

**Consequences of a Legacy of State Disinvestment:
Plunging State Support Reduces Access, Threatens Quality
At University of Wisconsin System Institutions**

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Introduction and Overview

Wisconsin's public university system has struggled with serious financial problems since its creation in the early 1970's. Although prior to the merger of two systems into one in 1971, Wisconsin institutions enjoyed the same "golden" era of increased funding and enrollment growth as peers around the nation, an examination of the University of Wisconsin System financial situation reveals that since the merger the pattern has been one of downward trends in state support, interrupted by brief bursts of state investment followed by base budget funding reductions.

The boom and bust cycles of public investment which generally characterized public institution finance nationally were less pronounced on the boom side and more pronounced on the bust side in Wisconsin. Wisconsin institutions did not gain in public support in the 1990's when the economy was booming but rather faced two major budget reductions as state priorities shifted to K-12 education, prisons, tax relief and Medicaid. The reductions which occurred in the last decade left the UW System struggling to preserve quality while demands for access increased. Between 1993-94 and 2003-2005, the system sustained actual net base reductions five of twelve years. The UW System's share of state tax dollar investments began declining in 1975 when it totaled 13.7 per cent with occasional recovery until 1988 when the system share of the state budget began a steady decline from 12.1 per cent of state tax expenditures to 8.27 per cent in 2005. State spending on prisons, aid to local schools and medical assistance increased substantially over the period. (1)

The latest reductions in state support coupled with substantial increases in tuition with no commensurate increase in state funded financial aid has reduced access to the system by students from lower income families while over-all enrollment has increased. Furthermore the latest reductions in state support \$250 million — for the 2003-05 biennium, the largest in the system's history, has put significant pressure on the institutions and is reflected in a dramatic loss of faculty positions, and concern about eroding academic quality in the system. Although a 37.5 per cent tuition increase for the biennium helped the institutions absorb the shock of the reduction, \$100 million in reductions were not offset with tuition, causing what outgoing University of Wisconsin System President Katharine Lyall called a "serious reduction in services to UW undergraduates. In effect UW students were paying more for less," Lyall told the UW System Regents in her final remarks to the regents in August 2004 adding: "I'm worried about the future. Our constituents are telling us that cracks are appearing in the foundation." (2) Reflecting on what she called a 10-year trend, Lyall expressed concern that reductions in numbers of faculty had over a decade reduced faculty-student contact by 20 per cent so that nearly 40 per cent of UW System student credit hours are now delivered by adjunct faculty and graduate assistants.

Lyall expressed special concern about declines in the system's service to lower income students. "The rather large decline in low and moderate income students is not

acceptable for a public university that takes its public purpose seriously. . . .” (3) UW-Madison Chancellor John Wiley in November 2003 writing in Madison magazine warned
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that “More than a decade of state budget cuts and partially offsetting tuition increases have left the base operating budgets of Wisconsin’s public higher education systems in the worst condition since the Great Depression. Access to, and affordability of, the university system are already endangered at precisely the time when the Wisconsin economy needs more high-paying jobs and a more highly education workforce.” (4)

UW System accountability measures released in March 2005 reveal slippage in system retention rates, concerns about funding for technology and a continuing decline in service by system institutions to non-traditional students. The report notes “State funding has been more volatile in recent years.” (5) However, pointing to a serious long-term problem, the report states that “When adjusted for inflation, State GPR (General Purpose Revenues) appropriations declined substantially from 1974 through the early 1980’s.” (6) From 1974 through 2005, the system’s tax supported appropriation dropped from over half of the budget to slightly more than a quarter, declining from 52 per cent to 26 per cent while tuition and fees increased from 13 per cent to 21 and gifts and grants increased from 20 per cent to 35 per cent of the total system budget. Program revenues of the UW institutions rose from 15 per cent to 18 per cent of the total budget during the period. Tax support dropped two whole percentage points for the system budget in the FY 2005 fiscal year, the largest decline in the system’s history. (7)

New UW System President Kevin Reilly has made his top priority stabilizing the UW state support budget that in Reilly’s words is “a budget built around student access and success.” (8) Tying the UW System’s budget to the state’s economic future, Dr. Reilly calls the proposed budget “a Wisconsin Success budget because the state would be getting more high-income workers, who would in turn contribute to the state’s economic base and to a richer and healthier quality of life.” (9) Reilly specifically has focused on attempting to achieve a 7.2 per cent increase in state support coupled with a modest 4.3 per cent annual tuition increase which coupled with a substantial increase in student aid would increase UW System affordability for lower income students. Additionally, Reilly is seeking funding to assist with priorities for access for returning adult students, rebuilding the numbers of faculty at UW institutions while improving student access to quality libraries and technology. (10)

