

March 15, 1995

PUBLIC HEARING HELD

Present: (15) Representatives Brancel, Foti, Schneiders, Ourada, Harsdorf, Porter, Linton, and Coggs, and Senators Leraan, Weeden, Schultz, Cowles, Panzer, George and Chvala.

Absent: (1) Senator Farrow.

Appearances For the Bill

DEPARTMENT OF REVENUE

► Mr. Mark D. Bugher, Secretary, Department of Revenue - Madison.

DEPARTMENT OF REGULATION AND LICENSING

► Ms. Marlene A. Cummings, Secretary, Department of Regulation and Licensing - Madison.

PUBLIC DEFENDER BOARD

► Mr. Daniel M. Berkos, Board Chairperson, Public Defender Board - Madison; Mr. Nicholas L. Chiarkas, State Public Defender - Madison.

DISTRICT ATTORNEYS

► Mr. Stuart A. Morse, Director, State Prosecutor's Office - Madison.

Appearances Against the Bill

WISCONSIN SENTENCING COMMISSION

► Honorable Lee E. Wells, Chair Milwaukee County Circuit Court - Milwaukee; Ms. Sandra Shane-Dubow, Executive Director, Sentencing Commission - Madison.

Appearances for Information Only

SUPREME COURT

► Hon. Nathan S. Heffernan, Chief Justice, Supreme Court - Madison.

CIRCUIT COURT

► Mr. J. Dennis Moran, Director of State Courts, Circuit Court - Madison.

COURT OF APPEALS

► Honorable William Eich, Chief Judge, Court of Appeals - Madison.

OFFICE OF THE COMMISSIONER OF BANKING

► Mr. Richard L. Dean, Commissioner, Office of the Commissioner of Banking - Madison.

OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN
▶ Mr. Harold N. Lee, Jr., Commissioner, Office
of the Commissioner of Savings and Loan -
Madison.

OFFICE OF THE COMMISSIONER OF CREDIT UNIONS
▶ Mr. Thomas J. Maday, Commissioner, Office of
the Commissioner of Savings and Loan - Madison.

OFFICE OF THE COMMISSIONER OF SECURITIES
▶ Mr. Daniel J. Eastman, Commissioner, Office of
the Commissioner of Securities - Madison.

JUDICIAL COMMISSION

▶ Mr. James C. Alexander, Executive
Director, Judicial Commission - Madison.

JUDICIAL COUNCIL

▶ Professor David Schultz, Chair, Judicial
Council - Madison; Mr. James L. Fullin, Jr.
Executive Director, Judicial Council - Madison.

DEPARTMENT OF JUSTICE

▶ Honorable James E. Doyle, Jr., Attorney
General, Department of Justice - Madison.

OFFICE OF JUSTICE ASSISTANCE

▶ Mr. Steven D. Sell, Executive Director, Office
of Justice Assistance - Madison.

GAMING COMMISSION

▶ Mr. John M. Tries, Chairman, Gaming Commission
- Madison.

Registrations For the Bill

▶ Mr. James P. Buckley, Wisconsin League of
Financial Institutions - Waukesha.

Registrations Against the Bill

▶ Mr. Michael B. Jacob, Secretary of State's
Office - Madison.

March 20, 1995

PUBLIC HEARING HELD

Present: (15) Senators Leraan, Weeden, Farrow, Schultz, Cowles, Panzer, George and Chvala; Representatives Brancel, Foti, Schneiders, Ourada, Harsdorf, Porter, Linton and Coggs.

Absent: (1) Representative Harsdorf

Appearances for the Bill

UNIVERSITY OF WISCONSIN SYSTEM

- ▶ Katharine Lyall, President, UW System--Madison
- ▶ Michael Grebe, President, Board of Regents -- Milwaukee

MARQUETTE DENTAL SCHOOL

- ▶ James Sankovitz, VP of Governmental and Community Affairs - Milwaukee
- ▶ Kenneth Zakariasen, Marquette Dental School - Milwaukee

OFFICE OF THE GOVERNOR

- ▶ John Matthews, Chief of Staff, Office of the Governor - Madison

DEPARTMENT OF ADMINISTRATION

- ▶ James Klauser, Secretary, Department of Administration - Madison

Appearances for Information Only

STATE DEPARTMENT OF PUBLIC INSTRUCTION

- ▶ John Benson, State Superintendent of Public Instruction - Madison

MEDICAL COLLEGE OF WISCONSIN

- ▶ T. Michael Bolger, Medical College of Wisconsin - Milwaukee
- ▶ Donna Gissen, Medical College of Wisconsin - Milwaukee

DEPARTMENT OF EMPLOYEE TRUST FUNDS

- ▶ Eric Stanchfield, Secretary, Department of Employee Trust Funds - Madison
- ▶ Joanne Cullen, Department of Employee Trust Funds - Madison

OFFICE OF THE COMMISSIONER OF RAILROADS

▶ Charles Campbell, Office of the Commissioner
of Railroads - Madison

▶ Doug Wood, Office of the Commissioner of
Railroads - Madison

OFFICE OF THE STATE TREASURER

▶ Jack C. Voight, State Treasurer, Office of the
State Treasurer - Madison

▶ Michael Collins, Office of the State Treasurer
- Madison

BUSINESS AND FINANCE COMMITTEE

Resolution:

That the Board of Regents adopts the following planning principles for managing the proposed 1995-97 budget cuts.

1. Administrative costs should be reduced throughout the university. Our Benchmark analysis indicates we are already low in "institutional support." At least half the administrative cut should come from administrative costs outside of institutional support, including the deans' level and below.
2. Maintain current practice of increasing WHEG grants at same rate as tuition. We urge the Legislature to identify a specific WHEG appropriation for UW System students.

