
| Eau Claire | 118,081 | 171,600 | 45.3 |
| Stevens Point | 113,300 | 160,000 | 41.2 |
| La Crosse | 110,983 | 156,600 | 41.1 |
| Oshkosh | 110,983 | 156,600 | 41.1 |
| Whitewater | 110,983 | 156,600 | 41.1 |
| Extension | 113,300 | 159,500 | 40.8 |
| River Falls | 111,581 | 156,600 | 40.3 |
| Vice Chancellors for Academic Affairs | | | |
| Madison | 135,524 | 224,620 | 65.7 |
| Milwaukee | 116,776 | 185,353 | 58.7 |

¹ Does not include any funding provided by foundations.

² In August 2004, a new UW System President was appointed by the Board of Regents with an annual salary of \$320,000.

³ FY 2003-04 salary is that for the interim chancellor. The salary for the new chancellor, hired in March 2004, is reported to be \$250,000, plus an additional \$20,000 in compensation from the UWM Foundation.

UW System staff indicate salary increases are necessary for retention and to ensure successful recruitments when vacancies occur. They also report that even with existing increases, salaries for senior executives remained below the median for similar positions at peer universities.

***Salaries of UW System
chancellors and senior
executives are below
national medians.***

Only five individuals who held senior executive positions in FY 1997-98 remained in the same position in FY 2003-04, and data available through the College and University Professional Association for Human Resources, which surveys universities annually regarding compensation, indicate that the salaries of 20 UW System senior executives are below the national median for universities with comparable budgets. These salaries are shown in Table 29.

An emerging trend among universities and other nonprofit institutions is supplementing the salaries of senior executives and certain faculty with funds received from affiliated or external foundations. Although payments are typically made by foundations affiliated with UW System, in at least one instance a private foundation—the Argosy Foundation—is indirectly supplementing the salary of the Chancellor of UW-Milwaukee by donating funds to the UWM Foundation solely for this purpose. Senior executives are also sometimes provided with housing or housing allowances, state-owned vehicles, entertainment budgets, and club memberships. There is currently no effective reporting mechanism for these types of compensation.