State Support Plunges

An examination of the UW proportion of the state budget shows it dropped from being 13.7 per cent of the state budget in the biennium ending in 1975 to 8.4 per cent for the biennium ending in 2005. (11) Using the measure of state support per \$1000 of personal income in Wisconsin, state support over the period dropped by more than half from \$14.25 per \$1000 of personal income to approximately \$6.25 per \$1000 of personal income. (12)

A review of Wisconsin tax support per FTE student for the UW System reveals that over the decade from 1994-95 to 2004-2005 the annualized rate of change was .80 per cent compared with tuition increases of ten times that amount at 8.08 per cent. (13)

At the beginning of the period the state support per FTE student was \$6,800, a number that peaked at \$8,111 in 2002-2003 before dropping to \$7,361 in FY 2004-2005, a reduction in state support of 9.25 per cent in the 2003-2005 time period. (14) Demonstrating the instability of state funding over the decade, the support per student figure of \$6,800 in 1994-95 dropped to \$6,722 in 1995-1996 and to \$6,670 the subsequent year before increasing in 1997-98 to \$6,907 with subsequent modest increases until the 2002-2003 peak of \$8,111. (15)

The declining state support has been only partly offset by tuition increases. Instructional costs have grown less than inflation over the last 14 years but the state contribution to instructional costs has declined from 69 per cent to 53 per cent while the student share is up sharply from 31 per cent to 47 per cent system wide. Adjusted for inflation, the state contribution for instructional costs has declined 34 per cent for the period while UW System enrollments grew seven per cent. (16) The result is a widening gap between Wisconsin support per student and the national average with Wisconsin now falling over \$1000 below the national average. (17)

Although Wiley in his November 2003 comments was generally upbeat about the state of UW-Madison stating that "By almost every measure, the UW-Madison is entering the 21st century in admirable condition," he warned that "A continued decline in state support could bring it all crashing down." Wiley noted that the UW-Madison portion of the budget had plunged as state support for the entire system eroded over three decades. State support for the campus has declined from 43 per cent of the budget in 1973 to under 21 per cent in 2003. Additionally Wiley said the campus between 1991-2003 had experienced a net reduction of \$33.4 million when adjusted for costs such as legislatively approved wage adjustments and increased utility costs. (18).

Wiley's concern was reflected in the 1999 UW-Madison accreditation review by the North Central Association of Colleges and Schools which has accredited the institution since 1913. While the report praised the campus saying it "continues to rank among the nation's (and the world's) leading research universities," the team labeled UW-Madison "an institution at risk," similar to other public higher education institutions. (19) While spotlighting many positives including what it saw as "a substantial enhancement of the quality of the undergraduate experience....", the team expressed alarm about what it called "Continuing stringently limited state funding support." The state funding limits came at a time when the accreditation team said great universities were facing new "sometimes unprecedented, demands and challenges." (20)

Commenting on its impressions gathered during the on-site team visit, the report said it "detected repeatedly with a variety of UW-Madison groups and individuals what might be characterized as a muted but widespread angst and uncertainty about whether the

principles and practices that have made the University great can continue to keep it great in a changing local, state, and global competitive environment.” (21) The report cites
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concerns over “continuing constriction of state funding” and a lack of administrative flexibility caused by “an uncommonly high level of state-policy-related regulation and bureaucratic constraints accompanied by a high and counter-productive degree of administrative inflexibility.” (22)

In a section of the report intended as advisory team members suggested a “redoubled” effort to improve the state funding of the campus, observing that “Wisconsin’s leaders may not fully appreciate and understand that their university has made their state a luminous feature on the global map of academic excellence, that is to say, the state’s premier asset in the new and very competitive global knowledge-based economy.” Recognizing some constraints on the state’s ability to increase its investment in the campus the accreditation team stated that: “other states have shown that ‘where there’s a will there’s a way.’ ”. (23)

Dramatic Tuition Increases

Like most public institutions, UW System campuses have increased undergraduate tuition significantly over the last decade. With the drop in state tax support, the result has been students at all UW institutions are picking up a dramatically increased percentage share of instructional cost. For students from lower income families the increases have been particularly dramatic as a percentage of family income. Average UW tuition has increased from 13 per cent of family income in the lowest quartile to 33 per cent between 1980 and 2003. By comparison, tuition represents only three per cent of income for families in the highest quartile. (24)

