



Legislative Fiscal Bureau

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June 2, 2011

Joint Committee on Finance

Paper #690

Create UW-Madison Authority (UW-Madison Authority)

[LFB 2011-13 Budget Summary: Page 459, #1]

CURRENT LAW

UW-Madison is an institution of the UW System governed by the Board of Regents.

GOVERNOR

Create an authority, which would be a public body corporate and politic, to be known as the "University of Wisconsin-Madison." UW-Madison would no longer be an institution of the UW System and would be governed by a Board of Trustees, which would also be created under the bill, instead of the Board of Regents.

DISCUSSION POINTS

1. Under the bill, UW-Madison would be created as a public authority governed by its own board. The bill would also provide the proposed UW-Madison authority with operational flexibilities in five broad categories: (1) budgeting and financial management; (2) tuition and pricing; (3) human resources; (4) capital planning and construction; and (5) purchasing and procurement. This paper addresses only the proposed creation of a UW-Madison authority separate from the UW System and governed by its own board. Additional papers have been prepared regarding these flexibilities.

2. UW-Madison is the state's first public university, created by the Wisconsin Constitution and state law in 1848, and the state's land-grant institution. From 1848 until 1907, the University of Wisconsin consisted of a single campus located at Madison. In 1907, the University began offering off-campus classes and extension services. Over time, the University established extension centers offering freshman and sophomore level courses across the state. In 1956, the

University extension center in Milwaukee merged with the Wisconsin State College at Milwaukee to form the University of Wisconsin-Milwaukee. In 1968, two additional four-year campuses were established at Green Bay and Parkside. Both of these campuses began as extension centers. In Chapter 100, Laws of 1971, the Legislature merged the University of Wisconsin, which consisted of four four-year campuses at Madison, Milwaukee, Green Bay, and Parkside, ten two-year centers, and the statewide extension, with the Wisconsin State Universities to create the University of Wisconsin System. Since then, UW-Madison has been the flagship institution of the UW System.

3. The UW System consists of two doctoral institutions, 11 comprehensive institutions, 13 two-year campuses known as the UW Colleges, and UW-Extension. The UW System is governed by the UW Board of Regents, which currently consists of 18 members: 14 citizen members appointed by the Governor and confirmed by the Senate for seven-year, staggered terms; two student members, one of whom is over the age of 24 and represents the views of non-traditional students, appointed by the Governor to two-year terms; the State Superintendent of Public Instruction; and the President of the Wisconsin Technical College System Board or his or her designee from the members of that Board.

4. UW-Madison is the largest of the UW System institutions enrolling 42,180 students in fall, 2010, and employing 9,558 faculty and academic staff members, 5,169 classified employees, and 2,422 graduate assistants in April, 2011. By comparison, UW-Milwaukee, the UW System's second largest institution, enrolled 30,470 students in fall, 2010, and employs 2,301 faculty and academic staff members, 1,008 classified employees, and 522 graduate assistants in April, 2011. Table 1 shows student enrollment in fall, 2010, and employees by category in April, 2011, for each UW System four-year institution and the UW Colleges. As shown in Table 1, UW-Madison has more employees than all of the other institutions combined.

TABLE 1**Student Enrollment and Employees for the Four-Year UW System Institutions and the UW Colleges**

	Fall, 2010 Enrollment	Faculty and Academic Staff	Employees		
			Classified Employees	Graduate Assistants	Total
Madison	42,180	9,558	5,169	2,422	17,148
Milwaukee	30,470	2,301	1,008	522	3,831
Eau Claire	11,413	717	391	13	1,121
Green Bay	6,636	413	199	7	619
La Crosse	10,135	688	310	46	1,045
Oshkosh	13,629	947	389	31	1,367
Parkside	5,160	334	186	0	520
Platteville	7,928	513	265	9	786
River Falls	6,902	427	218	3	648
Stevens Point	9,500	690	376	35	1,101
Stout	9,339	623	391	32	1,046
Superior	2,856	247	144	0	391
Whitewater	11,557	674	360	24	1,058
UW Colleges	<u>14,385</u>	<u>688</u>	<u>223</u>	<u>0</u>	<u>911</u>
Total	182,090	18,820	9,628	3,143	31,592

5. UW-Madison is one of two doctoral institutions within the UW System and is home to the state's public law, medical, and veterinary medicine schools. UW-Madison offers 150 master's programs and 108 doctoral programs. By comparison, UW-Milwaukee, the UW System's other doctoral institution, offers 51 master's programs and 28 doctoral programs. With its emphasis on graduate education, UW-Madison enrolled 12,010 graduate, professional, and doctoral students in fall, 2010, which was 48% of all such students enrolled in the UW System.

