



The University of Wisconsin System

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C

September 13, 1996

TO: Senator Brian Burke, Co-Chair of Joint Finance
Representative Ben Brancel, Co-Chair of Joint Finance

FROM: David W. Olien *Dave*

RE: President Lyall's Remarks to the Board of Regents

Attached for your information are President Lyall's remarks to the Board on Friday, September 13.

Attachment

cc: President Lyall

President Lyall's Remarks to the Board of Regents

Friday, September 13, 1996

Welcome back to the start of a new academic year . . . I hope it's not an ill-omen to begin on Friday the 13th..

Fall 1996 marks the 25th year of the UW System. We are a mature system and, by nearly all measures, a successful one. In several recent national assessments of higher education, the UW System is identified as having been on the cutting edge in enrollment management, public accountability reporting, access, quality of many undergraduate and graduate programs, research and private fund raising, openness to international students, adoption of post-tenure review for faculty, minimization of administrative costs, and maintaining affordable tuition for residents.

We have worked hard at anticipating and meeting these challenges year-in and year-out while striving to preserve the individuality and character of each of our institutions across the state.

The synergies that have helped us excel at our mission in the past will be increasingly important to our future. As I indicated in introducing our Biennial Budget request last month, we are focused and will "speak with one voice" about our challenges and opportunities to help our students prepare for success in their lives and careers by:

- exploiting available instructional technologies
- redesigning and increasing advising and career planning services
- controlling costs
- sharing our scarce and valuable faculty and staff resources more widely among our institutions and with the K-12 schools.

I want you to know that the UW System has not been idle during these past summer months. In fact, a number of important events have occurred. Over the summer . . .

- We hired three new chancellors -- at Stevens Point, Platteville, and Superior -- and now have a full complement of chancellors leading our institutions.
- Reached agreement with the IRS which dropped its claim for \$81.5 million in withholding on graduate student stipends against UW-Madison and UW-Milwaukee. Under the agreement, remission of out-of-state tuition for graduate assistants remains tax-exempt and the university will withhold future income taxes on research assistants' stipends.

- Congress extended for two more years the exclusion from taxes of employer-paid educational assistance. This is very important to the growing number of firms that invest systematically in the professional development of their work force, as well as to our university programs that serve these continuing education needs.
- The UW System received an \$814,000 grant from the U.S. Department of Education to continue statewide professional development training for K-12 science teachers under the Eisenhower Program. Wisconsin has trained more than 10,604 K-12 science teachers using Eisenhower funding in the past eight years of projects.
- We wish congratulations and many more years of success to UW-Oshkosh as it celebrates its 125th anniversary this year. The Oshkosh Normal School welcomed its first class of 46 students in 1871 and became part of the UW System a century later in 1971. Today, it serves 11,000 students from around the state and the world.
- This summer, UW-Milwaukee Fine Arts Professor Stephen Pevnick designed a unique water-droplet fountain for the 26th Olympics in Atlanta. From what I heard of the weather in Atlanta, that fountain was a much-needed relief as well as an aesthetic pleasure.
- UW institutions were also well represented among athletes in the 1996 Olympics: Yasmin Farooq (UW-Madison) rowed with the women's crew; Dennis Hall (UW-Stevens Point) competed in Greco-Roman wrestling; Suzy Hamilton (UW-Stevens Point and UW-Madison) ran in the track event; and Eric Mueller (UW-Madison) rowed in the men's quad sculls. Although no gold medals, each of them did Wisconsin proud.
- UW-Extension acquired a new Vice Chancellor and Provost, Kevin Reilly, who comes to us from the SUNY System where, as Associate Provost for Academic Programs, he oversaw degree programs for SUNY's 64 campuses. Earlier, he was Director of College and University Evaluation for the New York State Board of Regents which accredits all programs in New York's 250 public and private colleges, as well as continuing education credits offered by corporations, hospitals, trade associations, and other organizations. He has a Ph.D. from the University of Minnesota.
- Last year, Melvin Laird, former U.S. Secretary of Defense and Marshfield native, established a \$500,000 challenge grant for an endowment for the arts at the UW Center-Marshfield. Over the summer, Dean Carol McCart announced that the matching gifts have been pledged to meet the \$1 million goal. This is an extraordinary accomplishment for our Centers and a real testament to the special place they hold in the lives and affections of those they serve.
- Congratulations to Chancellor Judy Kuipers who has just been appointed to the National Board of Army ROTC.

- Congratulations also go to Jess and Marilyn Ondell, alumni of UW-La Crosse, who have contributed \$200,000 towards the completion of Phase II of the Cleary Alumni and Friends Center on the campus. Phase I was completed in June 1995 and more than 9,000 people from the campus and the greater La Crosse community have participated in events at the Center his past year. Phase II will add a "Great Hall" space to accommodate up to 300 people for meetings and meals.
- Congratulations also to Regent JoAnn Brandes on her appointment to chair the Governor's new 15-member Child Care Council for Wisconsin. Child care is an essential element of W-2 as well as on our campuses. We wish you well and offer the special resources of the UW System to help you in any way we can.

Finally, I want to alert you to a "coming event" -- WebFair '97. WebFair '97 will be a showcase for Wisconsin K-12 and college students' best educational uses of the Internet Web. It will be similar to an on-line science fair, with students' projects posted on the Inter web. Fellow students all over the world will be able to see the innovative ways that our state's school teachers and students are leading the way in the use of technology to enhance education. All judging will be done on-line.

The Wisconsin WebFair is being organized by the UW System, in cooperation with WEAC, WASDA, DPI, and USA. Over 100 volunteer teachers, business people, government leaders, and technical experts have been mobilized to serve as academic advisers and judges. Each of the UW institutions has volunteered to offer one workshop for those teachers whose students will be submitting entries to WebFair. Apple, Ameritech, IBM, WEAC, WiscNet, and American Show Management have committed important financial sponsorships for WebFair.

We invite all Wisconsin students who can to participate in the WebFair. And we encourage all of you to dial into the Internet this February to see the outstanding WebFair entries our K-12 and college students will have submitted.



The University of Wisconsin System

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September 13, 1996

TO: James R. Klauser, Secretary
Department of Administration

FROM: Katharine C. Lyall, President
University of Wisconsin System

RE: 1997-99 University of Wisconsin 1997-99 Biennial Budget

In compliance with Department of Administration budget instructions dated May 1996, this memo transmits the University of Wisconsin Biennial Budget request for 1997-99. I am attaching the 1997-99 Budget document as passed by the Board of Regents on August 23, 1996. The UW System request meets DOA budget target policy of 101% for FY98 and 103% for FY99 for General Purpose Revenue. The document includes a summary of new initiative proposals at the 101%/103% target levels, cost-to-continue, program revenue and statutory language items. Detailed Decision Item Narratives for each of the requested items, the detailed Information Technology Funding Proposal, appropriate B forms and a computer tape will be sent to DOA Budget Analyst for the UW System, Michael Heifetz.

The attached budget reflects priorities laid out by the Board of Regents in their year-long Study of the UW System in the 21st Century. Our top priority for funding is a request for instructional technology and distance education as recommended by the 21st Century Study. This request responds to the May 1996 DOA budget instructions which state that "DOA strongly supports making appropriate investments in information technology (IT)."

In addition, top priority new initiatives include:

Badgernet - Funding would provide access to the State fiber optic ring for each UW System institution and UW-Center.

Academic Advising - As the UW System increases use of distance education, pilots four-year graduation contracts and reduces credits to degree, this funding would improve pre-college, general education and career advising for students.

Allied Health - Responding to the state's shortage of allied health professionals, this funding would increase graduates in physical therapy and occupational therapy at UW-Milwaukee and UW-La Crosse.

Precollege Followthrough - Funding would provide minority and disadvantaged youth with additional precollege opportunities by offering a year-round program to follow up on the traditional summer programs.

Financial Aid - Design for Diversity - Funding for the Lawton Undergraduate Minority Retention Grant and the Advanced Opportunity Program would increase the number of new awards and reduce unmet need and loan burdens for minority and disadvantaged students.

The Board of Regents Study of the UW System in the 21st Century also recommended that the UW System pursue a package of initiatives to enhance management flexibility. As outlined in the attached document, these proposals for changes in statutory language would enable UW System institutions to move more quickly to better serve the needs of the state.

DOA instructions also stress the importance of balancing competing demands, setting budget priorities, reorganizing government to make it more effective and efficient within the base budget. In the past two years the UW System has undertaken strong initiatives to ensure educational quality, improve efficiency and provide maximum access within available resources:

- Although the UW System experienced reductions of \$33 million in 1995-97, we protected instruction while taking disproportionate reductions from institutional support, academic support, student services and research and public service.
- The UW System has reduced administrative expenditures well below the national average. In 1993, UW administrative expenditures were 6.3% compared to a national average of 10.8%. Further administrative reductions in the current biennium reduce 1996-97 administrative expenditures to 6.11%.
- All 1997-99 biennial budget initiatives include a base contribution. For example, the Instructional Technology initiative includes a \$6 million GPR/Fee base setaside (about .5% of each campus GPR/Fee budget) and UW-Milwaukee and UW-La Crosse are reallocating over \$1 million toward the Allied Health initiative.
- Enrollment Management III will be 100% funded from the UW System base for the 4,000 additional students assuming that the state continues base funding at current levels with appropriate increases in cost-to-continue and pay plan.
- UW institutions will continue to restructure, resulting in elimination or merger of departments, schools and colleges,

streamlining of courses and reduction of administrative costs. We have cut faculty and staff by 427 FTE in the current biennium.

- The UW System continues to report annually to the public on accountability measures in 7 areas: quality, effectiveness, efficiency, access, diversity, stewardship of assets and contribution to compelling state needs. In addition, we survey our students, alumni, state employers and the general public to determine our effectiveness in the eyes of our stakeholder.