UW-Madison began the decade charging \$2,415 annual for tuition. Tuition increases over the decade ranged from a low of zero per cent one year to a high of 18.2 per cent in 2003-2004, an increase of 114 per cent over the decade. The percentage of instructional cost being paid by UW-Madison undergraduates increased from 31.4 per cent in 1994-1995 to 52.3 per cent a decade later in 2004-2005, the first year UW-Madison undergraduates were paying over half of the instructional cost. (25)

UW-Milwaukee undergraduates began the decade paying \$2,359 and with similar changes over the decade as Madison tuition ended up paying \$5,138 in 2004-2005, more than doubling undergraduate tuition. The share of instructional cost borne by UWM students increased from 33.3 per cent in 1994-1995 to 58.5 per cent in 2004-2005. (26)

Students attending the University of Wisconsin System’s four year comprehensive institutions experienced slightly less growth in the share of the instructional cost they picked up, with the per cent increasing from 31.3 per cent in 1994-1995 to nearly half at 49.5 per cent for 2004-2005. Tuition at the comprehensive institutions increased from

\$1,916 in 1994-1995 to \$4,000 in 2004-2005, an increase over the period again of over 100 per cent. (27) At the lowest tuition institutions, the two year UW Colleges, saw the

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student share of instructional cost nearly double from 30.3 per cent to 57.3 per cent. In 1994-1995 students paid 30.3 per cent (\$1,568 annually) of their instructional cost while in 2004-2005 they paid 57.3 per cent (\$3,700 annually). The tuition charged students attending the two year campuses increased again by over 100 per cent. (28)

Even with sizable tuition increases over the past decade, Wisconsin undergraduate tuition remains below tuition at many peer institutions. For 2004-2005 UW-Madison undergraduates tuition was 8th among the nine public Big Ten institutions, \$1,585 from the public Big Ten midpoint. The gap between Madison tuition and the most expensive Big Ten institution — The University of Michigan was nearly \$3,000. Madison tuition was \$230 more than the next lowest institution and \$880 less for the sixth most expensive Big Ten campus. Iowa undergraduate tuition was lowest in the Big Ten for the period at \$464 below the Madison level. (29)

Students attending UW-Milwaukee pay tuition which ranks 11th among the 15 UWM peer institutions, \$1,028 from the peer midpoint. UWM tuition was \$3,271 below the peer leader, Temple University and \$76 less than the institution which compared to UWM had the next highest in-state tuition, SUNY-Buffalo. (30)

For students attending the UW comprehensive institutions, their average tuition was \$902 below the midpoint of its 34 peer institutions, and \$3,691 below the most expensive peer, the University of Minnesota-Duluth. UW comprehensive campus average tuition was \$30 less than Indiana University-South Bend which ranked immediately above them in the peer group. (31)

Dramatic tuition increases for out-of-state students have not brought to the UW institutions the resources state government believed would result when the Governor and legislature increased out-of-state student tuition by a greater amount than system and campus officials believed was practical because the number of out-of-state students paying the higher tuition has declined at virtually all UW institutions. The number of undergraduates coming to UW System institutions from out-of-state dropped approximately eight per cent between 2001-04 alone, leaving the campuses with significantly fewer resources than they were counting on from the difficult 2003 budget. The number of new entering freshmen coming from out-of-state system wide has declined by 15 per cent from the 2001-02 academic year to 2003-04 creating an additional shortfall that will continue moving through the pipeline and potentially growing if the trend continues. (32)

Out-of-state students among new freshmen enrolling at UW-Madison, for example, peaked at 1511 in 2001-02, dropping to 1,406 in 2003-04. The percentage of students being admitted from in-state actually dropped from 64.4 to 63.3 per cent as total UW-

Madison undergraduate enrollment declined from 6,095 to 5,579 for the period. While there were 105 fewer out-of state undergraduates in 2003-2004, there were 415 fewer

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Wisconsin residents. Students admitted from states with reciprocal admission agreements increased from 637 to 641. However for the decade, the percentage of Wisconsin residents admitted as new freshmen to UW-Madison changed relatively little moving from 64 per cent in 1994-95 up to a high of 65.5 per cent in 1997-98 before declining to 63.3 per cent in 2003-04. Madison experienced its largest growth percentage wise from students from states with tuition reciprocity but even that number dipped. In 1994-95 460 students enrolled under reciprocity, a number that grew to a high of 674 in 1999-00 and then dipped in 2003-04 to 641 students. (33) Given that out-of-state students pay tuition which is greater than cost of instruction, the loss meant UW-Madison had less revenue to support its in-state students. Additionally, because of a longtime state government budget practice the difference between the costs paid by reciprocity students over and above the in-state rate does not accrue to the UW institutions but instead goes to the general state treasury.

