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☞ Details: University of Wisconsin System Staffing

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WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2003-04

(session year)

Joint

(Assembly, Senate or Joint)

Committee on Audit...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
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INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

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- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (November 2012)



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February 1, 2005

Senator Carol A. Roessler
Representative Suzanne Jeskewitz
Co-chairs, Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

In its September 2004 report on University of Wisconsin System staffing, the Legislative Audit Bureau (LAB) recommended that "UW System report to the Joint Legislative Audit Committee by February 1, 2005, on its administrative staffing and service delivery costs by institution and provide specific proposals to reduce administrative expenditures and increase operating efficiencies in the 2005-07 biennium." The enclosed report is submitted in response to this recommendation. I welcome the opportunity to communicate our progress.

While this report does not include every efficiency measure we have achieved, it does provide a good representation of more than 250 efficiency measures (\$1.3 million) and 225 administrative position reductions (\$13.7 million), with annual savings of nearly \$15 million. The savings are being reallocated to instruction and other high-priority areas. The report describes an additional \$2.1 million in annual savings I believe we can achieve through specific initiatives in UW System Administration, UW Colleges, and UW-Extension, including the elimination of a vice president position and my recommendation to the Regents that we eliminate a chancellor position.

As you will observe, the UW System is continually evaluating the way it does business, reviewing all aspects of the university's operations, from reducing the length of time it takes students to earn baccalaureate degrees to improving electronic data storage. My colleagues and I are committed to finding more ways to improve efficiency and effectiveness.

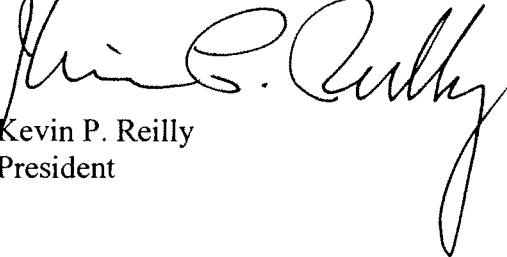
The LAB recommendation focused on future operating efficiencies, and our report highlights prospective changes in several areas, including capital budget and procurement. We have the lowest institutional support expenditures among our 18 peer institutions in the United States, and we want to build on that record of efficiency.

We look forward to working in partnership with the Legislature and the Governor to achieve as many operating efficiencies as possible. Several administrative initiatives in the UW

Senator Roessler and Representative Jeskewitz
February 1, 2005
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System 2005-07 budget request could yield potential savings of an additional \$21.6 million annually. As I noted in September, we are dedicated to providing access to all qualified Wisconsin students at an affordable price, to maintaining the quality of our education and services, and to assisting the state in stimulating economic development and ensuring Wisconsin's future prosperity.

Sincerely,



Kevin P. Reilly
President

Enclosure

cc: Joint Legislative Audit Committee members
Governor Jim Doyle
Senator Sheila Harsdorf
Representative Robin Kriebich
State Auditor Janice Mueller
Legislative Fiscal Bureau Director Bob Lang
Board of Regents
UW Chancellors



**University of Wisconsin System
Response to September 2004 Legislative Audit Bureau
Recommendations on UW System Staffing**

February 1, 2005

Report Highlights

- The report identifies 225 administrative position reductions and more than 250 efficiency measures that will provide an estimated annual savings of \$15 million (see especially pages 3, 8, and the Appendix).
- UW System President Kevin Reilly is implementing several administrative and organizational changes that will save an estimated \$2.1 million annually. Efficiencies include eliminating positions and units within System administration and recommending to the Board of Regents that UW Colleges and UW-Extension report to a single chancellor (pages 1-2).
- The UW System's undergraduate instructional cost per student (CPS) model is a reliable representation of what it costs UW institutions to educate students (page 5).
- The UW System is increasing its effectiveness and efficiency in academic services, while enrollments are up and the number of faculty is down, reducing the average credits to degree from 145 to 136, which represents savings of more than 168,000 student credit hours, equivalent to opening up more than 11,000 FTE enrollments (page 7).
- The UW System is encouraging faculty entrepreneurship through more than 100 marketplace discoveries disclosed through WiSys, a Systemwide non-profit foundation (page 7).
- Examples of efficiencies achieved through common administrative functions include:
 - An electronic application that automatically updates student accounts and eliminates manual updating – online applications have grown from 7,331 in 1997-98 to 104,738 in 2003-04 (page 9).
 - An electronic library that all UW institutions can share (page 9).
- The Board of Regents' 2005-07 biennial budget request recommends a number of strategies that would require legislative assistance to improve the UW System's operating efficiency and save more than \$21.6 million annually. An example is:
 - Saving as much as \$20 million annually by streamlining the capital building process to avoid inflation and other process-related costs (pages 9-10).

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I. Introduction

The University of Wisconsin System submits this report in response to the Legislative Audit Bureau's September 2004 recommendation that "UW System report to the Joint Legislative Audit Committee by February 1, 2005, on its administrative staffing and service delivery costs by institution and provide specific proposals to reduce administrative expenditures and increase operating efficiencies in the 2005-07 biennium." Efficiencies are the primary emphasis of this document. The report addresses: UW System President's initiatives, administrative staffing, service delivery cost issues, and academic and administrative initiatives for improving operating efficiency. This report also includes a brief update in response to the three other recommendations contained in the LAB report.

II. UW System President's Initiatives

I remain confident that ours is the most administratively efficient public higher education system in the nation. Nevertheless, we can never lose sight of our goal to be as resourceful as possible, while at the same time maintaining our effectiveness in service to our students, the UW institutions, and the State of Wisconsin.

In this regard, I have devoted much of my initial five months as president toward strategically aligning administrative structures and personnel to best meet the demands on the UW System's teaching, research, and public service missions. Reducing administrative costs is a means, not an end, and if we simply reduce costs without being attentive to service and mission, then we will have failed.

I am also aware of the significance of leading by example. I began by eliminating the UW System President's Inaugural event, and the first of our restructuring studies focused primarily on administration and services at UW System Administration. This study, along with a much broader analysis of consolidating administrative functions between the UW Colleges and UW-Extension, have prompted me to put forward the following strategies and savings:

UW System Administration

- Eliminate a vice president for university relations.
- Eliminate a state relations position.
- Restructure university relations functions.
- Convert an associate vice president for policy analysis and research to an assistant vice president.
- Change a senior vice president for administration to an executive vice president.
- Eliminate the market research unit.

TOTAL estimated annual savings: \$650,000

UW Colleges and UW-Extension

- Propose to the Board of Regents in February 2005 that there be a single chancellor for the two institutions.
- Finalize a study that identifies cost savings and efficiencies to be achieved through consolidating the central administrative offices of UW Colleges and UW-Extension.

- Direct UW Colleges and UW-Extension to move forward on consolidating administrative services while the search for a single chancellor proceeds, pending Regent approval.
- Require UW System Administration to study selected administrative services that could be consolidated with UW Colleges and UW-Extension.

TOTAL estimated annual savings: \$1,500,000*

TOTAL of all savings from these initiatives: \$2,150,000 annually

Additional administrative restructuring will be accomplished in the future, with savings reallocated to instruction and other direct services to students, faculty, and the communities we serve. In all that we do, we will remain committed to adding value to the teaching, research, and public service missions of our institutions, to fueling the state's economy, and to strengthening Wisconsin's quality of life.

III. Administrative Staffing

In slightly more than a generation, state tax support for the University of Wisconsin System has gone from almost 50 percent of the total UW System budget (1973) to slightly above 25 percent (2004-05). Over the past 15 years, the UW System has reduced the number of staff positions funded with state tax dollars, while increasing the number of non-state-funded positions. In the 2003-05 biennium, the university sustained a \$250 million cut, the largest in its history, following a \$50 million cut the previous year. Since staffing costs represent 75 to 80 percent of UW System's operating costs, these types of funding reductions have a significant impact, not only on our staffing, but also on our service to students.