Recommendation

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

Table 29

**Comparison of Senior Executive Salaries in UW System and Other Institutions
FY 2003-04**

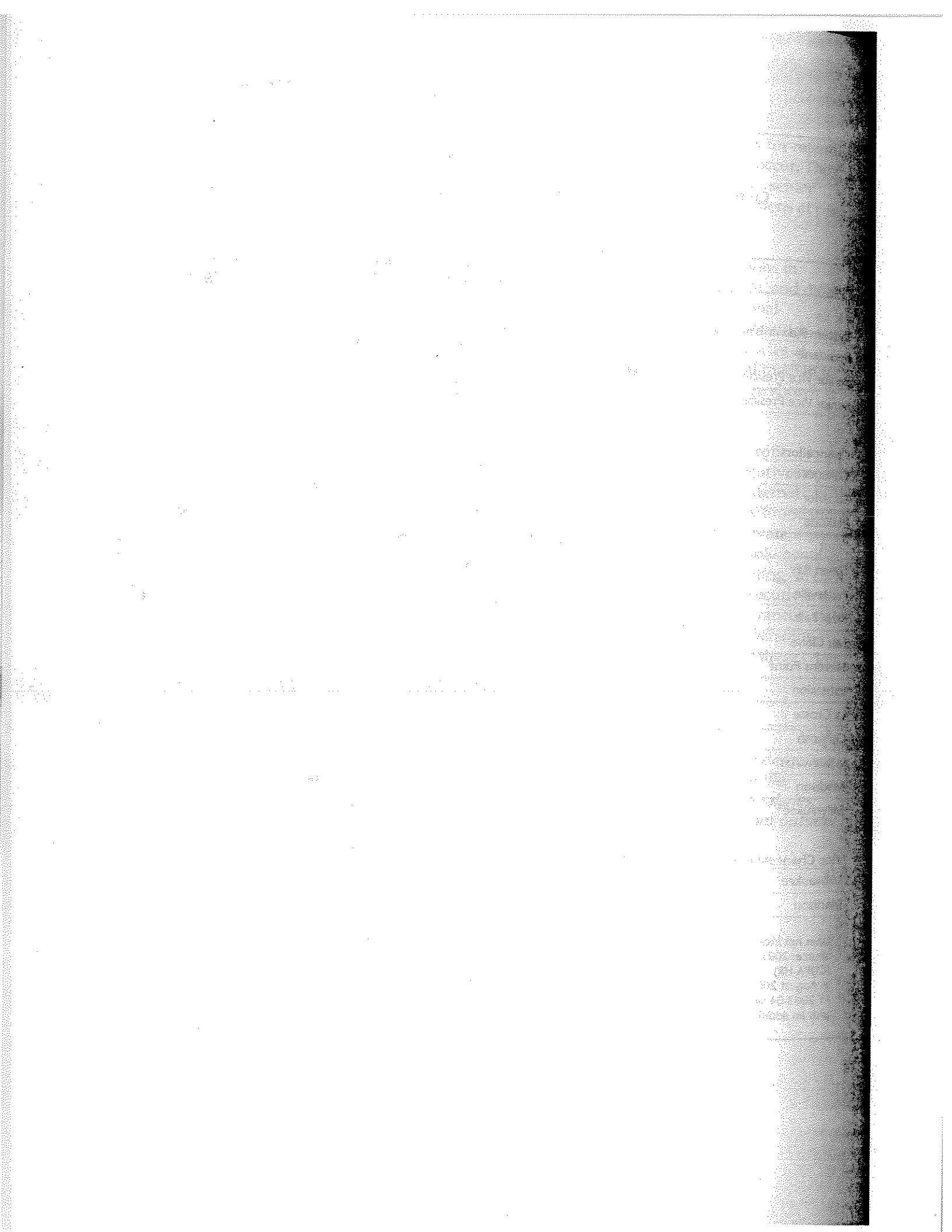
| Position | Actual Salary ¹ | Median Salary by Budget Size ² | Difference from Median |
|--|----------------------------|--|---------------------------|
| System Administration | | | |
| President ³ | \$304,980 | \$340,000 | -\$35,020 |
| Senior Vice President for Academic Affairs | 224,620 | 263,900 | -39,280 |
| Senior Vice President for Administration | 203,200 | 263,900 | -60,700 |
| Chancellors | | | |
| Colleges | 159,500 | 175,116 | -15,616 |
| Superior | 158,500 | 178,000 | -19,500 |
| Parkside | 157,500 | 178,000 | -20,500 |
| Stout | 172,500 | 193,003 | -20,503 |
| Green Bay | 164,686 | 193,003 | -28,317 |
| Platteville | 160,000 | 193,003 | -33,003 |
| River Falls | 156,600 | 193,003 | -36,403 |
| Eau Claire | 171,600 | 210,000 | -38,400 |
| Stevens Point | 160,000 | 210,000 | -50,000 |
| Extension | 159,500 | 210,000 | -50,500 |
| La Crosse | 156,600 | 210,000 | -53,400 |
| Oshkosh | 156,600 | 210,000 | -53,400 |
| Whitewater | 156,600 | 210,000 | -53,400 |
| Madison | 248,350 | 312,000 | -63,650 |
| Milwaukee ⁴ | 205,232 | 295,004 | -89,772 |
| Vice Chancellors for Academic Affairs | | | |
| Milwaukee | 185,353 | 204,743 | -19,390 |
| Madison | 224,620 | 244,279 | -19,659 |

¹ Does not include any funding provided by foundations.

² Source: 2003-04 Administrative Compensation Survey of the College and University Professional Association for Human Resources (CUPA-HR).

³ In August 2004, a new UW System President was appointed by the Board of Regents with an annual salary of \$320,000.

⁴ FY 2003-04 salary is that for the interim chancellor. The salary for the new chancellor, hired in March 2004, is reported to be \$250,000, plus an additional \$20,000 in compensation from the UWM Foundation.



Contractual Services ■

UW System routinely contracts with private vendors that provide a wide range of services, including administrative services such as:

- information technology (IT) consulting;
- investment management;
- accounting, auditing, and other consulting;
- executive searches; and
- marketing and public relations.