6. UW-Madison is also the state's largest research institution and is one of the preeminent research institutions in the country and in the world. According to the Chronicle of Higher Education, UW-Madison ranked sixth in terms of federally funded research and development expenditures in 2009. In that year, federal research and development expenditures at UW-Madison totaled \$507,898,000.

7. Table 2 compares UW-Madison's budget by fund source to the combined budgets of all other UW System institutions excluding UW System Administration. As shown in the Table 2, state funds, tuition, and other program revenues account for almost 90% of the combined budgets for all UW System institutions other than UW-Madison in 2010-11. By comparison, these funds sources made up only 53.3% of UW-Madison's budget in that year. Gifts, non-federal grants, and federal funds account for a significant part of UW-Madison's budget. These sources make up 46.7% of UW-Madison's budget compared to only 10.2% of the combined budgets of all other UW System institutions. In addition, total funding for UW-Madison exceeds total funding for all other

UW System institutions by \$282.7 million.

TABLE 2

**2010-11 Budget by Fund Source:
UW-Madison and All Other UW System Institutions**

	<u>UW-Madison*</u>	<u>% of Total Budget</u>	<u>All Other UW System Institutions**</u>	<u>% of Total Budget</u>
State funds	\$476,488,011	19.6%	\$692,965,151	32.2%
Tuition	400,557,360	16.5	711,186,414	33.1
Other program revenue	418,993,605	17.2	528,342,638	24.6
Gift and grants	489,808,334	20.1	80,642,797	3.8
Federal funds***	<u>647,151,798</u>	<u>26.6</u>	<u>137,139,526</u>	<u>6.4</u>
Total	\$2,432,999,108	100.0%	\$2,150,276,526	100.0%

* Excludes UW hospitals.

** Excludes UW System Administration.

*** Includes federal appropriations, grants for special projects, and indirect cost reimbursement. Excludes federal student financial aid.

8. UW-Madison is unique among all UW System institutions in terms of its size, academic and research programs, and funding sources. It has been suggested that since UW-Madison is just one institution among the 13 four-year UW System institutions, the UW Colleges, and UW-Extension, its unique needs have sometimes been overlooked by the UW Board of Regents who must set policy for the UW System as a whole. It has been argued that UW-Madison would benefit from being governed by a separate board as that board would not have to weigh the interests of UW-Madison against the interests of the UW System as a whole. In addition, the UW-Madison Chancellor has stated that UW-Madison needs the authority model provided in the bill in order to maintain its status as a world-class research institution.

9. Attachment 1 provides an overview of the governance structures of institutions that are similar to UW-Madison in terms of size and federal research and development funding. These institutions are all public or "state-related" institutions with large student populations, high six-year graduation rates, and federal research and development expenditures above \$400 million in 2008-09. As shown in the Attachment, these institutions have a variety different governance structures. Of the institutions shown, the University of Michigan, the University of Washington, and the University of Pittsburgh have governance structures most similar to that proposed for UW-Madison under the bill. Each of these institutions is governed by a board that oversees that institution and a limited number of smaller regional institutions. However, in Michigan and Washington, most other public four-year institutions similarly have their own governing board. In Pennsylvania, there are separate governing boards for Pennsylvania State University, the Pennsylvania State System of

Higher Education, Temple University, and Lincoln University. None of the states shown have one governing board for the flagship institution and one governing board for all other public higher education institutions as Wisconsin would under the bill.

10. It has been argued that if UW-Madison were to become a public authority governed by a separate board, competition for state funds amongst the state's institutions of higher education would increase, state funding for UW System institutions would decrease, and the quality of those institutions would decline. At this point, it is unclear whether UW-Madison or the other UW System institutions would receive additional state funding in the future if UW-Madison were to become an authority separate from the UW System. When adjusted for inflation, state funding provided for UW-Madison and for all other UW System institutions decreased from 1990-91 to 2010-11. Over that period of time, state funding for UW-Madison decreased by 2.8% while state funding for all other UW System institutions decreased by 6.8%. At the same time, enrollment at UW-Madison increased by 1.5% while enrollments at all other UW System institutions increased by 23.4%. When these increases in enrollment are controlled for, state funding for UW-Madison decreased by 4.2% while state funding for all other UW System institutions decreased by 24.4%. Given that state funding for UW System institutions other than UW-Madison have decreased by a greater amount than state funding for UW-Madison over the past twenty years, it is unclear whether UW-Madison or the other UW System institution would benefit most in terms of state funding if UW-Madison were no longer part of the UW System.