Detailed information about recent UW System staffing reductions, and the role of administrative positions, follows.

A. Staffing Reductions

To manage state funding cuts while satisfying increased demand for our services, the UW System has made major changes in its operations and service delivery, including reductions in administrative staff. Table 1 is a summary of the approximately 225 administrative positions UW institutions have eliminated in the past few years alone, the majority in response to state funding reductions. Included in this number were several senior management positions at the campus level, including an Assistant Chancellor for Administration, Assistant Chancellor for Advancement, Assistant Vice Chancellor for Information Services, Assistant Vice Chancellor for Enrollment Management, and Assistant Vice Chancellor for Library. In some cases, their duties were re-assigned to several individuals, with the tasks being performed at a reduced level. Total annual savings from position reductions are approximately \$13.7 million.

* From Dr. David J. Ward's report on "Opportunities for Consolidation of Administration Between the UW Colleges and UW-Extension," January 14, 2005. Additional savings will accrue from undertaking only one chancellor search and from progress on consolidating administrative services.

**Table 1: UW System Institution-Eliminated Administrative Positions
and Associated Annual Salary and Fringe Benefit Reductions**

POSITION LEVEL	PRE-FY 2003		FY 2003		FY 2004		FY 2005		TOTAL SAVINGS
	#	\$	#	\$	#	\$	#	\$*	
Executive	4.0	437,668	1.0	156,000	6.5	786,317	1	141,350	1,521,335
Mgt.	9.5	950,942	6.5	555,269	25.6	2,262,316	6	558,008	4,326,535
Support	22.0	1,017,098	49.1	2,446,301	92.0	4,157,067	4	191,881	7,812,347
Total	35.5	\$2,405,708	56.6	\$3,157,570	123.1	7,205,700	11	\$891,239	\$13,660,217

*Projected through end of fiscal year.

In many cases, eliminating administrative positions had an impact on students and faculty. Some examples of the impact of these reductions on various UW institutions include:

Student Services:

- Reduced academic and career counseling services.
- Backlog in processing student applications, especially transfers.
- Reduced access to student computer labs due to shorter operating hours.
- Less time spent recruiting non-resident students, who pay more than the cost of their education and thereby subsidize resident students.
- Slower responses to student registration, records, and financial aid requests.

Academic Support:

- Reduced library hours and access.
- Reduced outreach to adult learners and services to Extended Degree students.
- Fewer technology initiatives to support faculty in the classroom.
- Reduced ability to recruit and support international students.
- Less support for faculty research assessment and research design, reducing the chance of having faculty work published or grants funded.
- Reduced technical support for distance education programs.

Institutional Support:

- Reduced ability to manage risk and liability issues.
- Slower processing of orders, bidding, and purchasing responsibilities.
- Inability to complete routine campus audits and management reviews.
- Reduced cashiering services.
- Reduced service quality for conference center program attendees and visitors.
- Lessened ability to secure outside funding and support to partially offset cuts in state funding.

We will continue making changes based on careful analysis to minimize the negative impact of administrative cost reductions.

B. Educational Role

The UW System's framework for considering administrative staffing is somewhat different from LAB's. The LAB report indicated that the UW System had 31,972 filled positions at the time of the March 2004 payroll. Using its own method of classification, LAB identified 8,038 administrative positions, which represented approximately 25 percent of all UW System staff and 15 percent of UW System operating expenditures.

Two aspects of the LAB methodology warrant further clarification. First, the vast majority of the identified positions are not upper-management positions; and second, even positions with administrative titles frequently perform educational functions. A few examples:

- *Core mission* – LAB included positions from admissions, student affairs, career planning, counseling, financial aid, university housing, and other core student services directly related to the UW System's educational mission. This approach categorizes many positions that provide direct services to students as administrative, and in that regard varies from standard practice at universities around the country. Creating the educational environment students have come to expect requires that we offer and deliver services away from the classroom that are essential in the day-to-day lives of our student constituents.
- *Clerical positions* – LAB included 3,515 program assistant (clerical and secretarial) positions, representing nearly 44 percent of all identified administrative positions. Program assistants often provide direct services to students and faculty. They may coordinate guest speakers or student conferences; support faculty use of technology; or assist students who are gathering information about program options, completing academic forms, or assembling portfolios.
- *Supervisors* – Supervisory staff, defined as administrative by the LAB methodology, also perform non-administrative functions. For example, financial aid directors at the smaller campuses work directly with students during the application process. Other "administrative" staff also work directly with students, such as the assistant dean at one campus, who teaches a class and advises students.

While the definition of administrative staff is a subject for continued discussion, the UW System remains committed to working with LAB, the Legislative Fiscal Bureau, and the state Department of Administration to develop a practical reporting model for all UW System positions.

IV. Service Delivery Costs

The LAB report discusses the variation in operating costs across the UW institutions. The UW System is continually striving to analyze operating costs with an eye toward efficiency. The UW System's Cost Per Student (CPS) model has been in use since 1971, and in the past six months, both LAB and UW-Green Bay have provided alternative models:

- *LAB model* – LAB calculated that operating costs per full-time-equivalent (FTE) student ranged from \$8,981 to \$28,659 for 2002-03. The LAB model essentially divided the campuses' annual expenditures by the number of FTE students, excluding all research expenditures, student loans, and the UW-Madison Athletic Department. LAB included all other campus costs, including expenditures for housing, parking, and other activities that are not supported by state funds or tuition. These other activities can distort student-cost comparisons among the UW institutions.
- *UW-Green Bay model* – The UW-Green Bay model, “Instructional Funding per Student,” combines tuition, student fees, and general purpose revenue (GPR) and divides that total by the number of FTE students. It shows a range of \$6,521 to \$18,010 in funding per student for 2003-04. This model, too, has its shortcomings, because it includes state support for functions not directly related to instructing students, such as research and public service.
- *UW System model* – The UW System’s CPS model measures the costs of educating students and excludes non-instructional programs. The CPS is a complex calculation that takes into account student grade levels – freshman and sophomore, junior and senior, graduate, doctorate, law, medical, and veterinary. The model uses the GPR/fee budget. It excludes program revenue, auxiliary enterprises, public service, farm operations, research, and financial aid. The majority of institutional support and physical plant costs are included, as they relate to the educational mission of the university. Table 2 shows cost per undergraduate student for the doctoral and comprehensive institutions and UW Colleges, using the CPS model.

**Table 2: University of Wisconsin System
Undergraduate Instructional Cost Per Student**

UW INSTITUTION	2002-03	2003-04	2004-05
Doctoral Cluster			
Madison	\$9,593	\$9,566	\$10,060
Milwaukee	9,180	8,911	8,782
University Cluster			
Eau Claire	7,813	7,556	8,076
Green Bay	8,074	7,944	8,327
La Crosse	7,410	7,276	7,955
Oshkosh	7,563	7,303	7,614
Parkside	9,260	8,989	9,440
Platteville	8,781	8,335	8,643
River Falls	7,871	7,709	8,249
Stevens Point	8,051	7,944	8,397
Stout	8,310	8,002	8,735
Superior	9,924	9,506	10,172
Whitewater	7,403	7,223	7,518
Colleges	6,677	6,454	7,002

This model is used consistently in the negotiations on the Minnesota Reciprocity Agreement, as well as by the Legislative Fiscal Bureau in its budget analysis. As the table shows, the CPS model results in a substantially narrower range in cost per student across UW institutions than the other models, \$7,002 to \$10,172 in 2004-05. The detail and complexity of this model enable it to best represent the true cost of instructing students at UW institutions.