Later this Fall, the Board of Regents will consider pay plan recommendations based on a variety of market factors. In accordance with state statutes, I will forward those recommendations to you and the Secretary of the Department of Employee Relations. As we have discussed, it seems likely that we will need pay plan adjustments substantially above the 1995-97 rates to keep our faculty and staff salaries close to market.

cc: Joint Committee on Finance Co-Chairs Ben Brancel and Brian Burke
Regent President Michael Grebe (w/o attachment)
Regent Vice President Sheldon Lubar (w/o attachment)
Business and Finance Chair Regent Kathleen Hempel (w/o attachment)
Vice Presidents (w/o attachment)
Associate Vice President Sell
Legislative Fiscal Bureau Director Robert Lang
DOA Education Team Leader Bob Hanle
DOA Analyst Michael Heifetz
LFB Education Team Leader Dan Clancy
LFB Education Team Leader Dave Loppnow
LFB Analyst Merry Bukolt
LFB Analyst Ruth Hardy



The University of Wisconsin System

*The
Wisconsin
Idea*

1997-99 Biennial Operating Budget

August 1996

1997-99 UW SYSTEM BIENNIAL BUDGET

EXECUTIVE SUMMARY

BACKGROUND

- o The 1997-99 UW System Biennial Operating Budget new initiatives and statutory language focus on implementing the Board of Regents' Study of the UW System in the 21st Century. The budget meets DOA instructions to limit first year GPR funding increases to 1% over the adjusted base and second year increases to 3% over base. (excluding cost-to-continue items)
- o The top priority new initiative would move the UW System into national leadership in distance education, instructional technology, and collaborative program offerings by Increasing Support for Instructional Technology to Create a Student-Centered Learning Environment. This funding request includes a foundation of infrastructure and equipment to support training and assisting faculty in application of online and other information technology to classroom curricula, statewide information outreach to K-12, making the UW System accessible through a Student Information System (SIS) and libraries, and collaborative projects to extend course outreach.
- o Other new priority initiatives would: make the UW institutions nodes on the State telecommunications network service, Badgernet, to provide maximum use of wider bandwidths and associated delivery options; respond to student need for more and better Advising; answer State needs for more Allied Health professionals; offer a year round program to provide Precollege Follow-through for minority and disadvantaged youth; increase funding for Design for Diversity-Financial Aid programs to increase awards and reduce unmet need for minority and disadvantaged students.
- o These new initiatives would increase state General Purpose Revenue (GPR) funding an average annual 1.4%, while staying within State 1% and 3% guidelines.
- o Tuition revenue to fund these New Initiatives would increase by \$16 million, adding 1.4% annually to the tuition rate increase. The overall tuition rate will be 3.1% in 1997-98 and 3.3% in 1998-99, for an average annual increase of 3.2%. An additional 0.7% would be added for each 1% pay plan increase.
- o The 1997-99 UW System Biennial Operating Budget includes a strong set of management flexibility initiatives as recommended by the Regents' Study of the UW System in the 21st Century, including top priority items to: allow expenditure of actual tuition revenues up to 5% over the tuition appropriation; allow the Board to establish compensation and conditions of employment for unclassified staff; make changes to

the capital budget process including the ability to issue revenue bonds; expend program revenue as generated and create positions needed for credit outreach.

- o The 1997-99 budget requests 147.5 GPR/Fee FTE positions. A limited number of FTE are requested based on the assumptions of institutional base reallocations and approval of statutory language allowing UW System institutions to create positions as needed. In addition, institutions will reallocate 80 existing GPR/Fee FTE positions to meet new program needs.

REQUESTED ACTION

Approval of Resolution II.6.a.(1)

In compliance with directives issued by the State Department of Administration and upon recommendation of the President of the University of Wisconsin System,

the biennial operating budget increase request (over a total all-funds base of \$2,492.9 million) for new Initiatives, Cost-to-Continue, and other Program Revenue funded items be approved for submission to the Governor, Department of Administration, and the Legislature:

<u>Budget Category</u>	<u>Biennial Amount</u>	<u>Average Annual Increase</u>
GPR	\$54,465,700	2.1%
Academic Fees/Tuition *	\$51,886,900	4.2%
Subtotal GPR/Fees	\$106,352,600	2.7%
Other Program Revenue	\$206,928,400	4.6%
TOTAL BIENNIAL INCREASE	\$313,281,000	3.7%

which would provide for a total 1997-99 two-year budget level of \$5,299.1 million (excluding compensation increases).

- * Average annual tuition increases will be 3.2% plus an additional 0.7% increase for every 1% pay plan increase.

RECOMMENDATION

Resolution II.6.a.(1): Approval of the 1997-99 UW System Biennial Operating Budget.

RELATED REGENT POLICIES

The 1997-99 UW System Biennial Operating Budget incorporate recommendations, in part, from the following Regent policies: Board of Regents' Study of the UW System in the 21st Century (May, 1996, Regent Resolution #7176(B)); Lateral Review of Allied Health (April, 1994, Regent Resolution #6654); Tuition Principles, (October, 1992, Regent Resolution #6238); and Design for Diversity (May, 1988, Regent Resolution #4041)

UNIVERSITY OF WISCONSIN SYSTEM 1997-99 GPR/FEE BIENNIAL BUDGET REQUEST

1996-97 Biennial Budget GPR Base (1)		1996-97 Biennial Budget Tuition Revenue Base (1)		1997-98		1998-99 INCREASE		1997-99 BIENNIAL TOTAL		
	GPR	FEE	TOTAL	GPR	FEE	TOTAL	GPR	FEE	TOTAL	
Cost to Continue	\$11,729,800	1.4%	\$13,774,800	\$25,504,600	\$0	0.0%	\$8,500,000	\$23,459,600	\$36,049,600	\$59,509,200
New Initiatives										
Instructional Technology	\$4,072,300		\$6,895,100	\$11,622,500	\$0	\$0	\$6,258,200	\$19,767,100	\$11,903,800	\$31,670,900
BadgerNet	\$2,205,300		\$3,000,000	\$0	\$0	\$0	\$700,000	\$4,410,600	\$1,589,400	\$6,000,000
Academic Advising	\$650,000		\$1,000,000	\$1,300,000	\$0	\$0	\$0	\$2,600,000	\$1,400,000	\$4,000,000
Allied Health	\$229,900		\$353,700	\$1,001,300	\$539,100	\$1,540,400	\$0	\$1,461,100	\$786,700	\$2,247,800
Pre-College Follow-through	\$119,300		\$183,500	\$54,000	\$29,000	\$83,000	\$0	\$292,600	\$157,400	\$450,000
UW System M/D Financial Aid	\$474,700		\$474,700	\$1,525,300	\$0	\$1,525,300	\$0	\$2,474,700	\$0	\$2,474,700
Total New Initiatives	\$7,751,500	0.9%	\$4,155,500	\$11,907,000	\$17,526,300	\$23,029,400	1.8%	\$31,006,100	\$15,837,300	\$46,843,400
Total Request	\$19,481,300	2.3%	\$17,930,300	\$37,411,600	\$15,503,100	\$16,026,300	1.8%	\$54,465,700	\$51,886,900	\$106,352,600
% Increase over 1996-97 Base GPR		2.3%			1.8%			2.1%		
Estimated Tuition Increases (2)			3.1%				3.3%			3.2% average annual
GPR Base Amounts (excluding pay plan increases)			\$860,518,600							\$876,021,700
Fee Base Amounts (excluding pay plan increases)			\$415,386,500							\$431,412,800

(1) GPR and Tuition Revenue bases are different than the ones adopted in June 1996 because of Department of Administration adjustments.
 (2) Fee Revenue is not the same as tuition increase. Tuition increases are affected by enrollment mix, prior year collections, application fees, etc. and do not include increases associated with special fee programs, differential tuition initiatives, and credit outreach (Extension).

Rules of Thumb
 Every 1% Compensation increase equals a .8% GPR increase and a 0.7% Tuition increase.

**UW SYSTEM 1997-99 BIENNIAL BUDGET
TABLE OF CONTENTS**

	Page
EXECUTIVE SUMMARY	i
INTRODUCTION	1
THE UNIVERSITY OF WISCONSIN PARTNERSHIP WITH THE STATE OF WISCONSIN	3
SECTION I - BACKGROUND AND FISCAL FACTS	
Background and Fiscal Facts	4
Vital Statistics	8
Regents' Study of the UW System in the 21st Century is Reflected in the UW System 1997-99 Biennial Budget	9
Implementation of Board of Regents' Policies in 1997-99 Biennial Budget	10
Efficiency Within the Base Budget	11
Enrollment Management III	12
Base Reductions and Lapses, 1989-90 Through 1996-97	13
SECTION II - 1997-99 BIENNIAL BUDGET REQUEST	
UW System 1997-99 GPR/Fee Budget Request	14
DOA Budget Exercise	15
1997-99 Highlights of New Initiatives	16
SECTION III - COST-TO-CONTINUE	
UW System 1997-99 Cost-to-Continue Requests	18
UW System is Requesting \$59.5 Million GPR/Fees in 1997-99 for Cost-to-Continue Items	19
Summary of the UW System's 1997-99 Cost-to-Continue Request	20
SECTION IV - PROJECTED INCREASES IN PROGRAM REVENUE	
UW System 1997-99 Projected Increases in Program Revenue	22
Request to Increase 1997-99 Program Revenue Authorizations	23
Summary of the UW System's 1997-99 Projected Increases in Program Revenue	24

SECTION V - 1997-99 TUITION

1997-99 Biennial Budget Request Average Annual Tuition Increase 26

Tuition Policy Decision Fundamentals 27

SECTION IV - STATUTORY LANGUAGE

1997-99 Statutory Language Proposals 28

INTRODUCTION

The UW System 1997-99 biennial budget request is a strategic tool in moving the UW System forward into the 21st Century. This budget request:

- begins implementation of the Board of Regents' Study of the UW System in the 21st Century;
- falls within the State budget guidelines of 1% GPR growth for new initiatives in 1997-98 and 3% (or an additional 2%) in 1998-99;
- meets the State challenge to: focus on investments in information technology and continue to operate effectively and efficiently.