(The Governor's budget eliminates HEAB and reassigns its responsibilities to a new Department of Education. The future of WHEG for UW System students needs to be clarified.)
3. Continue to seek management flexibilities for increased productivity and improved service. We urge the Legislature to consider adopting the full array of management flexibilities recommended by the SAVE Commission.
4. Strive to sustain as much continuing education service as possible by replacing GPR cuts with PR fees. To do this, we should seek from Joint Finance the flexibility to earn and spend PR for continuing and distance education without prior appropriation, but report annually on the dollars earned and how they are spent.
5. Appropriations for UW and all other state institutions should be separate. We believe that the transfer of \$1 million from UW-Madison's base budget to the State Historical Society is inappropriate. This would remove from UW-Madison's base an amount greater than its entire increase in library funding for the past four years and establish the State Historical Society as a permanent ward of the Madison campus.
6. Operating functions should not be centralized without proven justification by cost-benefit analyses. Competitive bidding should be considered where the proposal would permit chargebacks for services. The Regents believe that the proposals to centralize operating functions run counter to efficient management principles which place the provision of services as close to the customer as possible. Our goal is to provide highest quality, responsive services at lowest possible cost. Reallocations of appropriated resources should require legislative approval.

7. In no case should academic and research computing be removed from university control and oversight of shared governance process.
8. UW students and institutions should not bear additional costs to subsidize administrative operations elsewhere in state government. Where UW participation in a centralized statewide service is deemed beneficial, its budget should be made whole for any increase in costs over the costs of self-provision or competitive market prices.
9. It is critical for the Board of Regents to maintain an effective core capital planning capacity to set capital priorities and to fit them to academic priorities.
10. Continuing investment in distance education beyond the one-time funding provided in the Governor's budget will be essential to a sustained effort. UW System should continue to seek funds for this purpose.
11. Reach EM III enrollment target for 1995-96 through instructional productivity improvements. UW System should strive to maintain its current level of instructional investment per FTE through the biennium. Enrollment growth beyond 1995-96 must be funded by productivity growth, reallocation, or additional resources.
12. Federal Indirect Cost funds are a reimbursement of costs already incurred and should not be cut. UW System President should confirm the understanding with DOA that Federal Indirect Cost cut of \$.5 million each year may be treated as part of the lump sum cut from line 1a.

**Statement by UW System Regent President Michael Grebe
to the
Joint Committee on Finance
March 20, 1995**

Senator Leraan, Representative Brancal, members of the Committee on Joint Finance: Thank you for the invitation to appear before you, on behalf of my colleagues on the Board of Regents, for the purpose of discussing AB150, the Governor's biennial budget recommendations for the University of Wisconsin System.

The Regents fully appreciate the fact that the Governor's recommendations were fashioned in a difficult environment with significant financial pressures caused ... not by problems with our state's economy ... but by the desire of both the executive and legislative branches of state government to substantially increase the state's support for elementary education and reduce reliance on the property tax for that purpose.

The Regents were mindful of that environment late last year when we adopted a budget that in our view protected both quality and access. The flat budget we were asked to submit to the Governor did not contain support for some programs we felt were important. Those programs included new initiatives in allied health; improvements in undergraduate education; primary care; agriculture and natural resources; technology transfer; industrial competitiveness; and outreach to Wisconsin youth. In a different environment, we would have requested that these initiatives be considered.

Before I make a few detailed comments on the budget recommendations before you, let me note how the University System is adapting to the new fiscal environment ... not just this year ... but over the past several years ... and share with you an outline of important contributions the UW System is making to our state.

In the new fiscal environment, the UW System has truly become a national leader in retooling and restructuring. As you are aware, in the last three years the UW System has reallocated \$26.5 million from its base budget to strengthen top priority programs and needs. Allied Health, and Agriculture and Natural Resource programs, for example, are being restructured to better meet the changing needs of our state. Administrative costs have been reduced to the point where we operate at two-thirds of the national average. More streamlining is planned both in system administration and on the campuses.

In the last five years, the University System has prepared 137,000 people for the labor force. We are deeply involved with the state's business community with programs which respond to the needs of Wisconsin's employers. These programs range from Extension's small business development centers to the manufacturing and design program at UW-Stout and the research efforts of UW-Madison and UW-Milwaukee. A report released late in 1994 indicated UW-Madison research created 8,000 jobs in 57 technology-based companies in Wisconsin.

Distance learning, which literally once meant that a member of the faculty got in a car and drove to off-campus sites, now involves the use of new technology to reach students simultaneously at many sites. This past

year, for example, students at UW-Eau Claire were able to take engineering courses from UW-Madison using new interactive video systems. We hope and expect that such programs will multiply to meet student demand.

Education is no longer provided only with chalk and blackboards. Technology is revolutionizing how education is delivered on the campuses. We are seeing more individualized instruction and less reliance on the lecture format. This is what students ... as consumers ... want and it is what we need to provide as we move into the 21st century. The classroom remodeling and computer mod programs which began five years ago have served this state very well in terms of helping ensure our students have the experiences and the skills the global marketplace requires. The Governor's budget recommends both programs be continued, and we feel strongly they must be continued if we are to preserve and enhance quality on the campuses.

Let me highlight four aspects of the Governor's budget.

First, I would like to comment on the proposal to transfer the University of Wisconsin Hospital and Clinics to a public authority. The Hospital and Clinics have a record of serving Wisconsin extremely well. They are vital to the UW-Madison educational mission and they provide health care to a significant number of our state's residents. But as you are all aware, the health care environment is changing rapidly, and the UW Hospital and Clinics must be given the opportunity to compete in that new environment.

The Regents believe the proposal to transfer the Hospital to a public authority is a critical element in the Governor's budget proposal. Preserving the patient base for educational purposes cannot ... and should not ... be accomplished in this new environment by putting more state tax dollars into the Hospital. Rather, allowing the Hospital to function in a manner more like private health care providers, with appropriate public oversight and accountability, is a move that should be taken.

The Governor's proposal has evolved from nearly five years of study and discussion about how the Hospital can best continue to meet its missions of patient care, research and community service, while quickly adapting to changes in the dynamic health care market.

The proposed public authority will continue supporting the UW's educational goals. The authority will continue the UW Hospital's historic commitment to provide care for the medically indigent. Specific details of the relationship between the university and the hospital will be governed by agreements between them.

The state will retain ownership of hospital land, facilities and any further construction. The Regents and authority board would negotiate lease/management and affiliation agreements for use of the state facilities.

Collective bargaining agreements currently in place will remain effective until new agreements and policies are adopted July 1, 1997. Employee rights to join unions and negotiate contracts will continue. The authority would participate in the Wisconsin Retirement System programs for retirement, health and group insurance through June 30, 1997. After that date, the legislation permits the authority to continue participating in the WRS. We expect that they will do so.