Regardless of which model is applied, cost-per-student differences can be attributed to several factors. Some examples are:

- *Economies of scale* – Each institution has certain fixed costs regardless of its size; therefore, institutions with smaller enrollments are likely to have a higher cost per student.
- *Differences in instructional levels* – Institutions with more FTEs enrolled at the junior and senior levels may have a higher cost per student than institutions with more freshman and sophomore enrollments.
- *Programmatic differences* – The programs an institution offers affect its cost per student. An institution offering engineering or nursing may have higher costs than those offering more liberal arts programming.
- *Changes in GPR or fee funding* – Changes to an institution's funding levels for specific programming, student-supported differential tuition levels, and other initiatives result in changes to its cost per student.

The UW System is regularly monitoring the operating and instructional costs at its institutions, identifying and analyzing the reasons for any significant differences.

V. Improving Operating Efficiencies and Reducing Administrative Expenditures

We continually evaluate the way we do business, reviewing all aspects of the university's operations, from academic programs to administrative systems. UW System enrollment continued to grow due to demand during our 2003-2005 budget cuts. We continue to look for new ways to improve our processes as we fine tune our existing operations. This section of our report provides an overview of some of our efficiency initiatives, in both academic and administrative areas, and also describes items in our budget request that can improve efficiency.

A. Academic Initiatives

Examples of efforts to improve academic efficiency include:

- *Expanded learning opportunities through distance education* – More than 900 courses are offered systemwide, with more than 23,000 students participating. Many of our distance education programs offer online degrees in high-demand areas, such as nursing and business administration. Distance education courses enable place-bound students to avoid the costs of commuting to a campus, or losing time at work, as they pursue their degrees.

- *Collaborative programs* – Collaborative course offerings among UW institutions have grown significantly. For example, the UW System Collaborative Language Program provides critical language instruction at UW institutions currently unable to support these offerings on their own; eight institutions participated in 2003-04, and enrollment has grown from 98 students in fall 1998, to more than 240 students in fall 2003. In another instance, the Internet Business Consortium MBA Program, shared by four UW institutions, has served more than 1,800 students since 1998.
- *Retention and graduation* – Since the early 1990s, the UW System's retention and graduation rates have been approximately five percentage points above the national average. Retention to the second year is a strong predictor of college completion. UW System completion rates have increased over the past decade, with the biggest gains occurring in the proportion of freshmen graduating within four years, rather than five or six. As more students finish within four years, they pay tuition for fewer semesters and improve access to the university by freeing up space for other students.
- *Credits to degree* – In 1995, the UW Board of Regents recognized that many students were taking credits in excess of program requirements, affecting the total number of students the university can enroll. The average number of credits students earned before obtaining a bachelor's degree was 145 in 1993-94. Average credits to degree had decreased to 136 by 2003-04. The average reduction of nine credits represents a savings of more than 168,000 student credit hours, equivalent to opening up more than 11,000 FTE enrollments.
- *UW-Milwaukee (UWM) College Connection* – A collaborative bachelor's degree program that involves UW-Milwaukee and participating UW Colleges campuses, the UWM College Connection is structured so students can earn their bachelor's degrees from UW-Milwaukee without ever leaving their UW Colleges campus. Students do not need to travel or relocate, and UW-Milwaukee saves classroom space for use by on-campus students.
- *WiSys Technology Foundation* – The non-profit WiSys Foundation works to bring to the marketplace discoveries from all UW System institutions, in the same way that the Wisconsin Alumni Research Foundation serves UW-Madison. This foundation exemplifies the entrepreneurial spirit of our UW institutions. UW System institutions have made over 100 disclosures through WiSys, illustrating the significant research that occurs beyond the Madison campus.
- *Transfer of credits* – The UW System and the Wisconsin Technical College System (WTCS) have been working collaboratively on transfer issues and have made significant progress on improving credit transfer opportunities. Examples of these enhancements include the number of WTCS general education credits eligible for transfer increasing from 25 to 30; WTCS occupational/technical courses becoming eligible for transfer on a course-to-course basis; and WTCS students earning the newly aligned Liberal Arts Associate Degree being allowed to transfer up to 72 credits and satisfy the general education requirements at any UW institution.

B. Administrative Initiatives

Individual UW institution and systemwide efforts have contributed to administrative efficiency:

1. Institution-Level Initiatives

UW institutions have identified more than 250 administrative efficiency projects that will result in total annual savings exceeding \$1.3 million. Automated degree and enrollment verification, centralized copying and printing operations, consolidation of library materials at fewer sites, and implementation of procurement cards are only a few examples of efficiency gains. Many of the initiatives involve streamlining business practices through the use of greater automation or technology. For example, online registration, advising, and grading systems have reduced operating costs, while improving both staff productivity and service quality.

The appendix provides more detail on some of the administrative efficiencies campuses are achieving. Many of the initiatives have been adopted at multiple UW institutions.

2. Systemwide Initiatives

The Board of Regents' 2004 "Charting a New Course for the UW System" study recommended internal operating processes, enhanced technologies, and statutory changes that would improve operating efficiencies. The report made 27 recommendations, many of which focus on efficiency, with the goals of maintaining access and affordability, maintaining quality, educating the state's citizenry, and stimulating economic development. Administrative areas that were identified as "targets of opportunity" for efficiency included management of: 1) funds associated with auxiliary operations, such as student unions; 2) human resources; 3) travel; 4) purchasing and contracts; 5) information technology; and 6) risk and liability. We have made progress in two of these areas, in particular, and expect to recognize savings and improved efficiency in the coming year:

- *Purchasing and contract management* – The UW System is increasing its use of strategic sourcing to leverage the purchasing power of UW System institutions. Strategic sourcing is a business practice that has resulted in significant cost savings for many organizations. A UW System paper, prepared in 2004, identifies the components of a successful strategic sourcing initiative and serves as a preliminary step for identifying opportunities to improve the UW's procurement process.

We have reactivated the UW Purchasing Council, a group that represents purchasing directors from UW institutions and UW System. The council's plans include: 1) annually identifying new opportunities for developing common procurement initiatives across the UW System; 2) identifying procurement business processes that can be improved, such as streamlining contract forms and processes; 3) improving the collection and use of procurement data; and 4) identifying opportunities to share procurement resources between UW-Madison and other UW System institutions.

- *Risk management* – The UW System has been exploring the formation of an insurance captive as a method to expand coverage and, in the long term, potentially reduce the cost of insurance premiums to the university, which are currently more than \$10 million a year. This method can also help more proactively address areas of risk. Seven of the Big Ten universities use this tool to manage their risk financing. The UW System is teaming with the Department of Administration and other state agencies to conduct a feasibility study.

UW System supports reviewing a range of common administrative functions to determine whether the services could most efficiently be provided by individual institutions, by UW System, or through regional or other types of coalitions. Areas in which we are already making changes include:

- *Online application process* – Students can apply online and submit an electronic application to multiple UW institutions. The electronic application also automatically updates student accounts, eliminating manual updating. The number of electronic applications submitted increased from 7,331 in the 1997-98 application cycle to 104,738 in 2003-04.
- *One course management system (Desire2Learn initiative)* – UW System selected one common course management system, which reduced the number of software systems used throughout UW System. Desire2Learn allows students who may take courses from multiple institutions to be served without having to learn multiple systems, and using a common system reduces administrative support costs.
- *Library system* – All UW libraries use the same catalog system software, and have created an electronic library that all UW System institutions can share.
- *Shared administrative systems* – Since the mid-1990s, there has been a concerted effort to adopt common systems among the UW institutions, such as the Shared Financials System and the Student Administration System.

Ideas for restructuring additional functions could lead to cost savings in such areas as data warehousing, architecture, engineering, telecommunications, human resources, accounting, and audit. UW System will work with the UW institutions and the state Department of Administration to review these and other options for savings or greater efficiency. As part of this process, university provosts and chief business officers are also identifying principles for an overall administrative cost reduction plan.