All budget requests include matching components from base reallocation, increased productivity, or outside funding. At the same time, they position the UW System to:

Move boldly to become a national leader in distance education.

- ⇒ The State's collaborative investment in UW System's distance education initiative will enable us to serve the state's K-12 schools in partnership with the the Department of Public Instruction, the Educational Communications Board and the Wisconsin Technical Colleges System. These three agency budget requests are coordinated.
- ⇒ We will answer the needs of the schools for continuing teacher training as they incorporate this technology into their classrooms and curricula.
- ⇒ We will provide schools with access to a Student Information System (with financial aid information, on-line registration for each university, and many other features of direct benefit to students) and to UW System library resources.
- ⇒ We will provide faculty and staff with the desktop and (through the capital budget) classroom technology, training and course development assistance to give students state-of-the-art instruction and prepare them to use these technologies in their own professions after graduation.
- ⇒ We will offer career instruction and continuing education for placebound students, employees of State businesses, using existing faculty without proliferation of program array.

Answer the State's identified needs for more Allied Health professionals in rural and urban areas.

In the context of a continuously aging society and the health challenges the elderly present, as well as significant changes resulting from managed health care, UW-La Crosse and UW-Milwaukee will increase the numbers of graduates in Occupational and Physical Therapy programs. UW-La Crosse has also formed the LaCrosse Medical Health Science Consortium together with the Western Wisconsin Technical College, Viterbo College, Gundersen Clinic and Franciscan Skemp Healthcare to jointly build the LaCrosse Medical Science Education and Research Center. Construction of this shared facility is targeted to begin in 1997.

Respond to students' testimony about the need for more and better advising by:

- ⇒ improving university information and contacts with high school guidance counselors; adopting best practices in freshman advising, transfer and general education advising to improve retention;
- ⇒ starting career mentoring and advising much earlier in a student's program, including helping students pursue more internship, cooperative and field placement opportunities and providing on-line career information.

Continue enrollment access.

Through base investment and productivity increases, UW System will provide increased enrollment access for another 4,000 students provided our base budget is not cut in 1997-99. If, in 1998, we find that enrollment demand exceeds that goal, we will request additional State investment in the 1999-01 biennial budget to meet the additional demand from increased numbers of high school graduates. As prudent partners with the State, we will first achieve our own base investment objectives.

Begin implementation of the Regents' Study of the UW System in the 21st Century.

This budget request implements the partnership with the State adopted by the Board in the final Regents' Study of the UW System in the 21st Century as outlined on the next page. If the State is not able to fund our costs-to-continue and provide a competitive payplan, we cannot proceed with base investments in enrollment growth.

The Regents' Study of the UW System in the 21st Century recommends "a strong set of management flexibility initiatives to decentralize operational decisions from the State and Board/System" and urges the System to seek "more flexibility in capital budgeting and the unclassified personnel function to allow for the timely maintenance and care of capital and human assets." The proposals for management flexibility included in this budget are crucial to the UW System in managing within the 1995-97 budget reductions and in adapting to the challenges of higher education in the 21st century.

The University System understands the need to fund all of education. The Wisconsin legacy of providing high access to quality higher education at an affordable price has helped Wisconsin come through the recessions of the 1980's with a more diversified and very robust economy, because job growth is fastest in occupations requiring higher education. The University System is an important engine of the economy in contributions to the workforce, international leadership in research, outreach to State businesses small and large, in its own employment, and in the multiplier effect it has on income, revenues and employment in the 26 localities where its campuses reside.

THE UNIVERSITY OF WISCONSIN PARTNERSHIP WITH THE STATE OF WISCONSIN

The best chance for maintaining high access to quality programs at affordable prices for Wisconsin citizens lies in a continuing, strong partnership between the UW System and the State of Wisconsin to meet the needs of the 21st Century. Our study shows that:

The UW System Must:

- Keep college affordable for the people of Wisconsin.
- Ensure quality and access for Wisconsin resident undergraduates through the year 2000 by increasing productivity to serve 4,000 additional FTE students.
- Meet the needs of Wisconsin's college educated workforce for continuing education.
- Expand the "Wisconsin Idea" so that the boundaries of the University become the boundaries of the world through use of distance education.
- Create a seamless web of education by expanding collaborative program agreements among UW System institutions and partnering with other four-year institutions, the K-12 schools, and the Wisconsin Technical College System.
- Keep administrative costs in the UW System low; continue to streamline campus administration.
- Continue publishing annual accountability reports for all of the UW System's stakeholders and work to attain goals.

The State of Wisconsin Must:

- Work with the UW System to increase management flexibilities and cut red tape that no longer adds value to the instructional, research, and service missions.
- Maintain access and keep college affordable by continuing UW System base budget funding at current levels with appropriate increases for compensation and costs-to-continue in future biennia.
- Recognize that additional access beyond the 4,000 students will require additional state funding.
- Help the UW System increase productivity and its partnerships with K-12 schools and other groups by investing in instructional technology and distance education.

I. BACKGROUND AND FISCAL FACTS

BACKGROUND AND FISCAL FACTS

This document responds to the DOA directive to prepare a budget that does not increase spending beyond 1% over base in 1997-98 and 3% (or an additional 2% beyond 1997-98) over the base in 1998-99. The State's instructions challenged the University System and all of State government to continue to set priorities and determine the effectiveness of existing programs. The budget instructions also advocate continued incorporation of new information technologies into work processes to provide better services to the public.

UW System's 1997-99 biennial budget request reflects recommendations in the Board of Regents' "Study of the UW System in the 21st Century" (May 1996) that directly address these directives. All of the University System's new initiative requests include base reallocations and/or external funding matches. Information Technology initiatives comprise the majority of the new initiatives funding request. UW System will also engage in a number of initiatives involving new ways of meeting our primary missions, including a study of best practices in advising to respond to student concerns voiced in the Study's public hearings and in a survey of student opinions about UW institutions.

The UW System has a national reputation as a leader in innovation. We continuously improve the way we do business. Listed below are highlights of some of the Board of Regents recommendations and changes made in recent years, along with the economic benefits of the UW System to the State, the economy, and its graduates. The economic and fiscal outlook for Wisconsin continues to be excellent as we enter 1997-99. The State's fiscal challenge in 1997-99 will be to complete the funding of K-12 property tax relief begun in 1995-97. However, shifting of the funding source for K-12 education should not come at the expense of Wisconsin public university education. Investment in all education pays off for Wisconsin.

1. THE UNIVERSITY OF WISCONSIN SYSTEM HAS IMPROVED PRODUCTIVITY TO ENSURE QUALITY AND TO PROVIDE MAXIMUM ACCESS WITHIN AVAILABLE RESOURCES

- ⊗ We have eliminated 290 academic programs and created 263 new academic programs with base funds since merger. In addition, the UW System is unique nationally in the practice of requiring that new degree programs be funded from institutional base budgets.
- ⊗ We are implementing productivity improvements through: a faculty workload policy with annual reports on the performance and productivity of our faculty and staff; taking 4,000 additional students from base funds and productivity increases; better use of technology such as telephone registration that allows students to register for classes from anywhere in the state or the world; and improvements in campus computer networks to allow student access to networks, library catalogs and to their professors from both on-campus and off-campus locations.
- ⊗ The UW System makes an annual accountability report to the public on accountability measures in 7 areas: quality, effectiveness, efficiency, access, diversity, stewardship of assets and contribution to compelling state needs. In

- addition, we survey our students, alumni, state employers and the general public to determine our effectiveness in the eyes of our stakeholders. The UW System is widely acknowledged to be a national leader in its accountability efforts.
- ⊗ We are managing enrollments to deliver better education to students, to use scarce resources more effectively, and to provide meaningful access to higher education. Despite 1995-97 biennial budget reductions, if the state continues base funding at current levels with appropriate increases in cost-to-continue and pay plan, we will self fund the 4,000 students we have agreed to take through the year 2000, through faculty/academic staff productivity increases and base reallocations.
- ⊗ We rank fifth nationally among all states in access to public higher education provided to high school graduates. We serve 31% of all high school graduates in the state.
- ⊗ Tuition for resident undergraduate students remains low compared with peers. UW-Madison is ranked 8th out of 9 public Big Ten institutions

(excludes Penn State), UW-Milwaukee ranked 11th out of 15 peer institutions and the Comprehensive institutions' tuition ranked 32nd out of 35 peer institutions in 1995-96.

- ⊗ The total cost of attendance for students in the UW System is 75% of the national average for all public universities and 25% of the national average for private universities. In addition, costs have grown at a slower rate than the national average since 1990-91. UW System costs (excluding UW-Centers) have increased 20.6% while all public universities have increased costs by 26.0% and all private universities by 28.2%. In 1994-95, a UW student paid \$5,262 while the average public university student paid \$7,035.

Comparative Total Costs and Increases

	UW System *	Public Univ.	Private Univ.
1990-91	\$4,363	\$5,584	\$16,503
1991-92	\$4,489	\$6,051	\$17,779
1992-93	\$4,728	\$6,442	\$18,898
1993-94	\$5,008	\$6,709	\$20,027
1994-95	\$5,262	\$7,035	\$21,152
% Change	20.6 %	26.0 %	28.2 %

*Excludes UW Centers. Source: The College Board. September 1995.

- ⊗ All UW institutions continue to carry-out major restructuring resulting in elimination or merger of departments, schools, and colleges, streamlining of courses, and reduction of administrative costs.
- ⊗ We are a low cost provider of Higher Education nationally. We use a substantially lower proportion of the UW System budget for administrative costs than peer university systems: 6.11% vs. 10.8%. And our overall expenditure per student is about 20 percent below that of our peers.
- ⊗ We ensure educational quality and efficiency by: monitoring add/drop activity to a standard of 5% or less with the average drop rate from Fall 1988 decreasing from 5.5% to 3.9% in Fall 1995; joint reviews of each academic program every 5 years; systemwide lateral reviews of professional programs; computerized Credit Transfer Information System; cooperative degree programs; and Continuous Quality Improvement and Process Reengineering initiatives at every institution.