A second area of the budget that I want to highlight involves proposals to centralize certain services within state government. At the March Board meeting, the Regents adopted planning principles for managing the next biennial budget. One of these principles is that services should not be centralized without cost-benefit analysis. Centralization without such analysis is counter to efficient management principles which place the provision of services as close to the consumer as possible. Our goal is to provide the highest quality service at the lowest possible cost.

One such service is computing. Computing is a dynamic area for businesses, educational institutions and state government and it makes up an important part of the operating budget. To keep costs down and services efficient, it is important that decisions be made by individuals as close to the end user of the service as possible. In some cases, centralization certainly makes sense, particularly in administrative areas. However, without further analysis we question whether centralizing the administrative computing operations which contain information related to admissions, student financial aid, grades, curriculum and planning materials, and other types of information systems not duplicated elsewhere in state government, would be a good management decision.

The Regents also adopted a planning principle which states that it is critical that the shared governance process continue to determine academic and research computing plans and investments. An equally important principle is that students and institutions should not bear additional costs to subsidize administrative operations elsewhere in state government. Where UW participation in centralized statewide service is deemed beneficial, its budget should be made whole for any increase in costs above self-provision or competitive market prices, and competitive bidding should be considered where chargebacks are contemplated.

On a third subject, we feel it is essential that the Board of Regents maintain a small core capital planning capacity to set capital priorities and fit them to academic priorities. The state should not be exposed to the specter of having fifteen campuses all lobbying the legislature and the governor for building projects. A list of priorities, recommended by the System President and acted on by the Regents must be linked to a systemwide plan of academic priorities. In addition, the Regents believe it is important the campuses remain on track in reducing the building maintenance backlog as set out in the Regents' 10-year building maintenance plan. That also argues for the retention of a core capacity in this area.

Fourth, and finally, let me close by saying that the Regents believe some of the flexibilities recommended by the SAVE Commission should receive further consideration. Some of these proposals were rejected by you two years ago, and have been revived by the SAVE Commission. However, we understand that this Legislature is already pressed with many matters this session, so we recognize it is not likely that all of those recommendations will be considered. So let me underscore the importance of just one. The recommendation that the UW System be given expenditure authority for all program revenue funds, except tuition and fees, reporting on those expenditures annually, is critical to our ability to be responsive to our customers and innovative in developing ways of being less reliant on the state for support.

The proposal would allow the UW System to respond to changing demands in a more efficient manner. For example, if businesses approach us and seek specialized continuing education courses ... and we expect this will happen increasingly as distance learning capabilities are enhanced on all the campuses ... we need to be able to say yes with a minimum of delay. User fees represent payments for services and to maintain our customer focus we need to be immediately responsive. The existing process, which requires PR to be specifically appropriated each biennium, adds significantly to delays and does not change the fact that revenues are the controlling factor on the amounts to be spent. The flexibility (with accountability) that works so well for federal funds would work equally well with program revenues.

That completes my prepared remarks. I will now turn to President Lyall who will comment on several other aspects of the budget.

Remarks to Joint Committee on Finance
President Katharine Lyall
University of Wisconsin System
March 20, 1995

Co-Chairs Leraan and Brancel, and members of the Joint Committee on Finance.

The challenges you face this year are especially daunting as you work to honor a commitment to increase state support for local schools and reduce property tax burdens. I appreciate this opportunity to tell you what this budget will mean for UW System students and for the citizens of the state. Expectations and student needs are changing and our resources are shrinking. This means that even as we struggle to make improvements, we can't do all the things that need to be done!

As you consider vital public policy choices over the next few weeks, we need to keep our eyes on the main goal--to maintain first-rate educational opportunities for as many students as we can with the resources we can find. Our students, present and future, depend on it; and our state cannot prosper without it.

In the depths of the Great Depression, the citizens of the state maintained their investment in affordable public university education. We cannot afford to do less in a period of great prosperity.

Fifty years ago, when unemployment was at record levels, your predecessors meeting in this building made painful decisions about our state's budget. The depression era budget deliberations were a watershed: they reaffirmed Wisconsin's historic commitment to its young people and ensured the University was preserved for future generations.

I believe that Wisconsin is again at a crossroads. The budget priorities you set this session are likely to set the course for many years to follow. In painting the course of the future, property tax relief is a colorful but single brush stroke in the bigger picture. The big picture will display those enduring values of hard work and opportunity for its citizens that have marked Wisconsin for generations. The big picture will show us not as we are but as we hope to be: a creative, industrious, innovative state, fully up to the global competition challenge.

As Regent President Grebe has noted, these are times of great change in higher education. Exciting new opportunities exist through new technologies and a refocus on undergraduate education to improve the reach and quality of education. It is critical that we continue to invest, even in periods of downsizing.

I am grateful that the Governor has proposed reductions for the University which are less than those of some other state agencies. We will take these cuts if we must, and we will manage them as best we can to preserve educational quality for our students. But I cannot pretend they will not be painful. The proposed cuts amount to \$375 per FTE student--twice what we spend per student for instructional computing and three-fourths of what we spend for libraries. All aspects of our operations will be affected from

administrative services for students on campus to continuing education opportunities for adult students off campus. LFB analysis indicates that the share of the tax dollar invested in the UW System will drop from 10.8% (including debt and compensation) this year to 9.3% at the end of the next biennium.

The biennial budget proposal for the UW System recommends an overall GPR reduction of over \$62 million biennially, approximately 2.5% GPR cut the first year and 5% the second year. One-fourth of this amount (\$15.3 million) would be offset by tuition increases of \$40 per student per year or 1.7% annually. Total tuition would increase by between 4% and 6.5% annually, including the 1% special technology fee, costs-to-continue and the tuition offset.

This leaves a net cut of \$47 million. Unlike previous biennia, however, when the Board was given a total cut amount and allowed to manage it, two-thirds of the proposed net reductions or \$32 million biennially are earmarked to come from specific programs and activities and one-third (\$15 million) would be a lump sum cut. The earmarked \$32 million in cuts includes four major Systemwide reductions, three institution-specific cuts and a mandated annual transfer. These are summarized on the sheet before you. It has been suggested that portions of these services, especially continuing education, public broadcasting, and distance education, should be shifted from GPR to user fees. To achieve this, we must have the same flexibility to earn and expend program revenue as we now have for federal gifts, grants and contracts, reporting at year-end what was earned and how it was spent. This flexibility works extremely well for grants and contracts; it can also work well to help us serve adult learners across the state.