C. Initiatives that Require Legislative Assistance

Several items in the UW System's 2005-07 biennial budget request can improve efficiency, with potential annual savings of \$21.6 million. For example:

- *Capital budget* – The State of Wisconsin could save as much as \$400 million over a 20-year period (\$20 million annually) by streamlining the capital building process to avoid inflation and other process-related costs. The types of changes needed, such as eliminating the enumeration requirement for cash-funded projects and allowing flexible bidding and project

management processes, will require administrative and statutory changes and approval by the Governor and the Legislature.

- *Procurement process flexibility* – UW institutions could save as much as \$600,000 per year if the Department of Administration (DOA) allowed all UW institutions to purchase office supplies through a contract developed by the Big Ten universities' Committee on Institutional Cooperation Purchasing Consortium (CICPC). DOA has allowed only UW-Madison to use the consortium contract; our biennial budget request would give us the ability to use CICPC contracts for additional UW institutions. Discussions are underway with DOA to determine how the university can best save money in this area through participation in such consortia and/or cooperation in statewide initiatives.
- *Assumption of cash management and investment responsibilities* – By using longer-term and more diversified investments, we could increase our investment returns by \$1 million annually. The UW System would reimburse the state for the interest it now earns.

We will be seeking legislative assistance and approval for these initiatives and others included in our 2005-07 biennial budget request.

VI. Other LAB Recommendations

Although LAB's fourth recommendation is the primary purpose of this report, we would also like to report on the status of the other three recommendations in LAB's report on UW System Staffing:

- *Periodic reports* – The first recommendation stated: "Provide the Legislature with complete periodic reports on executive salaries, fringe benefits, and cash and noncash compensation from outside sources." We will provide information annually on executive compensation from state and outside sources.
- *Accounting records* – The second recommendation stated: "Provide all University of Wisconsin institutions with guidance on coding contractual expenditures in their accounting records to ensure accuracy and consistency." We have instructed the chief business officers at our institutions to be sure they continue to follow the standards established by the National Association of College and University Business Officers when coding contractual expenditures.
- *Position reporting* – The third recommendation provided that the UW System "seek statutory changes to streamline and improve its position reporting to ensure accuracy, transparency, and timeliness in reporting the number and type of UW positions." The UW System is in discussions with the Legislative Audit Bureau, the Legislative Fiscal Bureau, and the state Department of Administration Budget Office about the myriad of existing reports, report content and frequency, and options for streamlining reporting to reduce administrative costs. Printing costs for the required reports currently total approximately \$2,000 per year in UW System Administration alone. We expect to seek the Legislature's support for any statutory

changes necessary to implement more meaningful position reporting at lower administrative cost to the university and the state.

The UW System remains committed to working on each of the recommendations in the LAB report.

VII. Conclusion

The UW System will vigorously evaluate its operations, identifying ways of serving Wisconsin citizens as efficiently and effectively as possible. As this report indicates, the UW System is, and has been, engaged in an ongoing process of assessing the ways in which we work and devising efficiency initiatives, both academic and administrative.

While enhanced efficiency often leads to improvements that are difficult to quantify, an estimated \$15 million in cost savings can be achieved through the current initiatives and administrative position reductions, with reallocated funds devoted to instruction and other high-priority services. The President's initiatives will add \$2.1 million in estimated annual savings through restructuring and other administrative changes. Improvements in the capital budget, procurement, and cash management processes could lead to an additional \$21.6 million in annual savings.

The UW System is committed to providing access to our institutions, preserving affordability, maintaining the quality of our educational services, and stimulating economic development. Working to achieve these goals will require a strong collaborative effort among the UW System, the Legislature, and the Governor in this and future biennia.

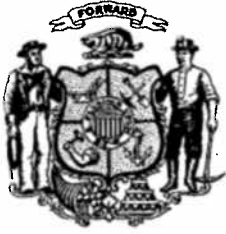
Appendix
Examples of UW System Institution Efficiency Initiatives

EFFICIENCY	INITIATIVE	BENEFIT
STUDENT SERVICES	Automated registration, advising, and grading services have been implemented at several institutions.	Greater workload capacity with minimal staff. One campus identified annual savings of \$10,000.
	Direct credit of financial aid at several institutions.	Improved student service by eliminating time delays and long lines to receive financial aid. One campus identified annual savings of \$63,000.
	Several institutions use an automated clearinghouse for financial aid refunds on student campus cards.	One institution has identified annual savings of \$12,000.
	Conversion of Perkins loan program.	ESCI provides billing, collection, and reporting services, saving 0.5 FTE.
	Development of an online advising system.	More efficient use of limited advisor time.
	Streamlined process for undergraduate admissions applications.	Quicker application processing and faster communication of decisions.
	Automated degree and enrollment verifications, outsourced to Student Loan Clearinghouse.	Improved processing by eliminating paper, reducing walk-in traffic, increasing convenience of third-party verification.
	Re-engineered division of student affairs; elimination of vice chancellor position, consolidation of positions.	Reduced central office staffing, streamlined network administration, greater efficiency and consistency of response.
	New student information system with integrated student information across the campus.	Better access to information and services for students, faculty, and advisors.
INSTITUTIONAL SUPPORT	Use of electronic billing rather than mailing bills to students at several institutions.	Annual savings of \$30,000 in postage and other costs and improved service through more accurate statements.
	Centralized copying and printing operations.	Reduced staffing, resulting in annual savings of \$40,000, while improving service.
	Electronic document imaging, storage, and retrieval.	Reduced paper costs, increased staff efficiency in accessing records, and reallocated storage space.
	Implementation of procurement card.	Purchasing staff can focus on more significant issues. One campus identified annual savings of \$1,000.
	Conversion of financial processing and data reporting functions to the Shared Financials System.	Greater flexibility in reallocating information technology resources.

EFFICIENCY	INITIATIVE	BENEFIT
INSTITUTIONAL SUPPORT	Contract for mail pick-up.	Institutions have realized cost savings and new revenue streams of up to \$23,600 annually.
	Integration of Affirmative Action into Human Resources Office.	Elimination of duplication of effort and data collection. Streamlined campus hiring process.
	Use of electronic earnings statements.	Reduced handling and distribution expenses.
	Campus-wide access to common technology tools.	Reduced paperwork due to systemwide software, such as PeopleSoft.
	Elimination of duplicate budget transfers into a separate database.	Annual savings of \$500 at one campus.
	Implementation of electronic time keeping.	Elimination of paper time sheets.
	Revised cash drawer processes.	Annual savings of \$5,000 from reducing student labor in counting cash drawer charge funds.
	Implementation of web-based campus budget system.	Automated calculation of fringe benefit transfers, saving \$25,000 and one FTE position.
	Reorganized a section in a budget office.	Annual salary savings of \$67,000.
	Streamlined process for filling office support positions.	Direct application on website eliminates the need for mass mailings.
	Reorganization and reassignment of duties in Financial Services offices.	Salary savings of \$25,000.
	Implemented e-commerce, replacing stores operation.	Reduced inventory space, ease in ordering commonly purchased goods, and improved delivery.
	Presentation of student account information on website.	Reduced paper, postage, and handling costs of up to \$500 and reduced staff time.
	Implementation of e-payment option for student accounts.	Reduced processing costs.
ACADEMIC SUPPORT	Creation of an online class schedule.	Annual savings of \$10,000 in production and distribution costs.
	Reorganization of academic colleges.	Reduced number of administrators, saving \$23,000 annually.
	Electronic distribution of reserved library materials.	Reduced staffing and space requirements.
	Implementation of a digital library at several institutions.	Ease of access to journals and books.
	Restructured Graduate School admissions process to maximize use of information technology.	Reduced processing time from several weeks to several days, and reduced staff time.