- ⊗ The five UW System schools of nursing have begun a Nursing Collaborative Degree completion program for Licensed Practical Nurses and other nurses to complete the Registered Nurse bachelor's degree. Over 10 nurses are now enrolled in two pilot courses as the program begins offering five courses each semester in Fall 1996.
- ⊗ UW-Extension and the Lotus Institute have begun a joint venture to research and develop computerized distance learning and collaborative learning methods/products. The initiative will provide education and training for workers at remote sites, for work/study students, etc.
- ⊗ UW-Oshkosh, UW-Whitewater and UW-LaCrosse formed a consortium (OWL) to develop a common student information system as a cornerstone to the modernization of the administrative computing environment.
- ⊗ Improved Travel Management practices have enhanced services and reduced costs. The System Travel office developed a Travel Home page on the internet to communicate travel policy, vendor contract rates and other travel information, increasing vendor compliance with policy and reducing direct and indirect travel costs. Other examples are:
 - preferred rate agreements with hotels and hotel chains with annual savings for UW employees of approximately \$180,000.
 - developed an RFP for a household moving vendor which reduced moving costs and administrative burden on UW employees.
 - computerized the Travel Expense Report (TER) forms with built-in audit features which reduces audit errors.
 - communication of travel information, such as fare wars, to travel coordinators at all institutions resulting in the UW System's average domestic airfare cost (\$306) being lowest in the Big Ten.
- ⊗ The System Division of Procurement, working with DOA, helped achieve passage of SB 285 which increased the bidding threshold from \$10,000 to \$25,000 and allows use of consortial contracts. Implementation will impact about 4,000 transactions statewide, save staff time and

shorten delivery of products and services by as much as 50 days. In addition the Office:

- Participated in the development of Vendomet, a statewide system to allow vendors to register for bids, provide key vendor information and allow electronic downloading of bids. This system will reduce administrative time and reduce paper and mailing costs.

- Led the development of a contract administration course which is now taught to contract administrators and state agencies.

- Created a WWW page to allow campuses, state agencies, technical colleges and municipalities to access all UW System contracts on line, reducing time, copying costs and ease of distribution.

2. COLLEGE EDUCATION PAYS FOR THE INDIVIDUAL...AND FOR THE STATE

- ☒ The average annual earnings of a full-time worker with a Bachelor's degree in Wisconsin is \$35,700 compared to \$22,900 for a full-time worker with a high school diploma. This \$12,800 annual earnings premium adds \$450,000 to an individual's lifetime earnings.(1)
- ☒ Individuals with college degrees have lower unemployment rates, better health, and live longer than those without degrees.(2)
- ☒ Nationally, a master's degree holder earns \$700 more per month than a BA grad and \$1200 more per month than a high school grad. (3)

- ☒ The Wisconsin State Treasury collects an additional \$575 million annually in taxes from workers with college degrees because of their higher incomes.(4)
- ☒ About two-thirds of the fastest growing occupations in Wisconsin require at least a Bachelor's degree.(5) These occupations provide services such as finance, accounting, legal, research and development and testing, information technology, engineering, architecture and advertising.(6)

3. THE UW SYSTEM CONTINUES...A CATALYST TO WISCONSIN'S ECONOMIC GROWTH

- ☒ More than 90% of Wisconsin businesses polled believe the UW System is important to the state's economy. Firms using UW System business and research services rate these services as "very helpful."
- ☒ In many of Wisconsin's communities, the university is a major employer, an important client of local businesses, and the main cultural center. The UW System has twenty-

six sites across Wisconsin and an extension presence in all 72 counties providing 31,000 jobs and generating \$1.3 billion in income for Wisconsin citizens, most paid from non-tax dollars.

- ☒ UW research has spun off 79 new Wisconsin businesses employing over 8,000 people.

(1) Source: Postsecondary Education Opportunity, May 1994; assumes working lifetime of 35 years.

(2) Leslie, Larry L. and Brinkman, Paul T. The Economic Value of Higher Education. New York: MacMillan, 1988.

(3) US Census, 1990

(4) The Bachelor's degree premium generates an estimated \$1,050 per individual in additional state tax revenue. If the Wisconsin marginal tax rate of 6.93% is applied to the \$12,800 Bachelor's degree premium, the premium generates \$890 in additional income taxes. An additional \$160 is generated assuming 25% of this income premium is spent on items that generate sales tax revenue at the current 5% rate. 1990 census data indicates that 17.7% of Wisconsin's population for persons over 25 years old have a Bachelor's or advanced degree. This represents roughly 550,000 individuals (note that these individuals may have obtained degrees from any college or university, including UW System institutions).

(5) Source: Applied Population Laboratory, Labor Force Statistics for Wisconsin, 1993.

(6) Source: Nichols, Donald A. The Growth of Business Services in Wisconsin. La Follette Report.

⊗ Students, faculty and staff, and visitors, spend an estimated \$2.5 billion in Wisconsin annually. Because these dollars are respent at least two and one-half more times, on average, the total annual economic impact of this spending is at least \$6.5 billion. UW-Madison's estimated regional impact alone was \$2.5 billion.

⊗ UW System will bring in more than \$688.5 million in Gifts, Grants and Contracts in 1996-97. This results in an estimated \$1.7 billion economic boost to Wisconsin.

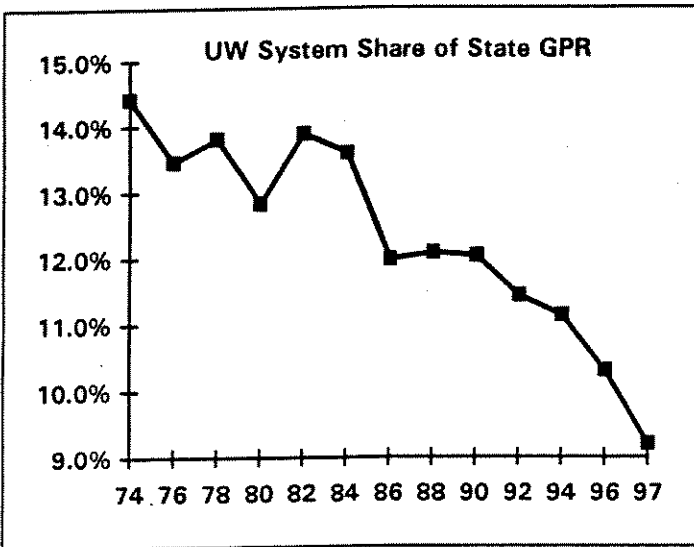
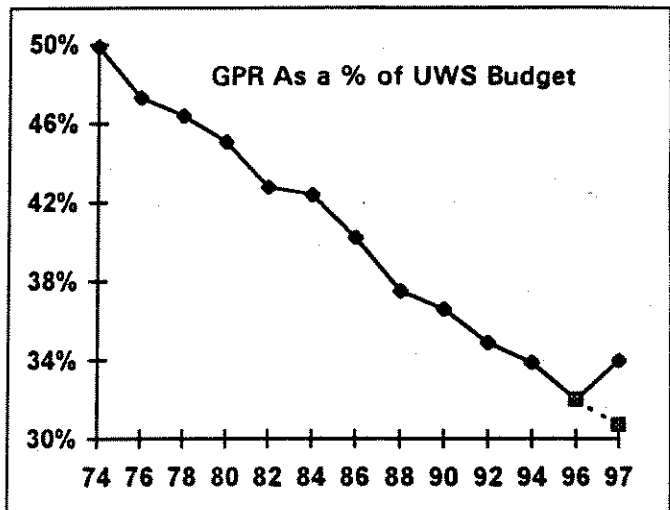
4. ECONOMIC ENVIRONMENT AND FISCAL FACTS

⊗ Wisconsin's economic outlook is excellent:

• Projected average annual GDP growth for 1997-98 in constant dollars (7)	2.7%
• Projected average annual inflation rate for 1997-98 (7)	3.2%
• Annual growth in tax revenues in 1995-97 (8)	5.35%
• 1995-97 Wisconsin annual growth in personal income (8)	4.6%
• Projected 1998 Wisconsin growth in personal income (8)	4.8%

⊗ The University of Wisconsin is now a State-assisted system. GPR supported 50% of our budget at merger and now accounts for a little over 34%. For every \$1 in State-support, the UW System attracts \$2 in non-State dollars. Note that in 1996-97 the GPR share would have been 30.7% if the UW hospital had not been removed.

⊗ Under this budget request the UW System's percent share of the State GPR budget will decline further in 1997-99, because our request is less than the current 5% growth in State revenues. In 1974 the UW share of State GPR was 14.4%, by 1997 it will drop to 9.2%.



⊗ The 1996-97 UW System research budget includes approximately \$7.18 in external support for every GPR dollar or \$399.5 million in external research support.