Tuition increases of 4-6.5% each year proposed in this budget are moderate, but are not matched, as in past years, by financial aid. Moreover, proposed changes in federal financial aid programs would significantly increase debt burdens for UW System students. To ensure access for our students in financial need, I would urge you to maintain past practice of increasing WHEG grants commensurate with tuition increases. The Board of Regents has also urged that a specific WHEG appropriation be made for UW System students so that we can know at least what level of state financial aid will be available to UW System students in the next biennium.

The Board has also urged that appropriations for the University and other state institutions be kept separate. The transfer of \$1 million from the Madison base budget to the State Historical Society is inappropriate. It removes from the campus base budget an amount greater than its entire increase in library funding for the past four years and, in effect, makes the State Historical Society a permanent ward of the Madison campus. UW-Madison and other UW System institutions already contribute space and funding to support use of the Historical Library. Further state support, if justified, should be appropriated directly to the State Historical Society by the regular budget process.

The Governor's budget proposal also contains a number of initiatives to centralize services and provide chargebacks to agencies. In most instances, we would not have the option of procuring a service on the competitive market or self-providing. The functions that would be affected include copying and document distribution, inter-agency mail service, check-writing, capital planning, and computing services. We are deeply concerned about these

proposals as they stand. They run counter to lessons that have been learned and applied by successful business management in recent years: these kinds of administrative services work best when placed as close as possible to the end user. From this position, they can be continually adapted and fit new ways of doing the work instead of becoming the rigid framework constraining innovation. Particularly with regard to information technology, there is a clear economic trend away from large mainframe computing to distributed PCs and workstations.

As we have decentralized computing services within the UW System, we have learned how important it is to design applications for academic and instructional computing, research computing and administrative computing that share facilities and how critical it is that technology be seen as a tool for serving our clients better, not as a driver of our academic programming. Technical compatibility, where that is desirable, can be assured by setting technical standards and does not require centralized operation of computing by a government monopoly.

With regard to proposed chargebacks, I would simply note that if administrative budgets are transferred to DOA, our institutions will not have the necessary resources to purchase these services and there is strong likelihood that service support for our teaching and research activities will decline. In effect, the proposed chargebacks will simply be a second budget cut.

We would urge you to look very carefully at the centralization authorities outlined in the budget proposal and give careful consideration to modifying this language to require examination of the costs and benefits of each such move. In instances where it is deemed in the larger statewide interest for the UW System to participate in a single central service arrangement at costs above those obtainable by self-service or competitive market rates, an offsetting budget supplement should be provided so students do not subsidize these higher costs. Without this assurance, the benefits of administrative efficiencies in university operations will simply be swept away by higher chargebacks to subsidize administrative operations elsewhere in state government.

As you paint the picture of Wisconsin's future, please bear in mind that these cuts to the UW System will come at a price. Our students will see the difference in fewer academic programs to choose from, higher tuition, and regrettably sometimes slower services. The public will see the difference in fewer opportunities to obtain continuing education for career advancement. Business is likely to see the difference in restricted consulting and technical assistance.

We will not cut across the board. The earmarking of the proposed cuts means the percentage cuts will vary by institution and by program within each institution. Regrettably, there will be layoffs. As you face very difficult budget choices, I hope you will help us maintain quality educational opportunities for Wisconsin.

I would be pleased to answer any questions.

September 1994



BUDGET EFFICIENCIES ACHIEVED

The University of Wisconsin System, like other organizations, has undertaken a program of trimming administrative costs as well as eliminating duplicative or outdated programs. Such actions are critical to efforts to provide students with the very best quality education.

REDUCING ADMINISTRATIVE COSTS

- Reducing administrative costs. Over the last two years, \$1.3 million and 23 administrative positions have been cut. Administrative costs are only two-thirds of the national average (6.3% of expenditures vs. 9.4% nationally). Quality improvement teams have been initiated at every System institution to ensure continued progress in achieving institutional management efficiencies.
- Streamlining Administrative Functions. Central data collection and reporting is being streamlined by combining, eliminating, and, in some cases, sunsetting reports that have outlived their usefulness. Administrative data processing for accounting and payroll functions is being consolidated from two processing centers into one systemwide center.
- Improved Travel Management. Negotiated lodging discounts, fleet vehicle consolidation and improved management, maintenance and cost efficiency, and increased use of audio and video teleconferencing have saved administrative time and travel costs.

COLLABORATIVE PROGRAMMING

- Avoiding Duplication Within the UW System. Currently 25 programs are offered jointly or cooperatively by two or more UW system institutions, avoiding unnecessary duplication of staff and specialized resources. For example, UW-Oshkosh and UW-Green Bay have been working together since 1986 to offer the MBA. Looking to

the future, UW-Eau Claire, UW-La Crosse, UW-Superior, UW-River Falls, and UW-Stout are planning a cooperative program called Access to Quality Business Education in Northern Wisconsin.

- Avoiding Duplication with the Technical College System. More than 125 agreements are in effect that enable students completing certain specialized Wisconsin Technical College associate programs (i.e., nursing, agriculture, business, allied health) to transfer credits toward UW degrees.

CONSOLIDATING AND ELIMINATING OUTDATED PROGRAMS

- Program elimination. In the past two years, 10 academic programs have been eliminated. Since creation of the UW System in 1971, 238 academic programs have been eliminated.
- Consolidations. Recent reviews of professional programs across the System by outside consultants have resulted in a positive refocusing of resources in Agriculture, Allied Health, and Natural Resources programs. The result is stronger programs that better meet statewide needs. Results have included:
 - Five Allied Health programs have been eliminated and four created within the system to meet statewide needs. Reallocations thus far have totaled \$1.6 million.
 - The Agriculture programs at UW-Platteville, UW-River Falls, and UW-Stevens Point will be reallocating a total of almost \$360,000 internally as a result of restructuring. UW-Madison's proposed reorganizations will result in approximately \$3 million in budget reallocations or reductions.
 - Three programs in Agriculture Mechanics statewide have been reduced to one program.

Education deans of state institutions are cooperatively addressing key issues of supply and demand, regionalization, and distance education to better meet student needs. This process is continuing in teacher education and is being initiated in business administration.