EFFICIENCY	INITIATIVE	BENEFIT
ACADEMIC SUPPORT	Consolidation of three library sites.	Reduced duplication of hard-copy journals or monographs, reduced staff time, and elimination of one position.
	Implementation of classroom scheduling software.	More effective use of facilities and reduced workload for faculty who scheduled facility use.
	Reorganized library administrative structure.	Reduced number of administrative positions and reallocated staff.
	Centralized administrative responsibility for Connections Program in Letters and Science and redesigned website.	Increased access for students and improved links between nontraditional students and advisors.
PHYSICAL PLANT	Reuse of 200 light poles.	Savings of \$300,000 in replacements and energy costs.
	Renovation of a residence hall.	Significant savings when compared to replacement costs.
	Implementation of a software program.	Greater efficiency through use of hand-held ticket writing instrumentation.
	Web-based facilities request.	Savings of \$5,000 annually.
	Creation of surplus item distribution list.	Faster and more targeted notification of surplus sales, resulting in annual savings of \$500.
	On-demand, instead of scheduled, facility cleaning.	Emphasis on cleaning public spaces. Many offices are cleaned by the occupant.
	Creation of a central maintenance staff pool.	Campus can leverage limited maintenance staff to meet highest institution-wide priorities.
	Institution of a campus-wide Maintenance Management System (CMMS).	System defines preventive maintenance scheduling and tracks cost, allowing allocation of limited resources for the highest priorities.
	Implementation of programmed lighting.	Annual savings of \$5,100 in utility costs.
	Training of staff to perform multiple trade functions.	Reduced staff in certain trades, such as plumbing, since other employees are trained to handle basic plumbing issues.
Online fleet reservations.	Decreased need for phone calls and streamlined processing.	
AUXILIARY SERVICES/ OTHER	Streamlined process for high school mailings and new database system.	Savings of LTE and student worker salaries of more than \$10,000.
	Card access to student residence halls.	Savings of \$50,000 in reduced night security and key replacement costs.
	Use of RA staff to assist with residence hall front desk duties.	Savings of \$75,000 annually through reduced need for student employees.

EFFICIENCY	INITIATIVE	BENEFIT
AUXILIARY SERVICES/ OTHER	Elimination of credit card payments for tuition, fees, and room and board and acceptance of automated clearinghouse payments.	Savings of more than \$200,000 in bank fees annually at one institution.
	Single vendor contract for all restaurant operations.	Several campuses have reduced costs, with one institution identifying annual savings of \$21,500.
	Use of video conferencing and conference calls for meetings and professional development efforts.	All institutions have reduced travel costs and increased employee productivity.
	Use of higher education bookstore consortium.	Savings have averaged \$21,000 over a two-year period.
	Revised DVD checkout process.	Savings of \$12,000.
	Consolidation of parking oversight duties with bookstore director position.	Savings of \$18,000.
	Reduced grounds and custodial crews and main-desk hours for residence life activities.	Student payroll reduced by \$100,000.
	Implementation of web-based permit application system.	Cost savings and reduced manual processing.
	Reduced need to build additional 1,200 parking stalls on campus by implementing a one-permit system and increasing use of current parking.	Significant savings in long-term debt service over the life of a parking ramp.
	Reorganized University Health Services, eliminating a deputy director position.	Reallocated funds to other positions.
	Developed online enrollment/payment system for student health insurance program.	Greater convenience for students, redirected staff time from data entry to customer service and eliminated contract fees of \$150,000.
	Implemented web-based application at student union.	Greater convenience for students and parents and increased deposit activity without added administrative costs.

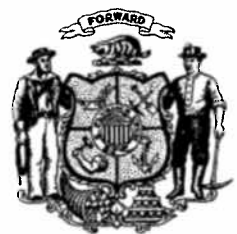


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MEASURING UP
2004
**THE STATE REPORT CARD
ON HIGHER EDUCATION**

WISCONSIN



THE NATIONAL CENTER FOR
PUBLIC POLICY AND
HIGHER EDUCATION

WHAT IS MEASURING UP?

This state report card is derived from *Measuring Up 2004*, the national report card for higher education. Its purpose is to provide the public and policymakers with information to assess and improve postsecondary education in each state. *Measuring Up 2004* is the third in a series of biennial report cards.

Measuring Up 2004 evaluates states on their performance in higher education because it is the states that are primarily responsible for educational access and quality in the United States. In this report card, "higher education" refers to all education and training beyond high school, including all public and private, two- and four-year, for-profit and nonprofit institutions.

The report card grades states in six overall performance categories:

■ **Preparation:** How adequately are students in each state being prepared for education and training beyond high school?

■ **Participation:** Do state residents have sufficient opportunities to enroll in education and training beyond high school?

■ **Affordability:** How affordable is higher education for students and their families?

■ **Completion:** Do students make progress toward and complete their certificates and degrees in a timely manner?

■ **Benefits:** What benefits does the state receive as a result of having a highly educated population?

■ **Learning:** What is known about student learning as a result of education and training beyond high school?

Each state receives a grade in each performance category, and the grades are based on the state's performance on several indicators, or quantitative measures, in each category. Most states receive an "Incomplete" in learning because there are no common benchmarks that allow for state-by-state comparisons in learning. Five states, however, receive a "Plus" in learning to highlight their work in developing measures to evaluate the state's educational capital—that is, the reservoir of high-level knowledge and skills

that the state's population has attained. For more information about this, see page 12 of this state report card.

In four of the performance categories—preparation, participation, completion, and benefits—grades are calculated by comparing each state's current performance to that of the best-performing states. This provides a basis for assessing and comparing each state's performance in the national context and encourages each state to "measure up" to the highest performing states.

In the affordability category, however, the nation as a whole is "measuring down." That is, even in the best-performing states, higher education has become *less* rather than *more* affordable when the costs of attending college are considered in relation to family income. As a result, grades in the affordability category are calculated by comparing each state's current results to the performance of the top states *a decade ago*. This enables policymakers to examine their state's results in relation to other states, while also encouraging improved performance over time. A glance at the table of state grades on page 15 reveals that the affordability category is the only one in which no state receives an A.

Measuring Up 2004 also compares each state's current results with its own performance a decade ago. Although this historical information is not graded, it is offered to allow states to examine their improvements and declines in performance. In gathering information for this period, information from 1992—or the closest year available—is compared with the most recently available data. All information was collected from national, reliable sources, including the U.S. Census Bureau and the U.S. Department of Education. (For more information about grading, data collection, and sources, please see the technical report at www.highereducation.org.)

This state report card begins by summarizing the state's performance today compared with ten years ago, and by presenting key policy questions that these results suggest for the state. Next, the state's performance in each category is described in greater detail, followed by additional contextual information.

A Snapshot of Improvement Over the Past Decade

High school graduates are, in general, better prepared for college today than their peers were a decade ago. However, most states, and the nation as a whole, have made little progress in translating these gains into improvements at the college level.

Preparation: 44 states improved on more than half of the indicators; 6 improved on some of the indicators.

Participation: 8 states improved on more than half of the indicators; 23 improved on some of the indicators; 19 declined on every indicator.

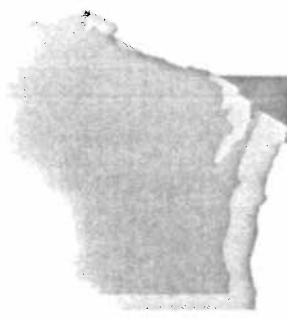
Affordability: 2 states improved on more than half of the indicators; 31 improved on some of the indicators; 17 declined on every indicator.

Completion: 37 states improved on more than half of the indicators; 9 improved on some of the indicators; 4 declined on every indicator.

Benefits: 41 states improved on more than half of the indicators; 8 improved on some of the indicators; 1 declined on every indicator.