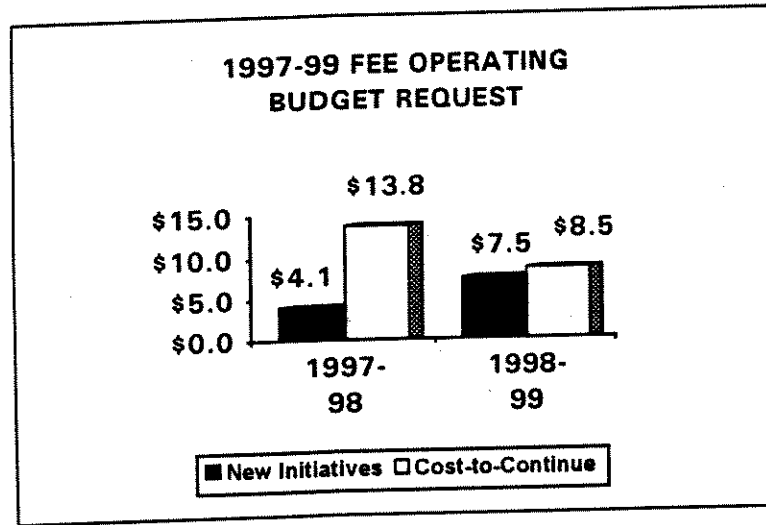
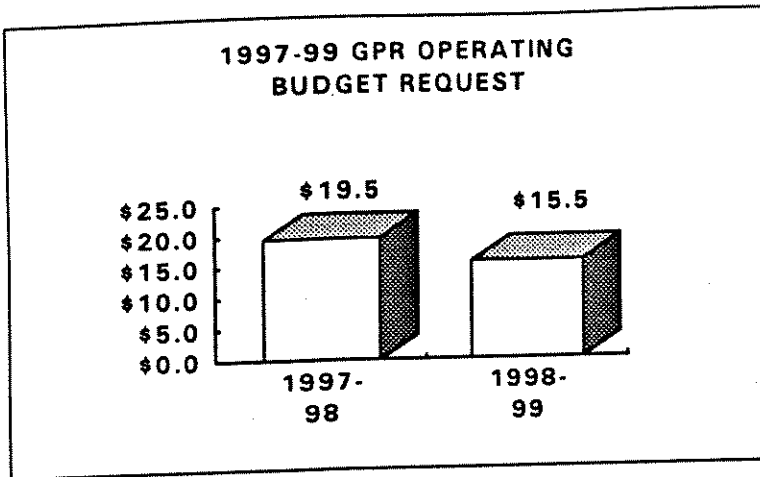
⊗ Approximately \$3.5 million in private and federal funds are generated by the Distinguished Professors, Business Education, and Laboratory/Classroom Modernization and General Computer Access programs

(7) Data Resources Inc., updated in July 1996.

(8) Department of Revenue

VITAL STATISTICS

ALL DOLLAR AMOUNTS IN MILLIONS AND EXCLUDE PAY PLAN INCREASES.



1997-99 ESTIMATED TUITION INCREASES

	1997-98	1998-99	Average Annual
Overall Increase	3.1%	3.3%	3.2%

OTHER 1997-99 UW SYSTEM BUDGET FACTS

	1997-98	1998-99
GPR Position Increase	26.0	35.0
Fee Position Increase	46.5	40.0
PR Dollar Increase	\$90.2	\$26.6
All Funds Increase	\$127.6	\$58.1

GPR: The DOA required 103% GPR budget does not include \$23 million for cost-to-continue items.

Fees: The UW System's 1997-99 biennial budget fee request includes \$16 million for new initiatives and \$36 million for cost-to-continue items.

Tuition: Together, these GPR/Fee increases would result in average annual tuition increases of 3.2%, including 1.3% for prospective fringe benefits and enrollment factors. An additional 0.7% would be added annually for each 1% pay plan increase.

Positions: The 1997-99 budget requests 147.5 GPR/Fee FTE positions. A limited number of FTE are requested based on the assumptions of institution base reallocations and approval of statutory language allowing UW System institutions to create positions as needed.

Program Revenue: Program revenue or outside funding income is projected to increase by \$207 million.

All Funds: The all funds increase would be \$313 million.

1997-99 BIENNIAL BUDGET INCREASES BY SOURCE OF FUNDS

	1996-97 Base	1997-98	Increase in 1998-99	Avg. Annual 1997-99	Biennial Total 1997-99	1998-99 Ongoing Base
GPR	\$841.0	\$19.5	\$15.5	2.1%	\$54.5	\$876.0
Fee Revenue	397.5	17.9	16.0	4.2%	51.9	431.4
GPR/Fee	1,238.5	37.4	31.5	2.7%	106.4	1,307.4
Program Revenue	1,254.4	90.2	26.6	4.6%	206.9	1,371.2
All Funds	\$2,492.9	\$127.6	\$58.1	3.7%	\$313.3	\$2,678.6

**REGENTS' STUDY OF THE UW SYSTEM IN THE 21ST CENTURY
IS REFLECTED IN THE UW SYSTEM 97-99 BIENNIAL BUDGET**

- Request funding of \$31.7 million GPR/fees for Instructional Technology and Distance Education, including funding to:
 - ⇒ develop enhanced partnerships with K-12 institutions.
 - ⇒ develop enhanced student learning environment and remove time and place as barriers to learning on and off campus.
 - ⇒ improve access to hardware and software.
 - ⇒ invest in the training of faculty and staff to enable them to develop and use new technology based instruction in the traditional classroom and in sites reached through distance education.
 - ⇒ expand collaborative programming among UW institutions and with other four-year institutions, the K-12 schools and WTCS.
 - ⇒ enhance student support services through a Student Information System.

- Keep college affordable through moderate and predictable tuition increases.

- Requests funds for advising to address student concerns about general education, transfer, and career advising and to assist students as we implement 21st Century recommendations to reduce excess credits to degree and implement pilot four-year graduation contracts.

- Request management flexibility initiatives to help decentralize operational decisions from the State and Board/System, including:
 - ⇒ flexibility in the tuition appropriation of 5% over the scheduled authority to allow expenditure of actual tuition revenues as received due to enrollment growth and mix changes and/or implementation of differential tuition rates among institutions and by program.
 - ⇒ replacement of position control and reporting requirements with expenditure controls, as in all other Big Ten Universities.
 - ⇒ ability of the Board of Regents to establish compensation levels and conditions of employment for unclassified staff.
 - ⇒ changes to the capital budget process including the ability to issue revenue bonds.
 - ⇒ expenditure of program revenue as generated and creation of positions as needed for credit outreach, as granted for noncredit in 1995-97 Budget.

IMPLEMENTATION OF BOARD OF REGENTS' POLICIES IN 1997-99 BIENNIAL BUDGET

Enrollment Management III:

- Maintains educational quality by balancing enrollments with resources.
- Through the year 2000, enrollments will increase by 4,000, if and only if the State continues UW base funding at current levels with appropriate increases for compensation and costs-to-continue.

Lateral Reviews:

- Ensure efficient use of state resources to meet supply/demand of professional personnel in Allied Health.

Academic Planning and Program Review - ACIS 1.1:

- Reviews program array and encourages collaboration among UW institutions.

Undergraduate Imperative:

- Continues emphasis on strengthening the undergraduate experience through better advising and development of a Student Information System.

Efficient Use of Faculty:

- Through faculty workload policies, post-tenure review, professional development.

EFFICIENCY WITHIN THE BASE BUDGET

To ensure educational quality, to improve efficiency, and to provide maximum access within available resources, the UW System has undertaken several initiatives:

- The UW System experienced 1995-97 biennial budget reductions of \$33 million. Instruction has been protected relatively while disproportional reductions have come from Institutional Support, Academic Support, Student Services, Research and Public Services.
- As of 1993, the UW System had reduced administrative expenditures to 6.3% of total expenditures, compared to a national average of 10.8% (IPEDS, 1992-93). In 1995-97 the state required administrative reductions of \$10.2 million. In addition, the UWS took \$4 million of general GPR reductions from administrative and support services. These cuts included a \$6 million reduction in institutional support and came on top of an administrative reduction of \$1.3 million during the 1993-95 biennium, which reduces 1996-97 administrative expenditures to 6.11%.
- All UW System 1997-99 biennial budget will include a base contribution. The Instructional Technology/Distance Learning initiative will include a .5% GPR/Fee base setaside (about \$6 million) and reallocation for position authority for 53 FTE. Also, UW-Milwaukee and UW-LaCrosse are reallocating over \$1 million as well as position authority for 27 FTE toward Allied Health initiatives. Institutions will improve advising in the major from the base. In addition, institutions will make base contributions toward Minority/ Disadvantaged Financial Aid for fringe benefits and departmental scholarships. The BadgerNet and Precollege initiatives will include contributions from existing staff.
- Expected increases in the the Federal Minimum Wage will require additional state funds or base reallocations.
- Through the Quality Reinvestment Program, institutions reallocated \$26.5 million toward top priorities between 1992-95.
- The UW System earns two-thirds of its budget from non-tax sources. As federal grants are reduced we must rely more on private funds and be increasingly responsive to competitive conditions nationally and internationally.
- Despite 1995-97 biennial budget reductions, Enrollment Management III will be 100% funded from the UW System's base for the 4,000 students we have agreed to take through the year 2000, *if, and only if, the state continues base funding at current levels with appropriate increases in cost-to-continue and pay plan.*
- The UW System has established and continues to report annually to the public on accountability measures in 7 areas: quality, effectiveness, efficiency, access, diversity, stewardship of assets and contribution to compelling state needs. In addition, we survey our students, alumni, state employers and the general public to determine our effectiveness in the eyes of our stakeholders.
- The UW System ensures educational quality and efficiency by: monitoring add/drop activity; academic program reviews and systemwide lateral reviews of professional programs; computerized Credit Transfer Information System; a Student Information System, cooperative degree programs; and Continuous Quality Improvement initiatives at every campus.

Enrollment Management III

Enrollment Management History

In 1987, the Board of Regents instituted a policy of Enrollment Management (EM I), whereby enrollments were reduced in order to match resources to institutions' ability to offer a quality education. Annual targets were set for enrollments covering fall, 1987 to fall, 1990. In 1990, the Board approved EM II whereby enrollments would continue to decline between 1991-1994 to reflect a demographic decrease in the number of Wisconsin high school graduates.

Enrollment Management III

By the year 2000, the UW System will need to serve an additional 10,000 student FTE to maintain current access levels for Wisconsin high school graduates. This plan enables us to serve 4,000 of the projected 10,000 additional Wisconsin high school graduates who will seek admission to the UW System. The UW System maintained its 1995-97 enrollment targets despite base budget cuts equivalent to support for 7,300 FTE students and the elimination of 527 faculty and staff positions.