- **Downsizing.** The number of academic colleges/schools and departments at many UW System institutions is being reduced and administrative costs cut through a systematic strategic planning and restructuring process. For example, at UW-Platteville, five colleges have been reduced to three and 33 departments have been reduced or merged into 16 departments and two schools. At UW-Superior, five academic divisions were combined to two colleges and 19 departments were reduced to 15 units. At UW-La Crosse, the former College of Education has become a school within the College of Liberal Studies, tying teacher education back into the basic disciplines. At UW-Madison, the College of Agricultural and Life Sciences began a 30-month downsizing process on January 1, 1994 that will result in staff reductions of approximately 30 faculty and 40 staff positions, as well as other savings achieved through service and operating efficiencies. Also at UW-Madison, the College of Letters and Science has reduced approximately 40 full-time positions.

- **Quality Reinvestment.** UW System institutions have reallocated \$26 million from lower to higher academic program priorities, strengthening good programs and eliminating weak ones. More than 260 faculty and staff positions system-wide have been held vacant to achieve this savings.

TAKING FULL ADVANTAGE OF TECHNOLOGICAL IMPROVEMENTS

- **Cost Efficient Use of Technology.** The Council of University of Wisconsin Libraries (CUWL), with the successful systemwide implementation of the NOTIS library automation system between the comprehensive universities and Centers, has adopted a resource sharing policy that minimizes the need for multiple subscriptions to electronic databases. This significant cost-saving change allows one institution, i.e., one with a particularly strong programmatic interest in business programs, to subscribe to a database, e.g., the Abstracted Business Information Index, at \$5,000 per year, while the other institutions pay a user fee based on volume of usage.

- **Using Faculty More Efficiently Through Distance Education.** Via correspondence and electronic technology, hundreds of courses are now offered through institution-specific initiatives. A systemwide approach, "Access to Quality," is also under way to maximize distance education, particularly through faculty development in the use of instructional technology, developing more inter-institutional, collaborative programs, and revising academic policies to encourage and support distance education.

FACILITATING STUDENT PLANNING AND CREDIT TRANSFER ASSISTS STUDENTS IN ACHIEVING THE MOST VALUE FOR THEIR INVESTMENT

- **Innovative Student Advising.** New approaches to student advising are being adopted at many campuses. For example, at UW-Parkside a group of select faculty work as a team to advise undergraduates who have not yet declared their majors.

- **Computer Access to Transfer Information.** The Transfer Information System (TIS) provides UW and Wisconsin Technical College System (WTCS) students and advisors with computer access to current and accurate transfer information that helps students make informed transfer decisions. For example, a student at any UW institution or WTCS district can use the system to determine how courses that they have taken will transfer to any UW institution.

- **Student-Friendly Graduation Information.** Automated Degree Audit Systems (DARS) are computerized programs that inform students how their courses apply toward their academic major and degree. All four-year UW institutions will have such programs in place in the near future.

**COMMISSIONER OF RAILROADS TESTIMONY
BEFORE THE JOINT FINANCE COMMITTEE
MARCH 20, 1995
TESTIMONY**

Commissioner Byron C. Ostby regrets that he cannot be present for today's hearing. He has asked his administrator and legal counsel to make a brief statement on his behalf, and to answer specific questions from Committee members.

The Commissioner appreciates that the Governor retains the OCR in its present status in the first year of the biennium. The executive budget proposes radical changes in the second year of the biennium. There are areas of deep concern, but due to time constraints, the specific areas of disagreement will not be presented here today.

The Commissioner intends to work with the Governor, Joint Finance Committee, individual railroads, DOT, PSC, and others to resolve the difficulties with the second year of the biennium.

Thank you.



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State Treasurer of Wisconsin

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Good Afternoon.

I have accompanying me _____ .

Chairmen Llean and Brancel, members of the committee and staff, thank you for giving me the opportunity to speak this afternoon.

In November of last year, the people of Wisconsin went to the ballot box and elected me as the new State Treasurer of the State of Wisconsin. It is an honor and a privilege that I serve the people of Wisconsin in this capacity. Along with this privilege comes responsibility - responsibility not only to my governor and my party, but to the people of Wisconsin who elected me.

I oppose the proposal to transfer the office and duties of the State Treasurer to the Department of Administration. Under the current budget proposal, my office would become a bureau within the Department of Administration. Under this structure, my decisions regarding office functions and procedures would be accountable to an appointed division administrator and ultimately to the Secretary of the Department of Administration. I believe this action is unconstitutional.

I do not believe that is what the people of Wisconsin want, nor what the framers of the constitution intended.. I believe they want a State Treasurer who will act responsibly and independently.

As State Treasurer, I believe my role is to be the financial watchdog of the State's assets. While my office already monitors the daily cash balance of state funds, I am seeking to become a voting member of the State of Wisconsin Investment Board. The events in Orange County, California and events just this weekend involving our own State Investment Board lead me to believe I can play an important role in the investment process. I would become the taxpayers voice on the Investment Board.

I believe the discussion involving the State Treasurer's office can be defined in three words:

Responsibility - being State Treasurer, I have the awesome responsibility of overseeing the daily cash flow of millions of state taxpayer dollars.

Accountability - as an elected official, I am accountable to the taxpayers of this state to insure their money is safe and secure.

Independence - the State Treasurer's office must remain independent to fulfill the responsibility of the office and the duty to the people of Wisconsin.