Learning: 45 states receive an "Incomplete"; 5 states (Illinois, Kentucky, Nevada, Oklahoma, and South Carolina) receive a "Plus."

For more information about improvement, please see *Measuring Up 2004: The National Report Card on Higher Education* at www.highereducation.org.



Wisconsin has declined over the past decade in the participation of young and working-age adults in higher education. The state's improvements in preparing young people for college-level education have not paid off in terms of increased participation in college. Wisconsin has held the line over the past decade on the affordability of community colleges for low- and middle-income families. But the sharp increases in the share of income, even after financial aid, needed to attend public four-year colleges may further erode educational opportunities for state residents.

Strengths

Preparation

■ Compared with other states, large proportions of Wisconsin high school students are enrolled in upper-level math and science.

■ Wisconsin 8th graders perform very well on national exams in math and reading. Their performance in reading has improved over the past few years, in contrast to a nationwide decline.

■ A large proportion of high school students perform well on college entrance exams.

■ Compared with other states, a large proportion of secondary students are taught by qualified teachers. Wisconsin's performance on this measure has increased substantially over the past decade, surpassing the nationwide improvement.

Participation

■ The likelihood of 9th graders enrolling in college within four years remains high relative to other states, even though the state has lost ground over the past decade on this measure.

Affordability

■ Over the past decade, Wisconsin has held the line in the share of family income, after financial aid, needed to attend community colleges. This performance is notable, given the country's sharp decline in offering affordable higher education. However, net college costs for low- and middle-income students to attend a community college in the state still require about 27% of their annual family income. (Net college costs equal tuition, room, and board minus financial aid.)

Completion

■ Compared with other states, a fairly large percentage of freshmen return for their sophomore year at community colleges.

■ Large proportions of freshmen return for their sophomore year at four-year colleges and universities. Wisconsin has performed consistently well on this measure over the decade.

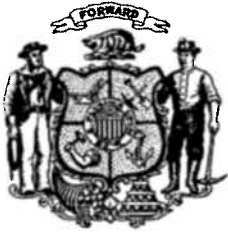
■ Compared with other states, a large percentage of students complete a bachelor's degree within six years of enrolling in college. This percentage has increased over the past few years.

■ Large proportions of students earn certificates and degrees relative to the number enrolled. These proportions have increased over the past decade—more than the nationwide improvement on this measure.

2004 REPORT CARD	
Preparation	B+
Participation	B
Affordability	D
Completion	A-
Benefits	C+
Learning	I

**Improvement
Over Past
Decade**



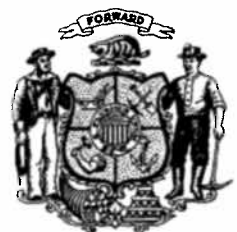


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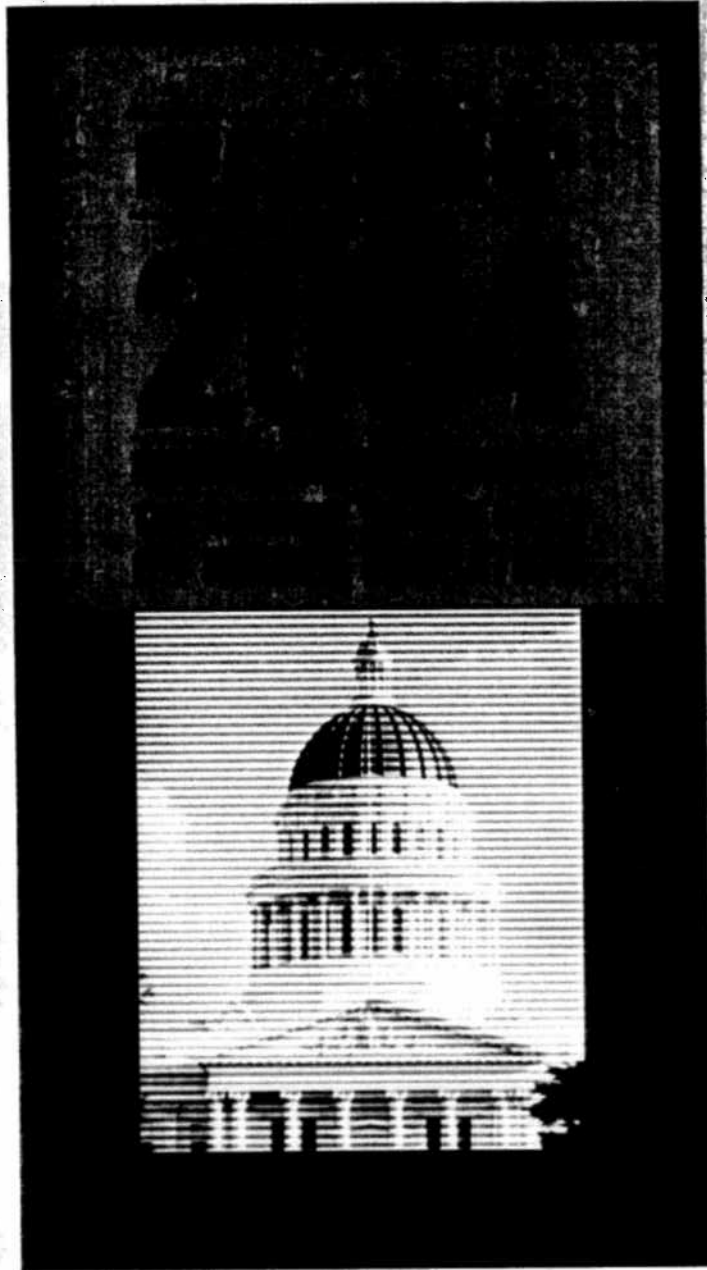
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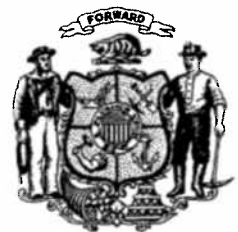


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The Economic Value of Academic Research and Development in Wisconsin



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EXECUTIVE SUMMARY

Without a vibrant foundation in academic research and development, Wisconsin will find it difficult, if not impossible, to grow a high-tech, “knowledge-based” economy in the 21st century. Thanks to decades of investment in people and facilities, Wisconsin has a strong base for academic R&D today. However, there are forces at work that could quickly erode Wisconsin’s academic research advantage – and threaten the state’s ability to produce high-wage, private-sector jobs.

Prominent among those corrosive forces is the 25-year trend toward weaker public support for higher education in Wisconsin. The state’s higher education “effort,” as measured by per capita public spending, has declined faster than the U.S. average and more sharply than all but one of the eight Big Ten Conference states.

Wisconsin has reduced its higher education effort by 47.8 percent since 1978. That is 40th among the 50 states – with 50th representing the weakest effort. That state is Colorado, which passed a Taxpayer Bill of Rights amendment to its state constitution.