- During Enrollment Management III (1995-2001), we will continue to commit to taking 2,500 more students through increased productivity and reallocation of base dollars.
- Adoption of new instructional technologies, distance education and reductions in average credits taken by students may make room for an additional 1,500 FTE by the year 2000.
- This budget proposal preserves access to the UW System for 4,000 additional qualified students, provided we receive no further base reductions and funding of costs-to-continue and pay plan. This represents a 9% productivity gain over 1995-97 budgeted access levels:

Enrollment sustained despite \$33 million base cut	7,300 FTE*
Additional capacity from reallocated base funds and increased productivity =	(2,500 FTE)
Additional capacity from reducing credits taken upon graduation and implementation of new technology =	(1,500 FTE)
Total New FTE Under EM III	<u>4,000 FTE</u>
Total New and Sustained Enrollment, 1995-2000	+ 11,300 FTE =
	+ 9% over fall 1994 enrollment of 123,584 FTE
* 2,440 FTE of these were accommodated in spaces opened up by larger graduating classes in 1995 and 1996.	

- Because enrollments are still lagging behind projections and because the largest upturn in the demographic curve of immediate high school graduates will not occur until 1997-99, the UW System will wait until the 1999-2001 biennial budget to request additional state funds related to expected growth of up to 6,000 more students (beyond the 4,000 students funded from the base).

**BASE REDUCTIONS AND LAPSES
1989-90 THROUGH 1996-97**

Continuous budget reductions constrain the university's ability to meet students educational needs.

YEAR	TYPE	AMOUNT	COMMENT
1989-90	Early Retirement Savings	(\$1,037,200)	One-time lapse. See 1990-91 for continuing reduction level.
1990-91	Early Retirement Savings	(\$508,400)	Continuing Base Reduction.
	State Budget Freeze	(\$7,000,000)	One-time only.
	TOTAL 1990-91	(\$7,508,400)	
1991-92	Remedial Education	(\$882,600)	Transferred to Program Revenue.
	Turnover Savings	(\$5,400,000)	One-time only.
	System Administration Base Cut	(\$200,000)	
	Supplies & Expenses Forced Lapse	(\$3,248,200)	One-time lapse.
	State Telephone Rate Reduction Lapse	(\$206,000)	One-time lapse.
	TOTAL 1991-92	(\$9,936,800)	
1992-93	Supplies & Expenses Forced Lapse	(\$4,872,300)	One-time lapse.
	State Telephone Rate Reduction Lapse	(\$412,000)	One-time lapse.
	Federal Indirect Reimbursement Lapse	(\$2,414,500)	One-time lapse.
	TOTAL 1992-93	(\$7,698,800)	
1993-94	Supplies & Expenses Base Cut	(\$2,274,200)	Permanent Cut.
	Administrative Cost Reductions	(\$637,000)	Permanent Cut.
	Center for Urban Land Economics Research	(\$175,000)	Transferred to Program Revenue.
	TOTAL 1993-94	(\$3,086,200)	
1994-95	Administrative Cost Reductions	(\$637,000)	Permanent Cut.
	Forced Lapse	(\$8,728,700)	One-time lapse.
	TOTAL 1994-95	(\$9,365,700)	
1995-96	Administrative Costs GPR Cut	(\$5,103,600)	Permanent Cut.
	General GPR Cut	(\$8,959,000)	Permanent Cut.
	Elimination of GPR for Hospital	(\$2,282,200)	Permanent Cut.
	Capital Budget Staff Reduction	(\$1,852,500)	Permanent Cut.
	GPR Base Cut (Offset by tuition increase)	(\$5,100,000)	Permanent Cut.
	Other GPR Base Reductions	(\$295,800)	Permanent Cut.
	TOTAL 1995-96	(\$23,593,100)	
1996-97	Administrative Costs GPR Cut	(\$5,103,600)	Permanent Cut.
	General GPR Cut	(\$8,156,900)	Permanent Cut.
	Capital Budget Staff Reduction	(\$628,600)	Permanent Cut.
	GPR Base Cut (Offset by tuition increase)	(\$5,100,000)	Permanent Cut.
	Other GPR Base Reductions	(\$581,000)	Permanent Cut.
	TOTAL 1996-97	(\$19,570,100)	
GRAND TOTAL		(\$81,796,300)	Total Administrative Cuts:
Permanent Base Reductions		(\$48,477,400)	(\$14,162,300)
One-Time/Lapses		(\$33,318,900)	

II. 1997-99 BIENNIAL BUDGET REQUEST

UNIVERSITY OF WISCONSIN SYSTEM 1997-99 GPR/FEE BIENNIAL BUDGET REQUEST

1996-97 Biennial Budget GPR Base (1)	1997-98		1998-99 INCREASE		1997-99 BIENNIAL TOTAL	
	GPR	TOTAL	GPR	FEE	TOTAL	TOTAL
1996-97 Biennial Budget Tuition Revenue Base (1)						
						\$841,037,300
						\$397,456,200
1997-99 BUDGET ITEMS	GPR	TOTAL	GPR	FEE	TOTAL	TOTAL
Cost to Continue	\$11,729,800	\$25,504,600	\$0	\$8,500,000	\$8,500,000	\$59,509,200
New Initiatives						
Instructional Technology	\$4,072,300	\$6,895,100	\$11,622,500	\$6,258,200	\$17,880,700	\$31,670,900
BadgerNet	\$2,205,300	\$3,000,000	\$0	\$0	\$0	\$6,000,000
Academic Advising	\$650,000	\$1,000,000	\$1,300,000	\$700,000	\$2,000,000	\$4,000,000
Allied Health	\$229,900	\$353,700	\$1,001,300	\$539,100	\$1,540,400	\$2,247,800
Pre-College Follow-through	\$119,300	\$183,500	\$54,000	\$29,000	\$83,000	\$450,000
UW System M/D Financial Aid	\$474,700	\$474,700	\$1,525,300	\$0	\$1,525,300	\$2,474,700
Total New Initiatives	\$7,751,500	\$11,907,000	\$15,503,100	\$7,526,300	\$23,029,400	\$46,843,400
Total Request	\$19,481,300	\$37,411,600	\$15,503,100	\$16,026,300	\$31,529,400	\$106,352,600
% Increase over 1996-97 Base GPR	2.3%		1.8%			2.1%
Estimated Tuition Increases (2)			3.1%			3.2% average annual
GPR Base Amounts (excluding pay plan increases)		\$860,518,600			\$876,021,700	
Fee Base Amounts (excluding pay plan increases)		\$415,386,500			\$431,412,800	

(1) GPR and Tuition Revenue bases are different than the ones adopted in June 1996 because of Department of Administration adjustments.
 (2) Fee Revenue is not the same as tuition increase. Tuition increases are affected by enrollment mix, prior year collections, application fees, etc. and do not include increases associated with special fee programs, differential tuition initiatives, and credit outreach (Extension).

Rules of Thumb
 Every 1% Compensation Increase equals a .8% GPR Increase and a 0.7% Tuition Increase.

DOA BUDGET EXERCISE

The Department of Administration requires the University of Wisconsin System to show how it would increase expenditures 1% over the adjusted 1996-97 GPR base in 1997-98 and 3% over the adjusted 1996-97 base for 1998-99. This methodology would result in a \$7.8 million GPR increase in 1997-98 and an additional \$15.5 million in 1998-99 for the University of Wisconsin System. The total base increase would be \$23.3 million.

Proposed University of Wisconsin System new initiatives for 1997-99 include:

1997-99 UW SYSTEM INITIATIVES	1997-98 GPR	1998-99 GPR	1997-99 ONGOING BASE INCREASE
Instructional Technology	\$4,072,300	\$11,622,500	\$15,694,800
BadgerNet	\$2,205,300	\$0	\$2,205,300
Academic Advising	\$650,000	\$1,300,000	\$1,950,000
Allied Health	\$229,900	\$1,001,300	\$1,231,200
Pre-College Follow-Through	\$119,300	\$54,000	\$173,300
UW System M/D Financial Aid	\$474,700	\$1,525,300	\$2,000,000
TOTAL	\$7,751,500	\$15,503,100	\$23,254,600
DOA MAXIMUM	\$7,751,500	\$15,503,100	\$23,254,600
BALANCE	\$0	\$0	\$0

1997-99 HIGHLIGHTS OF NEW INITIATIVES

Biennial Total: \$31,670,900 GPR/Fees*

INSTRUCTIONAL TECHNOLOGY

This first component of a multi-biennial initiative supports the Regents' 21st Century Study, which recommended that the UW System should "establish a goal to use instructional and distance education technologies to develop an enhanced, student-centered learning environment that removes time and place as barriers to learning, both on and off campus." Achieving this goal requires:

Infrastructure Resources

(\$5,650,000 GPR/Fees)

- **Upgrades for Distance Education Technology** - would increase the number of distance education courses and improve the reach of existing distance education courses through upgrades to technology including connecting the UW-Centers to the System's two-way compressed video network, county extension offices and other off-campus sites.
- **Upgrades to Campus Computer Networks** - increased capacity for campus networks will enable campuses to link computer labs, libraries and residence halls with electronic classrooms and carry live 2-way video. Improved networks can also connect on-line instructional materials so that faculty teams can collaborate on interdisciplinary courses.
- **Site Support for Distance Education** - Because distance education courses are often offered at times and locations different from normal on-campus instruction, additional support is needed to insure that rooms are accessible, equipment is working properly, and students and faculty are able to interact despite being located at a distance from each other.

Curricular Redesign and Technological Support

(11,359,900 GPR/Fees)

- Funding would support instructional technology development centers (ITDC), technical and instructional design support, faculty technology grants and systemwide coordination of the curricular redesign initiative.