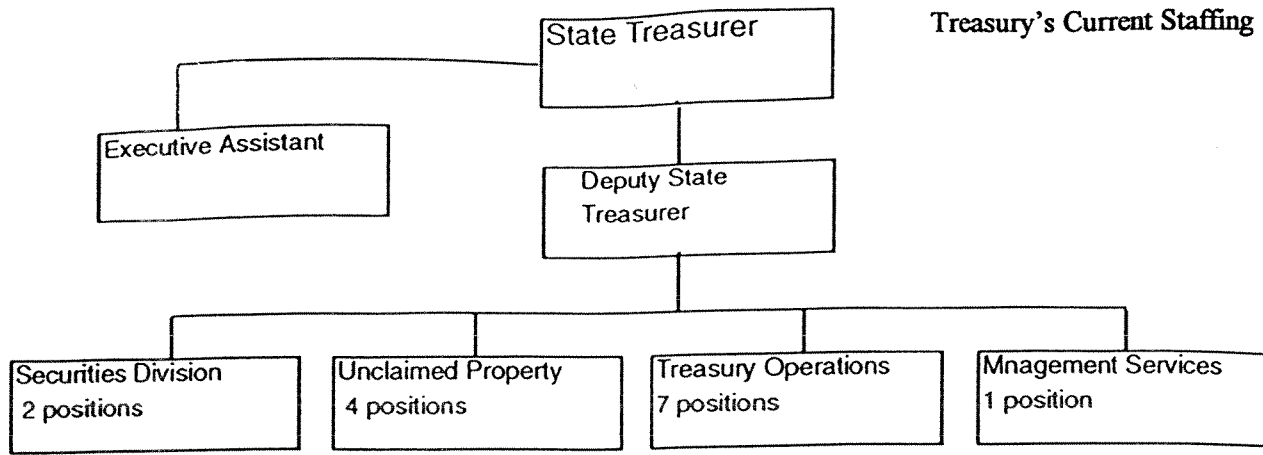
I seek your support to revise the current proposed Treasury budget to:

- 1) Delete all references that my office become a Bureau of Treasury within the Department of Administration and reinstate the State Treasurer's office as an independent agency.
- 2) Reinstate our agency's request for a 1/2 position needed to complete our daily signing of checks. This would not be an increase in staff due to our elimination of 2 positions from our securities division.
- 3) Reinstate my executive assistant/stenographer's position. This position performs critical functions for myself and the office as a whole. With GPR funding of only \$16,700, the cost savings to be realized is negligible.

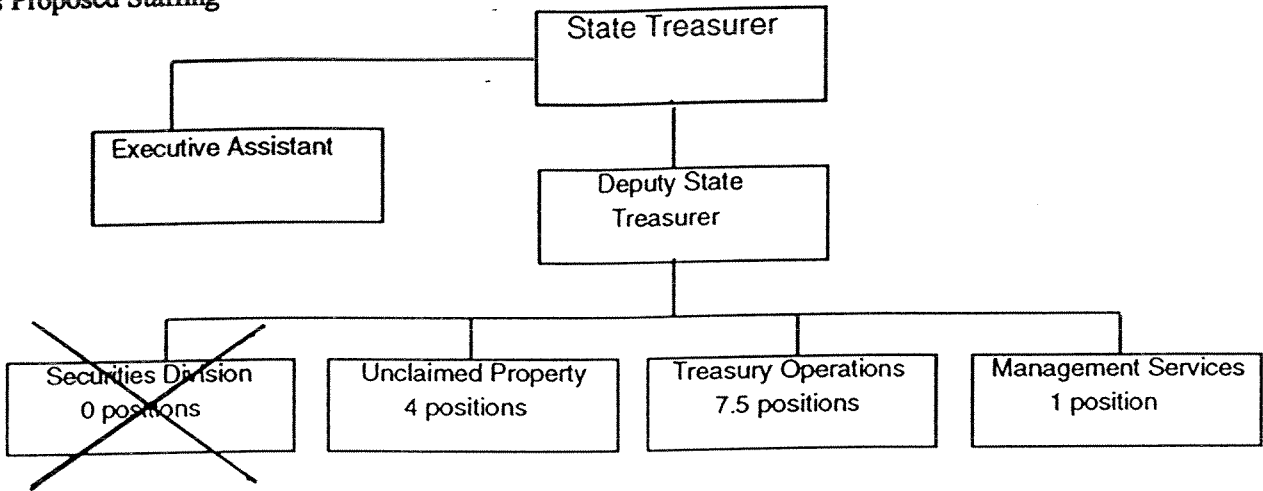
Office Goals & Ideas

- 1) Become a policy maker by becoming a voting member of the State of Wisconsin Investment Board and possibly the Building Commission. I believe additional financial oversight of investments and debt management should be performed by the State Treasurer.
- 2) I would support legislation to add more duties and functions to the Treasurer's office, thus consolidating other state operations and functions
- 3) Specifically, I plan to reduce the current \$500,000 advertising expense for unclaimed property by using other means such as county treasurers to inform the public of outstanding property being held by the state.