The decline in public support is chipping away at the infrastructure that supports academic research in Wisconsin. For example, the UW-Madison is now experiencing actual reductions in the number of faculty, academic staff, course sections, group instruction sections, lecture sections and laboratory sessions. This is happening at a time when the

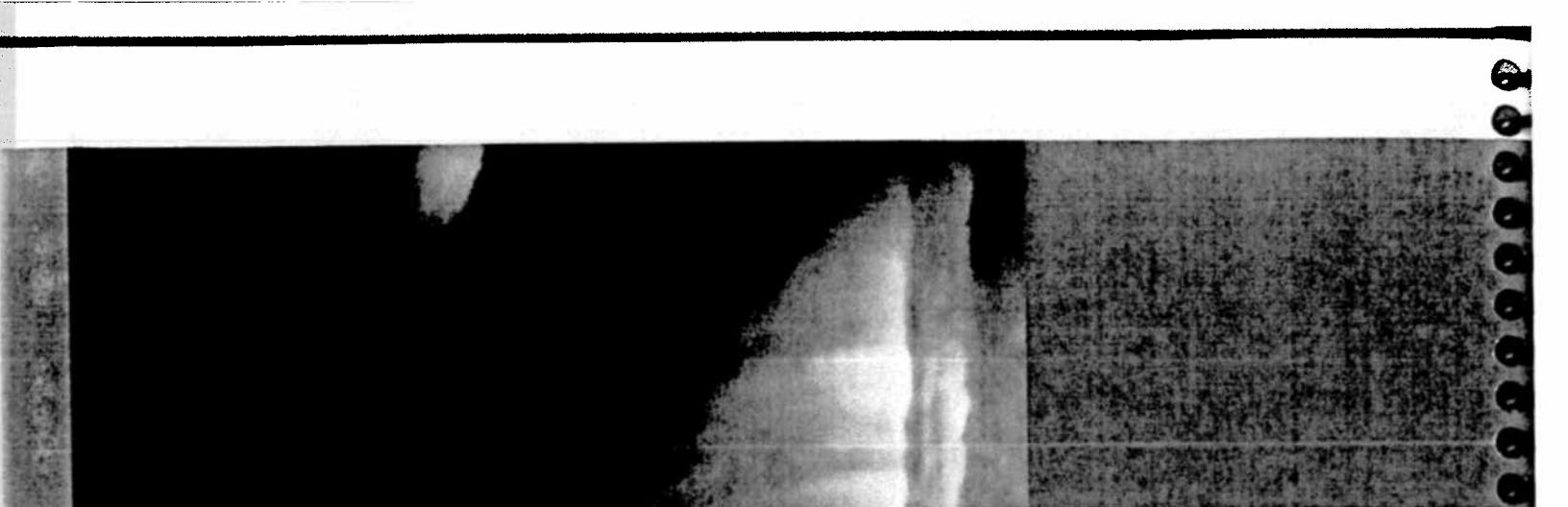
UW-Madison is growing in terms of the number of students, and when demand for access to the university remains high.

It is also happening at a time when Wisconsin is striving to produce globally competitive goods and services, and to attract and retain knowledge-based workers.

If the slide in higher education funding effort continues, the academic R&D infrastructure in Wisconsin could deteriorate – and that would mean less ability to compete for merit-based federal research grants. Such grants typically go to states with state-of-the-art laboratories, well-compensated researchers and a healthy environment for scientific research.

In this study, the Wisconsin Technology Council has examined the extent of academic R&D in Wisconsin, how much is being spent on such research, the sources of the funds, and the effect of academic R&D spending on the general economy. Some highlights:

- Academic and other research institutions in Wisconsin spent about \$883 million on direct research activities in the latest fiscal year for which complete records are available. That spending translated to 31,788 jobs, using generally accepted multiplier estimates of the U.S. Department of Commerce, Bureau of Economic Analysis (36 jobs for every \$1 million in R&D spending).



■ If the jobs created by academic research spending in Wisconsin were reported as a separate category within the labor market statistics of the state Department of Workforce Development, it would represent a significant sector in its own right. For example, paper manufacturing employs 39,100 people in Wisconsin, printing 34,700, plastics and rubber products 34,600, and construction of buildings 31,600.

■ Wisconsin ranks 15th among the 50 states with total academic R&D spending of \$805.8 million from federal, state and private sources, according to the State Science and Technology Institute (SSTI). Those figures include \$696.1 million in R&D spending by all UW System campuses in the 2002 fiscal year. Most of the UW-related R&D spending (\$662.1 million) took place on the UW-Madison campus. The state's per capita spending on academic R&D was \$148.14, or well above the U.S. average of \$126.17.

■ The \$805.8 million total also includes \$109 million in research spending by private institutions, such as the Medical College of Wisconsin, the Milwaukee School of Engineering and Marquette University.

■ The SSTI figures do not include research spending by the private Marshfield Clinic Research Foundation (about \$75 million) or the research budgets of the two Veterans Administration hospitals in Wisconsin (\$2.5 million). Those budgets deserve including in the state total of \$883 million, however, because research at those institutions is conducted in close association with other institutions and/or private industry.

■ Wisconsin fell just outside the top 20 states (22nd overall) with total R&D expenditures of \$2.7 billion. This was primarily because Wisconsin lags the nation in state-based and industrial R&D (40th per capita). If not for Wisconsin's relatively high ranking in academic R&D, the state would slip out of the top half of all U.S. states in overall research and development spending. It is important to note that the nation's fastest-growing states also rank among the highest in overall R&D spending.

The study recommends that the governor and Legislature continue to invest in capital improvement programs such as BioStar and HealthStar, which leverage the assets of the UW-Madison and help to create spinout companies and jobs. The study also calls for reversing the long slide in public support for the UW System, beginning in the 2005-2007 state budget bill.

The study also urges that the UW-Madison, the Medical College of Wisconsin and the Marshfield Clinic re-examine an already strong collaborative research relationship to look for more opportunities to jointly attract research funding and conduct science. Incentives to conduct inter-institution and interdisciplinary research should be established. This is similar to an approach being followed in Minnesota, where the University of Minnesota and the Mayo Clinic are working more closely together.

The study also urges the governor and the Legislature to establish a commission, similar to the Michigan Commission on Higher Education and Economic Growth, to explore other options and to more deliberately track "best practices" in other states.



IN THE
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WISCONSIN ASSOCIATION OF INDEPENDENT
COLLEGES AND UNIVERSITIES

Op Ed from

Rolf Wegente

September 15, 2004

GET SMART

On September 15, the National Center for Higher Education and Public Policy released another of its state-by-state report cards on higher education. Wisconsin again received some bad marks on access and affordability to its world-class colleges and universities. Bad marks such as these are becoming the standard for the Badger State. It is time we did something about it. Wisconsin spends a lot on postsecondary education, but the results it achieves are not what this state needs or expects. *Q*

Albert Einstein is credited with saying that one definition of insanity is to keep repeating what has not worked in the past and expecting a different result. *SB*

The percentage of Wisconsin's adult population with a college degree has actually declined when compared to other states, from 32nd place in 2001 to 35th place in 2003. *scary!*

The outlook is grim. The number of high school graduates in Wisconsin is expected to decline by 4.1 percent by 2017. The only growth will occur among minority and low-income populations. Yet, these are the very populations that Wisconsin is failing to advance to postsecondary education.

In 2001-2002, the percentage of students in the lowest income brackets enrolled in the University of Wisconsin System stood at 19.3 percent—down 25 percent from a decade earlier (1992). During that same period, the four-year private colleges and universities in Wisconsin saw a 15 percent drop in their enrolled students from the same income group. *Why??*

Well??

more compelling case for the state funds it asks for. The foundation of that case must be assurance that every dollar requested of states will be spent to educate only students who have shown financial need."

Wisconsin needs to "get smart" about its spending on postsecondary education and FUND **STUDENTS** !!

FIRST.

~~_____~~
~~_____~~
~~_____~~

Rolf Wegenke, Ph.D., is president of the Wisconsin Association of Independent Colleges and Universities.

Thanks Rolf
What are you saying!
That's



Matt Pommer: TABOR a threat to UW

University budget would be easiest to cut

By Matt Pommer
September 20, 2004

Republican leaders are making the idea of a constitutional amendment on government spending and taxation a central issue in legislative elections. The idea is of particular concern to the University of Wisconsin.

Through a measure dubbed a Taxpayer Bill of Rights (TABOR), conservatives are promising action when the new Legislature is sworn in early next year. Among those promoting the idea are Wisconsin Manufacturers & Commerce and right-wing radio talk show figure Charles Sykes.

Both proponents and opponents of TABOR point to Colorado, where the concept grew, with the right wing hailing it as a great experiment in reducing taxes and limiting government spending. Opponents say it has gutted public services there. Among those hurting is the University of Colorado.