Contracts may be negotiated by System Administration or by individual institutions. Some contractors perform a single, defined task, such as creating marketing materials. Others provide ongoing services, such as accounting for a student loan program or conducting executive searches, over a specified period.

***In FY 2001-02,
UW System spent
\$84.8 million for
contractual services.***

UW System spent a total of \$84.8 million for all contractual services in FY 2001-02, including services related to research, instruction, public service, student services, and administration. Of that total, \$10.5 million, or 12.4 percent, was coded in accounting records as Institutional Support, the activity code related to system-wide management and long-range planning, fiscal operations, and other administrative costs. However, we identified numerous examples of contractual services costs that were administrative in nature but recorded under activity codes other than Institutional Support.

Consequently, we believe the \$10.5 million understates UW System's contractual purchases of administrative services.

Contractual Services Expenditures

System Administration and individual institutions may contract for services.

The Department of Administration has delegated some of its authority to procure contractual services to System Administration which has in turn delegated varying levels of authority to the campuses, UW Colleges, and UW-Extension. As shown in Table 30 both the procurement process and the level of DOA's involvement differ depending on a contract's anticipated cost. All contracts for legal services must be approved by the Governor.

Table 30

UW System Procurement Procedures

| Contractual Service | Process | Involvement of DOA |
|-----------------------------------|---|--|
| Cost of \$5,000 or less | Purchase using best judgment | No DOA approval required |
| Cost between \$5,000 and \$25,000 | Obtain a minimum of three quotes | No DOA approval required |
| Cost of \$25,000 or more | Perform a competitive bidding process using a request for bid or a request for proposal | DOA approval required only if a request for proposal process is used or if contracting with a sole source provider |
| Legal services | Gubernatorial approval | |

Like staffing and other expenditures, UW System's expenditures for contractual services are recorded using activity codes. For example, payments to community organizations for work related to economic development issues are coded as Public Service. Payments to individuals and firms for collecting and analyzing research data are coded as Research. Payments for study abroad programs are coded as Instruction. Payments for most administrative services are coded as Institutional Support. Table 31 shows expenditures for contractual services as recorded by UW System under the 11 activity codes.

Table 31

Contractual Services Expenditures
 FY 1997-98 and FY 2001-02
 (In Millions)

| Activity | FY 1997-98 | FY 2001-02 | Change |
|------------------------|---------------|---------------|-------------|
| Institutional Support | \$ 3.2 | \$10.5 | 228.1% |
| Physical Plant | 0.8 | 1.6 | 100.0 |
| Research | 6.5 | 11.3 | 73.8 |
| Student Services | 11.5 | 18.9 | 64.3 |
| Academic Support | 4.1 | 6.1 | 48.8 |
| Public Service | 13.3 | 17.5 | 31.6 |
| Instruction | 11.8 | 13.5 | 14.4 |
| Auxiliary Enterprises | 4.7 | 5.0 | 6.4 |
| Farm Operations | 0.2 | 0.2 | 0.0 |
| Hospitals ¹ | 0.2 | 0.2 | 0.0 |
| Financial Aid | <0.1 | <0.1 | 0.0 |
| Total | \$56.3 | \$84.8 | 50.6 |

¹ Hospitals is the activity code for reimbursements for contractual arrangements with the University of Wisconsin Hospital and Clinics Authority.

Contractual services coded as Institutional Support increased from \$3.2 million to \$10.5 million.

During the period shown, spending for contracted administrative services coded as Institutional Support more than tripled, increasing from \$3.2 million in FY 1997-98 to \$10.5 million in FY 2001-02. These expenditures were incurred by System Administration and other UW System institutions.

Spending by Institution

The extent to which contractors provide administrative services varies among institutions, based on differences in their business practices, general operations, and size. For example, UW-Whitewater prefers to rely on employees and limits its use of administrative service contractors. The use of contractors also appears to be tied to the timing of specific projects. For example, UW-Platteville has contracted with several consultants to provide services associated with the implementation of new IT systems. After the systems are implemented, UW-Platteville intends to rely less on consulting services for its IT needs and expects its expenditures for contractual services to decrease.