K-12 and Student Information Programs

(\$11,471,000 GPR/Fees)*

- **A Student Information System (SIS)** - will provide secondary and postsecondary students with UW System electronic applications, admissions status, transfer information (TIS), degree audit (DARS), career advising and financial aid information through the World Wide Web. [K-12]**
- **Libraries** - addresses 3 major areas of need: (1) improved statewide access to library materials through cooperative acquisitions of books, journals and other documents; (2) obtaining systemwide licenses for databases, reference services and full-text journal articles; and (3) delivery services among UW institutions. [K-12]**
- **Wisconsin K-12 Initiatives** would provide training for K-12 teachers and assist school districts in planning for use of new instructional technologies. [K-12]**

Regent Incentive Fund for Collaborative Programs

(\$3,190,000 GPR/Fees)

This Regent Incentive Fund for Internal and External Collaborative Programs and Other Innovations would encourage institutions to develop additional collaborative certificate and degree programs in areas such as business, industrial technology and teacher education. Also under development are "two plus two" partnerships to allow UW-Centers students to use distance education to complete their upper division courses in their home communities and "three plus two" and "three plus four" programs to allow qualified high school students to begin university study in their senior year. [K-12]**

* Includes \$1,260,000 PR for increased application fees. **[K-12] Indicates that these initiatives provide collaborative opportunities between the UW System and the Wisconsin K-12 Public School Systems.

(New Initiatives Request Continued)

Biennial Total:

BADGERNET

\$6,000,000 GPR/Fees

Funding would provide access to the State fiber optic ring network at each UW System institution and each UW-Center. This would provide much higher speed Internet connections, the ability to offer a far greater number of programs simultaneously, and higher quality distance education video links for UW institutions and K-12 schools and state agencies connected to UW institutions.

ACADEMIC ADVISING

\$4,000,000 GPR/Fees

The 21st Century Study recommendations for increased use of distance education, a pilot four-year graduation contract and reductions in credits to degree all raise the need for improvement in academic advising for:

- better pre-college advising through more regular contacts with high school guidance counselors
- general education requirements/transfer of credits and;
- career advising.

To meet these needs the UW System would provide funding to each institution to add advisors and/or provide training for existing advising staff. Base funding and workload will be used to enhance faculty advising and link it effectively to career advising and to new policies to reduce credits to degree. The new funding requested would expand precollege advising, improve general education advising and transfer advising and extend career advising to freshmen and sophomores. The UW System will conduct a study in 1996-97 to examine the current advising process, benchmark best practices and determine the best use of additional funding. The funding requested could provide for up to 25 additional positions in 1997-98 and 50 additional positions in 1998-99. Fewer positions would be added if funds were used for training of existing staff.

ALLIED HEALTH

\$2,247,800 GPR/Fees

Funding responds to the state's shortage of allied health professionals by increasing the number of graduates in physical therapy and occupational therapy programs as cited by the Rural and Urban Underservice Task Force Report in 1992.

PRECOLLEGE FOLLOW-THROUGH

\$ 450,000 GPR/Fees

Funding would provide minority and disadvantaged youth with additional precollege opportunities and follow-up on precollege experiences by offering a year-round program in addition to traditional summer programs at UW-Milwaukee. Continuous precollege contact makes a significant difference in college entrance and success.

DESIGN FOR DIVERSITY - FINANCIAL AID

\$2,474,700 GPR

By increasing funding for the Lawton Undergraduate Minority Retention Grant and the Advanced Opportunity Program, this initiative would increase the number of new awards and reduce unmet financial need and loan burdens for minority and disadvantaged students.

BIENNIAL TOTAL

\$46,843,400 GPR/Fees

III. COST-TO-CONTINUE

UW System is requesting \$59.5 million GPR/Fees in 1997-99 for Cost-to-Continue items, including:

COST-TO-CONTINUE ITEMS	TOTAL
Full Funding of Classified Pay Plan Over 3.02 %	\$507,000
Full Funding of 1994-95 Classified Grid Implementation	2,354,800
Funding of 1993-95 and 1995-96 Classified Personnel Surveys	1,105,400
Full Funding of Fringe Benefits	32,683,800
Assessed Funding of Bureau of Financial Operations Costs	19,200
Add-Back one-time FICR Reduction	2,000,000
Transfer UW-Madison Funds to Hospital Board	(4,661,000)
Technical Adjustment to Student Technology Fee	1,500,000
Additional Tuition Revenue Authority	24,000,000
COST-TO-CONTINUE TOTAL	\$59,509,200

Summary of the UW System's 1997-99 Cost-to-Continue request (in biennial amounts) follows:

Full Funding of Classified Pay Plan over 3.02 % \$507,000

In accordance with DOA instructions, the adjusted base budget includes pay plan at 3.02% (1% in 1995-96 and 2% in 1996-97, compounded). This item requests the unfunded balance of pay plan, as calculated by increasing the classified salary base for each bargaining unit by the percentages determined by the Department of Employment Relations (DER) over the allowed 3.02%.

Full Funding of 1994-95 Classified Grid Implementation \$2,354,800

This item requests the ongoing costs of 1994-95 pay plan which was not sufficiently funded by the use of DER statewide percentages. In 1994-95 DER agreed to move classified bargaining units to a system in which employees received movement on a grid and increased compensation based on the classification of the job and seniority, instead of a standard percentage increase. DER calculated a statewide percent increase for the compensation package, but actual costs were greater because the grid system was based on the seniority of staff at an agency as well as the classification. This item requests the difference between pay plan as calculated using DOA averages and actual experience.

Funding of 1993-95 and 1995-96 Classified Personnel Surveys \$1,105,400

The DER periodically reviews title series of classified positions for proper range assignments based on market and other data. This item requests the ongoing costs of increases to pay plan resulting from 7 classified surveys, a raised minimum rate request and revisions to costs of pay plan surveys from prior biennia.

Full Funding of Fringe Benefits \$32,683,800

The DOA approved fringe benefit rate changes from 32.7% to 34.4% for permanent and project employees, a rate change from 9.4% to 15.7% for LTE, and a Student Help rate change from 0% to 1.4%, primarily reflecting increases in sick leave conversion and health insurance. This item fully funds the costs for existing positions for rate increases through Dec. 31, 1996.

Assessed Funding of Bureau of Financial Operations Costs \$19,200

The DOA Bureau of Financial Operations provides centralized accounting services for all state agencies. This item reflects the DOA's projected 2% GPR increase in 1996-97 over 1995-96 billings.

*(Cost-to-Continue Request Continued)***Add-Back One-time FICR Reduction** **\$2,000,000**

The 1995-97 biennial budget bill included a reduction of \$1,000,000 (\$500,000 in 1995-96 and an additional \$500,000 in 1996-97) to the University of Wisconsin System federal indirect fund balances in order to generate one-time savings to the General fund. This item requests restoration of the 1995-97 one-time \$1,000,000 reduction.

Transfer UW-Madison Funds to Hospital Board **\$(4,661,000)**

These funds are to pay the salaries and fringe benefits of 65.90 WSEU represented classified FTEs who are employed by the Hospital Board. The positions at UW-Madison were eliminated in June 1996 by action of the Joint Committee on Finance, but the funds remain in the UW-Madison budget even though they are earmarked and automatically transferred to the Board. In addition to salaries and fringe benefits, these funds also pay for supplies and expenses related to the custodial, minor maintenance and mail/shipping responsibilities and activities of the employees. This item would reduce the UW Madison GPR budget by transferring the funds to an appropriation created in the Hospital Board.

Technical Adjustment to Student Technology Fee **\$1,500,000**

The UW System requests \$500,000 Fees in 1997-98 and an additional \$500,000 Fees in 1998-99 (1,000,000 Fees on-going) for student technology initiatives funded during previous biennia. Since these initiatives are based on a percentage of total tuition, the revenue collected increases as overall tuition increases. This proposal would increase support for these initiatives at the same rate as general tuition initiatives.

Additional Tuition Revenue Authority **\$24,000,000**

This item requests 2% of the UW-System's student academic fee appropriation annually and will only be utilized if the revenue is generated. This proposal reflects revenue generated by additional enrollment and future differential tuition initiatives approved by the Board of Regents

Biennial Total **\$59,509,200**

IV. PROJECTED INCREASES IN PROGRAM REVENUE

**UNIVERSITY OF WISCONSIN SYSTEM
1997-99 PROJECTED INCREASES IN PROGRAM REVENUE**

	1997-98		1998-99 INCREASE		1997-99 BIENNIAL TOTAL	
	PR/SEG	PRF	TOTAL	PR/SEG	PRF	TOTAL
Adjust Gift, Trust and Other Continuing Appropriations to 1996-97 Operating Level	\$39,587,700		\$39,587,700		\$79,175,400	\$79,175,400
Projected Growth in Gifts and Trust Funds:						
Projected Increases in Gift Funds	\$17,277,800		\$17,277,800	\$13,265,600	\$0	\$47,821,200
Projected Increases in Trust Funds	\$11,044,700		\$11,044,700	(\$8,951,800)	\$0	\$13,137,600
Subtotal	\$28,322,500	\$0	\$28,322,500	\$4,313,800	\$0	\$60,958,800
Projected Incr. in Payments from the Hospital Authority	\$776,000		\$776,000	\$799,300	\$0	\$2,351,300
Auxiliary Initiatives:						
Auxiliary Enterprises Program Increases	\$13,823,700		\$13,823,700	\$14,422,000	\$0	\$42,069,400
UW-Madison Intercollegiate Athletics Program Increases	\$1,598,800		\$1,598,800	\$639,300	\$0	\$3,836,900
Subtotal	\$15,422,500	\$0	\$15,422,500	\$15,061,300	\$0	\$45,906,300
Extension Non-Credit Program Revenue	\$3,499,600		\$3,499,600	\$3,499,600	\$0	\$10,498,800
General Operating Receipts Increase	\$2,576,200		\$2,576,200	\$2,885,400	\$0	\$8,037,800
1997-99 UW SYSTEM BUDGET REQUEST	\$80,184,500	\$0	\$80,184,500	\$26,559,400	\$0	\$206,928,400

REQUEST TO INCREASE 1997-99 PROGRAM REVENUE AUTHORIZATIONS:
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Adjust Gift, Trust and Other Continuing Appr. to 1996-97 Operating Level	\$79,175,400
Projected Increases in Gift Funds	47,821,200
Projected Increases in Trust Funds	13,137,600
Projected Increase in Payments from the Hospital Authority	2,351,300
Auxiliary Enterprises Program Increases	42,069,400
UW-Madison Intercollegiate Athletics Program Revenue Increases	3,836,900
Extension Non-Credit Program Revenue	10,498,800
General Operating Receipts Increase	<u>8,037,800</u>
PROGRAM REVENUE TOTAL	\$206,928,400

Program revenue amounts are spent only if earned.