"It would hurt us tremendously," says University of Wisconsin System President Kevin Reilly. "We know what it did to Colorado. It has turned it into almost a private university."

About 10 percent of the University of Colorado budget now comes from the tax dollar, according to Reilly, who quickly notes that the UW took a \$250 million reduction in taxpayer support in the 2003-2005 biennium.

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Reilly says TABOR sounds reasonable, tying taxpayer support to a fraction of the percentage growth in personal income. The University System often is easiest to cut when a crunch arrives, he suggests.

There are five major areas of state spending - prisons, Medicaid, state aid to local school districts, state aid to county and municipal government, and the university. Prison populations mushroomed in the 1990s, and few in the Legislature would ever vote to reduce hard time.

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State aid to school districts and local governments are key links to property taxes. Legislators come to Madison every two years trying to get more money for the their school districts and local governments. Every legislator says he or she is for more, not less, property tax relief.

The real budget problem for all of society is the cost of health care. It affects the private sector as well as government. The private sector has forced its workers to pick up more of the costs of health insurance, but the people state government pays for are the poor. Cost-shifting is obviously illimited.

Last week the Department of Health and Family Services said it would need an additional \$622 million in state tax dollars for Medicaid, and that's just a "cost to continue" budget. It includes no rate increases for hospitals, nursing homes, physicians, dentists, chiropractors and other providers. It ought be noted that a lot of these people are Republican voters. Lower-income old people are particularly expensive for Wisconsin's Medicaid program, which is 58 percent funded by the federal government. Wisconsin is not alone - Medicaid costs are staggering all of the 50 states. It's difficult, if not impossible, to cut Medicaid because there are requirements established by the federal government.

Don't expect more federal help either. That money is pouring into the bottomless pit called Iraq.

That leaves the university and vocational school systems as the likely targets for future legislatures that may face constitutional amendments to curb spending. Thus, in reality, Wisconsin Manufacturers & Commerce and Sykes may indirectly be promoting cutting tax money for higher education.

Both Sykes and WMC have flirted with other higher education ideas in the past.

Sykes is the author of a 1988 book called "ProfScam," in which he said the solution to higher education financing was having the Legislature force university professors to teach more classes.

"State Legislatures should require all professors (in state universities) to teach at least three courses a semester - or nine hours a week. Such legislation would be both moderate and reasonable, except to the most myopic academics," wrote Sykes.

At a Capitol press conference called to promote the book, Sykes was asked whether he would require a specific University of Wisconsin professor to spend nine hours in the classroom. Sykes did not recognize the name of Har Godind Khorana, who had won a Nobel prize for his research in genetics.

In 1966, the Wisconsin Chamber of Commerce (a forerunner of the WMC) and the Milwaukee Association of Commerce took university regents, campus presidents, influential leaders, Gov. Warren Knowles and reporters to see Parsons College in Fairfield, Iowa, where its president, Millard Roberts, said he was applying "business practices" to higher education and making a profit.

A March 6, 1966, headline in the Wisconsin State Journal called it a "Startling Success Story in Modern Education." Seven years later, the college was bankrupt, and a wire service news story referred to it as "Dropout U."

But the TABOR movement being pushed by Republican conservatives is more than a Sykes book or a plane trip to Parsons College. This would amend the State Constitution and probably lead to a different looking University of Wisconsin System.

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Changes needed to profit from research

More university funding, greater coordination of resources urged in report

By JASON GERTZEN
jgertzen@journalsentinel.com

Posted: Oct. 2, 2004

Wisconsin has to make big changes now if it wants to catch up with states that have committed millions of dollars to translate research to revenue, according to a report by the Wisconsin Technology Council that will be released soon.

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Some state leaders have said they understand the need to focus more on technology commercialization, but sufficient funding hasn't materialized, said Ross C. D'Amico, director of regional economics for the California-based Milken Institute.

"My sense is there is some kind of complacency," he said.

Eroding university funding directly undermines the number of innovations that can flow to Wisconsin industries. Academic research has a prominent position in Wisconsin because the state's private industrial research and development

is so limited, said David J. Ward, president of Madison's NorthStar Economics.

The University of Wisconsin-Madison brought in \$660 million in federal and other academic research funds in 2002. That is about three-quarters of all the research money in the state, approximately \$883 million.





Those sums seem impressive but mask growing problems with inferior laboratories and signs of inadequate state support for the campus' research and development work, said Gulbrandsen, managing director of the Wisconsin Alumni Research Foundation, an agency that handles patents for the university.

Three large labs in the physiology department recently moved off campus to University Research Park in Madison because of problems related to buildings at least 50 years old, Gulbrandsen said.

"We have some serious issues with respect to eroding infrastructure at UW-Madison," Gulbrandsen said.

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UW-Madison is "experiencing actual reductions in the number of faculty, academic sections, group instruction sections, lecture sections and laboratory sessions," the tech council's report states.

Wisconsin's economy has been dominated largely by mature industries such as manufacturing and "that is not where a lot of research and development activity is," Ward said.

The council's call for greater coordination makes sense, said Ward, noting the economy that came in North Carolina when that state combined the forces of three universities to form the Research Triangle.

Wisconsin's strongest research institutions too often are working on their own when they could have greater impact together, Ward said.

"I don't think there has been a good, overall piece that ties them all together," Ward said.

A research fund proposed in the report could be highly effective at providing money that researchers need to do early experiments and form teams with peers at other schools, and make them more competitive later for much larger federal grants, said Lane Brostrom, managing director of Milwaukee-based TechStar, a business development agency.

In the report, the council calls for:

- Increasing state financial support for the University of Wisconsin System, reversing a decline in the state-funded portion of the university system's budget, which the council says "cannot continue if the state wants to protect its investment."
- Creating a Wisconsin Innovation and Research Fund, which might be as big as \$100 million, to provide matching grants for UW and private college faculty members to collaborate with businesses on research and development projects.
- Fostering greater research collaboration between the University of Wisconsin-Madison Medical College of Wisconsin and the Marshfield Clinic. This would model a similar partnership linking the Mayo Clinic and the University of Minnesota.
- Forming a commission, similar to the Michigan Commission on Higher Education and Economic Growth, to determine other options and track the best approaches used by others that are boosting their economies with academic research.

Wisconsin lags behind other states, with a 40th-per-capita ranking for state-based industry research and development, according to the technology council report.

"There is a link between academic research and development and economic activity," Still, president of the council that began working in 2001 to bolster Wisconsin's base of tech businesses.

Compared with other states' progress in channeling lab discoveries to industry and supporting the development of high-wage jobs, Wisconsin is "barely mediocre," DeVol said. "It is not Arkansas or Mississippi, but it is not Massachusetts and it is not California. It is in the middle of the pack."

DeVol compiles an annual report of state-by-state rankings in science and technology for the Milken Institute.

Recent trends of funding for higher education are a cause for concern, said UW-Madison Chancellor John Wiley.

The state is devoting less of its overall budget to higher education, dropping from about 10% in 1973-'74 to 8% in the 2004-'05 budget year. Most recently, the UW System received a \$100 million cut to its state appropriation in the 2003-'05 budget cycle.

Wisconsin established a solid base of academic research by making strong investment in higher education, Wiley said.

"It's very questionable how long we can stay there," Wiley said. "It will take many, many years to decades, but once the slide starts it's so hard to reverse. I don't think the sky is falling on us, it's a lot easier to stay on top than it is to fight your way back."

Nahal Toosi of the Journal Sentinel staff contributed to this report.

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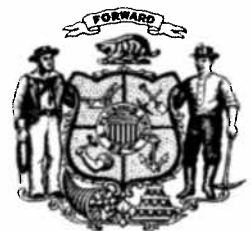
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