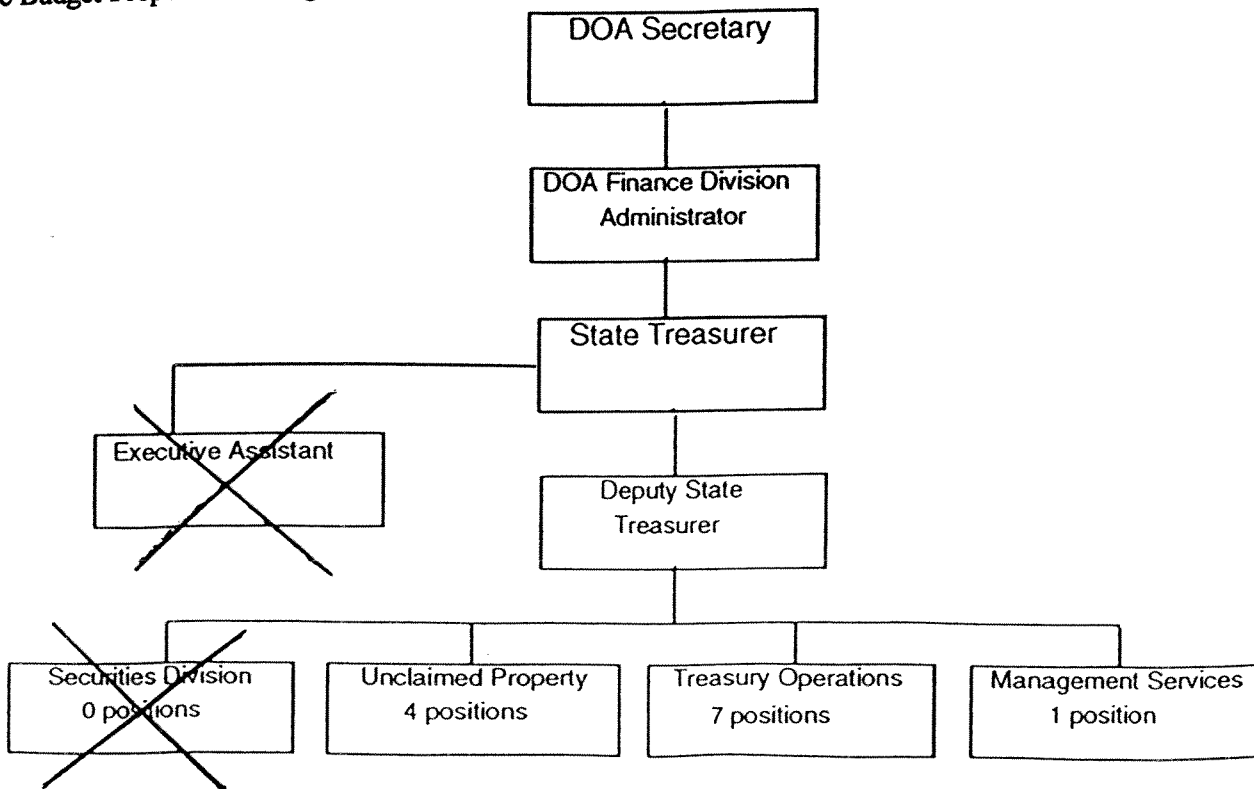
Treasury's Current Staffing



Treasury's Proposed Staffing



Executive Budget Proposed Staffing





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Key Issues, K-800-1661
C. Burns

Research Note
February 1, 1995

Data Center Consolidation: Easy Money? (Part 1)

Clients have been increasingly interested in data center consolidation as a potential way to reduce costs. Where are the savings real and what are the risks? We outline the considerations and discuss general issues.

Key Issue

What are the considerations and potential savings in data center consolidation?

Increasingly, consolidation of traditional data centers is considered a means to reduce costs. But, does it yield savings or is this another expensive exercise with little payback? A list of consolidation considerations is provided (see Note 1). This *Research Note* focuses on general issues, while other *Research Notes* focus on workload compatibility, potential savings and potential expenses.

Organization Compatibility: A primary consideration is the relationship between the information technology (IT) group and the user groups. Care must be exercised when attempting to form a centralized IT structure to support groups that are managed and measured in a decentralized fashion. To reduce the potential for future dissatisfaction, clear, documented service-level commitments and charging/funding arrangements should be established. Such arrangements should be based on user metrics (e.g., volume of checks printed for payroll), rather than on data center system measurements (e.g., CPU seconds).

Goals and Objectives: To ensure clear targets and measures of success, goals and objectives of the consolidation must be clarified and concurred by users and management. Users will experience some effects of the consolidation project and must endure impact on staffs. User support can be ensured through user-oriented goals and associated measurements (see Note 1). Such goals should, at minimum, define parity between the user service in the "before" and "after" environments.

Scope: Most important is to clearly define the scope of the effort. Including both the traditional mainframe data center systems and any new or growing client/server infrastructures can avoid potential expenses. Such inclusion will also foster improved relationships between these frequently disjointed staffs.

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Note 1

Data Center Consolidation Considerations

General Considerations

- Organization compatibility (i.e., centralized vs. decentralized structures)
- Goals, objectives and service levels
 - Improve or expand service to users (e.g., reduced response time and 24X7)
 - Improve user support or customer service (e.g., timely help and expanded hours)
 - Provide backup and/or disaster recovery
 - Reduce and/or shift costs
- Charge-out philosophy (e.g., full vs. partial cost recovery)
- Scope (e.g., mainframes only, or include client/server and departmental systems)

Workload Compatibility and Objectives

- Architecture and operating system compatibility
 - Workload flow (e.g., timing of transaction volumes and batch windows)
 - Compatibility of workload characteristics (e.g., on-line transaction processing vs. decision support)
- Target environment
 - Common platform (i.e., common software versions and maintenance)
 - Single image (i.e., one copy of operating system)
 - Single site (i.e., multiple logical partitions vs. multiple machines)

Potential Savings

- Staff reductions
 - Operations and systems support
 - Help desk/network support
 - Application development/support
 - LAN administration/support
- Software and hardware
 - Group 80 Graduated Monthly License Charge "cap", MOSP and Distributed Service License Option
 - Reduced I/O configurations
 - Reduced processor requirements (e.g., storage and channels)
- Facilities
 - Floor space
 - Air conditioning and water chillers
 - Electrical power

Potential Additional Expenses

- One-time
 - Personnel retention bonuses/incentives
 - Personnel relocation (e.g., moving expenses, duplicate staffing and travel)
 - Equipment relocation (e.g., duplicate equipment and communication lines)
 - Lease terminations
 - Software charges (e.g., upgrades/moves)
 - Facilities (expansion/construction)
- Ongoing
 - Salary increases/incentives
 - Communications lines for remote sites
 - Software vendor maintenance charges
 - Remote (i.e., "local") staffs (e.g., printer support)
 - Expanded help desk and network support (e.g., time zones, languages and carriers)
 - Support staff travel to remote sites
 - Disaster recovery service





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Research Note
February 1, 1995

Data Center Consolidation: Easy Money? (Part 2)

Clients have been increasingly interested in data center consolidation as a potential way to reduce costs. Where are the savings real, and what are the risks? We discuss specific workload considerations.

Key Issue

What are the considerations and potential savings in data center consolidation?

Increasingly, clients are evaluating consolidation of traditional data centers to reduce costs. But, is data center consolidation easy savings or another example of an expensive exercise with little payback? This *Research Note* focuses on *workload considerations* and some of the major areas for potential savings. Part 1 provides a comprehensive list of data center consolidation considerations (see accompanying *Research Note* K-800-1661).

Of fundamental consideration is the nature of the multiple workloads that are to be consolidated. The existing workloads must be analyzed for their loading of the basic system resources (e.g., processor, memory and I/O) and their workload arrival (i.e., what times of day experience peak workloads). Assessment should then determine if the multiple workloads will "fit" together or conflict for the same system resource(s). Obviously, workloads that require different system resources or experience peak loads at different times will be the easiest to consolidate onto a single machine. Workloads that require the same system resource(s) at the same time will require careful planning/tuning or separate systems.

Another consideration is the eventual operating environment desired after completing the consolidation. The easiest of the alternatives does not actually entail site consolidation. It is to ensure that all systems are running on the same version, release and maintenance level of all software products (e.g., all systems use MVS/ESA v.4.2 with the same PTFs applied). This objective, while sounding rather simplistic, can yield significant savings by permitting all systems to be generated and maintained from one location by one support staff.