11. Under the bill, UW-Madison would be created as a public authority. However, the bill would give the proposed UW-Madison authority only some of the operational flexibilities of other public authorities, such as the University of Wisconsin Hospitals and Clinics Authority (UWHCA), while continuing to treat the proposed authority as a state agency in other areas. Under the bill, the proposed UW-Madison authority would operate more like a public authority in the areas of human resources and financial management and more like a state agency in the areas of purchasing and procurement and capital planning and construction.

12. The UW System has proposed a plan, called the "Wisconsin Idea Partnership," that would extend some version of many of the flexibilities provided to UW-Madison under the bill to all UW System institutions. Under the provisions of the Wisconsin Idea Partnership, UW-Madison would remain a UW System institution governed by the UW Board of Regents. The UW-Madison Chancellor has publicly supported the provision of additional flexibilities to all UW System institutions but has argued that the Wisconsin Idea Partnership would not give UW-Madison the flexibilities that that campus needs. One area of concern is that under the Wisconsin Idea Partnership, UW-Madison would remain a UW System institution governed by the UW Board of Regents. The Board of Regents would continue to set policy for the UW System as a whole, making it less likely that UW-Madison's unique needs would be addressed. One example of this would be in the area of tuition. Under the authority model, UW-Madison tuition would be set by the Board of Trustees. Under the Wisconsin Idea Partnership, current law would be modified to provide the Board of Regents additional authority to set tuition; however, individual campuses, including UW-Madison, would need Regents approval to implement any campus specific tuition increases.

13. Second, as an authority, UW-Madison would not be required to deposit most of its

program revenues or any of its federal revenues in the state treasury. The UW-Madison Chancellor has asserted that keeping these accounts separate from other state moneys would protect these funds from being transferred to support other state programs as has occurred in the past. In the Wisconsin Idea Partnership, the UW System Board of Regents similarly proposes that most of its program revenues and all of its federal revenues similarly be kept outside of the state treasury. The UW-Madison Chancellor contends that the UW System, which would remain a state agency, would not be able to deposit these revenues outside of the state treasury leaving them susceptible to transfers. However, the cash management policies proposed for the UW-Madison authority may not fully protect these funds from future transfers, either. Regardless of where UW-Madison authority funds are deposited, it appears that as a matter of law, the Legislature could compel UW-Madison, as an authority created by state statute, to transfer funds to the state at any time.

ALTERNATIVES

1. Approve the Governor's recommendations regarding the creation of UW-Madison authority governed by a Board of Trustees.
2. Delete the proposed UW-Madison authority.

Prepared by: Emily Pope
Attachment

ATTACHMENT 1

Governance Structures of Selected Institutions

	2009 Total Enrollment	Six-Year Graduation Rate	Federal Funding Research and Development, 2008-09	<u>Governance Structure</u>
University of Michigan	41,674	89%	\$636,216,000	Governed by a nine-member board. Board members are elected to eight-year terms, university president serves as an ex-officio member. Board governs the main campus at Ann Arbor and the two regional campuses at Dearborn and Flint. There are 12 other public four-year institutions in the state; each has its own governing board. There is no statewide higher education governing board.
University of Washington*	45,185	85	619,353,000	Governed by a ten-member board. Nine members are appointed to six-year terms, one student is appointed to a one-year term, all members are appointed by the Governor. Board governs the main campus at Seattle and two regional campuses at Bothell and Tacoma which also have advisory boards. The Washington State University System has four campuses and a statewide extension and is governed by a separate board of regents. Four additional public comprehensive institutions are each governed by their own board. There is a statewide higher education coordinating board consisting of 10 members appointed by the governor.
University of California-San Diego	28,418	84	511,428,000	One of ten University of California institutions. The University of California System is governed by a 26 member board. Eighteen members are appointed by the governor to 12 year terms and one student member is appointed by the board members to a one-year term. The governor, the lieutenant governor, the speaker of the assembly, the superintendent of public instruction, and the president and vice president of the alumni association also serve as members of the board. California has two additional public postsecondary education systems: the California State Universities and the California Community Colleges. There is a statewide postsecondary education commission with is charged with the coordination and planning of higher education.
University of Wisconsin-Madison	41,654	81	507,898,000	One of 13 University of Wisconsin four-year institutions. The UW System is governed by an 18 member board. Fourteen members are appointed by the Governor and confirmed by the Senate for seven-year, staggered terms; two student members, one of whom is over the age of 24 and represents the views of non-traditional students, appointed by the Governor to two year terms; the State Superintendent of Public Instruction; and the President of the Wisconsin Technical College System Board or his or her designee from the members of that Board.