Summary of the UW System's 1997-99 Projected Increases in Program Revenue (in biennial amounts):

Adjust Gift, Trust and Other Continuing Appropriations to 1996-97 Operating Level	\$79,175,400
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The DOA biennial budget instructions provide that the 1996-97 base levels for gift, trust and other continuing appropriations are to be shown at the levels projected in the 1995-97 biennial budget. This decision item adjusts the spending level for these funds to levels currently included in the 1996-97 operating budget.

Projected Increases in Gift Funds	\$47,821,200
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Based on historical trend analysis and projected growth, this item provides for growth and cost increases in gifts.

Projected Increases in Trust Funds	\$13,137,600
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Based on historical trend analysis, the economy and projected growth, this item provides for increases in Trust Fund income.

Projected Increases in Payments from the Hospital Authority	\$2,351,300
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A separate appropriation was created in the 1995-97 biennial budget as part of the restructuring which created the UW Hospitals Authority and the UW Hospital Board. The funding level established for this continuing appropriation for 1996-97 was \$25,867,000. It is estimated that there will be increases of at least 3% per year due to pay plan, fringe benefits and inflation cost increases.

Auxiliary Enterprises Program Increases	\$42,069,400
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The 1997-99 projected increases for auxiliaries are based on the newly adopted reporting threshold. The 1995-97 biennial budget (Act 27) converted the auxiliary enterprises appropriation from a sum certain appropriation to a continuing appropriation requiring the UW System to report to DOA and the Joint Committee on Finance only if annual expenditures were in excess of the appropriated amounts. Increases in auxiliary rates are subject to a 4.33% threshold for 1996-97, therefore the estimated increase in auxiliary operations for the biennium assumes a 4.33% increase per year.

(Program Revenue Continued)

UW-Madison Intercollegiate Athletics Program Revenue Increase **\$3,836,900**

This budget request increases the 1997-99 budget for the 1996-97 base year to the level approved by the Athletic Board and submitted to the Board of Regents. In addition, it increases the 1997-99 biennium by the standard increases of 2% for salaries, the variable fringe benefit factor for the salary increases and 3% for CPI/inflationary increases in supplies & expense.

Extension Non-Credit Program Revenue **\$10,498,800**

The extension program provides up-to-date information for people throughout the State of Wisconsin in a variety of program areas. The knowledge is needed by these individuals to progress in their fields and also for business to keep apprised of up-to-date changes. These changes could be in technology, engineering, management and Cooperative Extension anticipating the need for more diverse funding in the 1997-99 biennium. Based on historical trends and projected growth, this item provides for an annual increase of 4.13 %.

General Operating Receipts Increase **\$8,037,800**

This budget request increases program revenue spending authority by 12% each year of the biennium or \$8 million for the programmatic needs of other operating receipts programs such as conferences, camps, workshops, clinics, outreach programs in business, education and engineering and sales of products or services resulting from instructional endeavors.

Biennial Total **\$206,928,400**

V. 1997-99 TUITION

1997-99 BIENNIAL BUDGET REQUEST AVERAGE ANNUAL TUITION INCREASE
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THE UNIVERSITY OF WISCONSIN SYSTEM'S 1997-99 BUDGET REQUEST INCLUDES TUITION INCREASES FOR COST-TO-CONTINUE ITEMS, NEW INITIATIVES, MAINTAINING THE BASE FOR ENROLLMENT FACTORS, AND FRINGE BENEFITS AND OTHER FUTURE COSTS.

<u>Budget Item</u>	<u>Annual Tuition Increases</u>		
	<u>1997-98</u>	<u>1998-99</u>	<u>Average Annual</u>
Cost-to-Continue Items	0.9%	0.1%	0.5%
New Initiatives	0.9%	1.9%	1.4%
Maintaining the Base for Enrollment Factors	0.3%	0.3%	0.3%
<u>Fringe Benefits and Other Unknown Costs</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>
Total Budget Submission (August, 1996)	3.1%	3.3%	3.2%

Compensation increases (requested in November and determined by the Joint Committee on Employment Relations (JCOER) in Spring 1997) will increase tuition .7% for every 1% increase in pay plan.

TUITION POLICY DECISION FUNDAMENTALS

Board of Regent GUIDING PRINCIPLES*

1. Tuition and financial aid in the UW System should balance educational quality, access, and ability to pay.
2. As a matter of fiscal and educational policy, the state should, at a minimum, strive to maintain its current GPR funding share (65%) of regular budget requests for cost-to-continue, compensation and new initiatives, and fully fund tuition increases in state financial aid programs.
3. Nonresident students should pay a larger share of instructional costs than resident students, and at least the full cost of instruction when the market allows.
4. Where general budget increases are not sufficient to maintain educational quality, supplemental tuition increases should assist in redressing the imbalance between needs and resources.
5. Tuition increases should be moderate and predictable, subject to the need to maintain quality.
6. GPR financial aid and graduate assistant support should "increase at a rate no less than that of tuition" while staying "commensurate with the increased student budget needs of students attending the UW System." In addition, support should also reflect "increases in the number of aid eligible students."
7. General tuition revenue (to cover regular budget increases under the standard 65% GPR and 35% Fees split) should continue to be pooled systemwide. Special fees may be earmarked for particular institutions and/or programs increasing those fees.
8. When considering tuition increases beyond the regular budget, evaluation of doctoral graduate tuition should consider impacts on multi-year grants and the need to self-fund waivers or remissions from base reallocation within departmental budgets.

* As modified by Board of Regents, May, 1996.

VI. STATUTORY LANGUAGE

1997-99 STATUTORY LANGUAGE PROPOSALS

"Big Six" Management Flexibilities

1. Permit UW institutions, after appropriate consultation and upon approval of the Board of Regents, to expend available auxiliary funds for any program-revenue, student-related activity for which additional funding is needed on a one-time basis.

Accountability: Institutions would not be able to expend excess auxiliary funds for other purposes without appropriate consultation with students and Board of Regent approval. Since the excess funds could be used for only one-time purposes, institutions would not be tempted to raise auxiliary rates for ongoing financing of certain operations. In addition, the Board would continue to approve rate increases.

2. Give the Board of Regents the authority to establish the compensation and other terms and conditions of employment for unclassified staff in the UW System.

Accountability: Individual salaries and aggregate compensation amounts would continue to be public information auditable by the Legislative Audit Bureau. Pay plan increases would continue to be approved by JCOER. The Board of Regents would continue to approve salary range adjustments.

3. Eliminate external position control and give the UW System the authority to create all positions, regardless of funding source, without the approval of the DOA or the legislature. In addition, exempt the UW System from filing the Headcount Report, the FTE Report and the Filled Positions Report. Modify the Position Change Report from a quarterly to an annual report.

Accountability: The number of positions that could be created would be limited by the amount of funding in each appropriation.

4. Add the following statutory language to the tuition appropriation language, s. 20.285 (1)(im): "Upon the approval of the Board of Regents, expenditure authority up to 105% of the amounts in the schedule shall be permitted to the extent tuition revenues are available."

Accountability: The Board of Regents would continue to set tuition, and the Legislature would continue to approve tuition levels. Expenditures could not exceed the amount of revenue raised. Under existing statutes (s. 16.515), the UW System may already request an increase in expenditure authority from the Joint Committee on Finance. This proposal would simply eliminate that step for up to 5% above the amounts in the appropriation schedule.

5. Seek revenue bonding authority for the entire UW System capital budget.

Accountability: The Board would continue to establish project priorities and determine affordability. The Building Commission would authorize bonding as it does for Department of Transportation revenue bonds and Department of Natural Resources clean-water revenue bonds.

6. Permit expenditure of program revenue as generated and creation of FTE positions as needed for credit outreach instructional programs.

Accountability: Expenditures could not exceed the amount of revenue raised. In addition, the number of positions created would be limited by the amount of funding available.

Statutory Language Related to 21st Century Study Management Flexibility

- Modify the capital budget approval process by increasing the threshold for project enumeration from \$250,000 to \$1 million, and exempt from enumeration projects funded entirely from non-GPR sources.
- Seek elimination of the current statutory requirement to report annually on auxiliary reserves.
- Create incentives for energy conservation by allowing institutions to retain some portion of energy savings.
- Provide the UW System with incentives to increase program revenues by treating them as additional funding above current GPR and PR base levels to be used for improvements in programs, financial aids, and other general operations purposes of the university.

- Eliminate s.36.25 (2), relating to preference for Wisconsin residents in university housing.
- The following personnel-related changes that have been forwarded to the Governor's Human Resources Study Commission:
 - Permit advertising, recruiting and administering personnel examinations as vacancies arise;
 - Permit beginning classified salaries to be set at any level within a pay range;
 - Permit hiring from within by eliminating use of promotional examinations or examination register;
 - Coordinate state DER and federal Affirmative Action Plans;
 - Modify DOA and DER personnel rules to recognize that classified staff employee categories are not keeping pace with the requirements of the emerging information age;
 - Provide more flexibility in the classified personnel system.

Other Statutory Language not related to the 21st Century Study

- Eliminate the sunset date for the Tuition Award Program (TAP) at UW-Parkside and UW-Superior. In addition, eliminate the existing requirements for tuition-setting for TAP participants and revert to charging the UW resident tuition rate.
- Ensure that State funding is provided to finance the cost of pay plan and related adjustments for core faculty and staff in UW-Extension's Division of Cooperative Extension in those years when federal revenues are insufficient to finance these costs. Establish a 3% cap on the pay plan increase to be covered by the State.