The next level of difficulty would be to target discreet workloads running on multiple images of the operating systems located in

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one site. The multiple images can run either on separate physical machines or on partitions (physical and/or logical) of larger machines. The partition approach will likely yield savings in software charges. Combining the first approach with the second approach is the most frequently selected end objective.

The most difficult operating environment to implement is a single system image. While this can yield savings in processor, memory and I/O expenditures, the typical effort required (including such time-consuming processes as defining and implementing uniform dataset naming) is significant. While this third objective appears to be the "ideal" of consolidation, the relatively minor additional payback (vs. the previous environment) is not worth the effort and expense required.

Potential savings from consolidation typically come in reductions of expenditures in three major categories: staffing, software and hardware, and facilities. It may be stating the obvious that consolidating to a reduced number of sites typically yields reductions in staffing for operations and systems support, help desk and network support, application development support, and potentially LAN administration and support. The latter benefit is achieved only if the consolidation scope encompasses LAN support (see accompanying *Research Note K-800-1661*).

Reductions in hardware and software expenditures result from vendor pricing methodologies that include economies of scale. Also, for IBM-compatible systems, there is an upper limit on the price of software. Specifically, software from IBM and many independent software vendors have prices that increase based on the performance of the machine up to approximately 235 MIPS. Machines that are larger (including several models from Amdahl Corp., Hitachi Data Systems Corp. and IBM) essentially deliver MIPS with no charge for the software.

Further reductions in hardware flow from reductions in I/O configurations (e.g., channels, channel adapters and control units). Some of these reductions are the result of consolidating into fewer machine rooms. Others can be achieved through use features such as ESCON Multiple Image Facility. Facilities cost reductions come from reductions in machine room floor space, cooling and electrical power consumption.

Bottom Line: Assuming a degree of stability in data center processing requirements, consolidation will yield net savings in the large majority of installations.

Acronym Key

ESA	Enterprise System Architecture
I/O	Input/output
LAN	Local-area network
MIPS	Million instructions per second
PTF	Program temporary fix



Update - Savings under the Department of Administration
Report to the Joint Committee on Finance - March 20, 1995

This administration has been a leader in advocating and advancing change in government services over the last 8 years. Following are some of the highlights of efficiencies gained:

- Substantial information technology savings due to the consolidation of the state's multiple data centers into a single center.
 - negotiated \$9 million in savings on the acquisition of mainframe computers
 - negotiated over \$3 million on acquisition of hard disk storage devices
 - eliminated duplicative software costing \$300,000 annually
 - eliminated 28 FTE positions, for annual savings of \$1.3 million
- Flexibility from the legislature has allowed us to make exemptions in the procurement process, shorten acquisition time frames and procure technology as quickly as private industry does. For example, just in the last year we have...
 - out-sourced tape mount activities to reduce those costs by over \$190,000 annually. In addition, this allowed Info.Tech to re-assign staff to other critical technical duties instead of seeking more staff positions.
 - acquired CPU upgrades this past year that enable DOA to upgrade from 202 MIPS to 266 MIPS at savings over average industry pricing of nearly \$494,000.
 - acquired controllers (terminals) using special bids for used equipment instead of buying new off the regular State Bulletin and saved \$300,000 and still obtained the functionality needed.
 - conducted a watershed Print Study which has led to new goals and strategies which will help agencies substantially reduce and in some cases eliminate paper output from computers, distribute reports electronically. The potential for savings statewide has been estimate from \$250,000 to \$1 million annually. Last September portions of the State Microfilm Lab were privatized so that staff could be re-deployed to implement an electronic reports distribution system (ERD)
 - realized \$200,000 annual savings through identification and discontinuation of unused data circuits.
 - realized \$100,000 annual savings through consolidating data communication circuits between remote offices operated by separate agencies (in the same buildings.)

--worked with the Department of Revenue to modify mailing software to reduce postage costs on individual income tax booklets and other items by nearly \$12,000...

- Following are more of the savings pointed out in other programs:

--continuing telecommunications savings of \$7 million annually due to effective negotiations with carriers. The State Telecommunications System (STS) is model among state systems.

--energy savings through centralized purchasing of coal and natural gas for the state's 30 heating and cooling plants amounting to \$10 million between 1987 and 1993.

--use of waste paper fuel pellets to replace coal, saving \$77,000 in 91-93, reducing coal emissions and dumping fees at landfills.

--refinancing of state debt for a total savings of \$54 million in reduced debt service payments at that time.

--consolidation of 268 vehicles from other agencies' fleets into a more efficient single point of responsibility in the DOA fleet, rather than having many small agencies like Agriculture, the Historical Society and DPI operate their own fleets.

- Since the Spring of 1993, we have implemented the following:

--realized Consolidated Data Network (CDN) annual savings of \$2.5 million due to renegotiation of lottery circuit costs and the re-grooming and consolidation of other CDN circuits.

--refunded existing state debt in FY94 for a total savings of \$7.2 million in debt payments.

--restructured financing for the Veterans' Home Loan program to ensure that it does not draw on General Fund revenues in the future.

--continued to reduce power plant waste to landfills by 25,000 cubic yards, saving the State \$700,000 in tipping fees.

--worked with private utilities on energy conservation measures for state construction projects that have not only saved on energy consumption but now earned the State over \$3 million in energy rebates

--with the strong cooperation of the Legislature established a Publishing Service Center to produce Legislative documents such as the Bulletin of Proceedings and Administrative Code to reduce Legislative costs by \$1 million annually.

--Due to economies of scale afforded by copy center consolidations (DPI and DNR) approved by the Legislature, our rates have declined by nearly 10% over the past two years. During this period production increased from 50 million impressions to over 100 million impressions with no increase in staffing.

--In conjunction with the health care staff at the Central Wisconsin Center (CWC) and Southern Wisconsin Center (SWC), the Bureau of State Risk Management developed and implemented a comprehensive injury prevention program. These and other investments in loss control and claims management have proven effective in controlling worker's compensation costs. Total paid expenditures in FY94 decreased by \$42,500 compared to a 13.3% increase in FY93 and a 16% increase in FY92. Any additional \$100,000 decrease is projected for FY95.