System-wide, the lost revenue because of the loss of out-of-state students was also significant. Out-of-state student growth, once represented an income stream growing from 9,955 in 1994-95 to 10,618 in 2001-02 before the large tuition increases became effective and undergraduate headcount for the group declined to 9,800 in 2003-04. While system-wide the number of reciprocity students enrolled grew from 9,780 to 12,542 for the decade, again the increased income went to the state treasury as opposed to the UW System. (34)

Insufficient State Financial Aid Program

Wisconsin's state financial aid program was designed for a low tuition environment, an environment which prevailed until the 1990's. As tuition increased, the failure of the state of Wisconsin to increase financial aid left a glaring disparity between the Wisconsin aid program and those of other Midwestern states. Wisconsin offers far less financial aid to lower income students than surrounding states. The maximum state grant award of \$1,677 is less than a third of the other Midwestern states, which average \$5,400. The average state financial aid award for Wisconsin students who actually received grants was \$1,244 in 2003-2004 compared with a Midwest average of \$2,115. (35)

In addition to a significantly smaller grant, far fewer Wisconsin students received grants than in other Midwestern states with only 24.8 per cent of UW students receiving state financial aid compared with an average of 32.2 per cent in the other states. A review of the ten-year change in funding for state aid grants in all states reveals Wisconsin's funding for grants increased only 44 per cent of the average of the states. (36) UW System officials are continuing to seek an increase in financial aid grants to match proposed tuition increases. Concern over a decline in lower income students as a percentage of all UW system students led the system to seek funding for a new financial

aid grant program for resident undergraduates with incomes below 150 per cent of the poverty level, or the corresponding family contribution, to in effect hold harmless these

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students from proposed tuition increases. (37) The proposal was not funded in the Governor's FY2005-2007 budget.

Access to System Reduced For Lower Income Students

In Wisconsin, accessibility for potential students from all income levels has for decades been a widely shared and accepted state public policy goal. A 1995 Study of the UW System in the 21st Century outlined goals of "Preserving and Enhancing Access to Quality and Keeping College Affordable." However, noting the stresses of funding reductions, the UW Regents stated "When faced with a choice between educational quality and access, the UW System must choose to maintain educational quality." (38) Six years later, in 2001 Regents, in a move that sparked political controversy, froze undergraduate admissions at all UW institutions in response to legislative consideration of a large base budget reduction. The tactic was successful as the legislative proposal was withdrawn and the UW System institutions then proceeded with admitting students for fall.

Regents had addressed student cost issues in 1995 by stating "The Board of Regents affirms the current tuition policy: tuition increases should be moderate and predictable. State-funded financial aid should increase at a rate no less than the rate of tuition increases and should also reflect increases in the number of aid-eligible students." (39) In 2004 UW Regents in an additional study, "Charting a New Course for the UW System," echoed the findings of their colleagues a decade earlier emphasizing "maintaining the high quality of a UW education...keeping UW education open and affordable." (40)

Among recommendations of the 2004 Regent study was that the state stabilize state support for higher education. After reviewing "all potential revenue streams," The Regent study noted that "Each potential revenue source has serious limitations and is not consistent with supporting undergraduate education." Regents called for an increase in student financial aid "...to ensure access for students of all income levels..." The Regents spotlighted "a disturbing trend: fewer and fewer low-income students are enrolling in UW institutions. Specifically, 37 per cent of new UW freshmen from the lowest two family income quartiles enrolled in 1992. Ten years later that measure was 30 per cent." (41)

In 2003 in remarks to the system's regents, Joni Finney, of the National Center for Public Policy and Higher Education noted "Over the last few years Wisconsin has slipped in low-income participation declining by 15 percentage points—the fourth largest loss in the nation moving from 43 per cent college participation rate in 1998 to 28 per cent in

2001. The national average for the decline in participation rates by low-income students for the period was 3.5 per cent. (42)

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An additional study completed in November 2004 revealed a dramatic drop in access for students admitted as freshmen at UW institutions from the two lowest family income quintiles from 36.4 per cent of UW students to in 1992 to 30.3 per cent in 2003 even while over-all enrollment within the system surged from 125,097 to 135,653 undergraduates in 2003-2003. Enrollments from students from families in the upper two family income quintiles grew from being 38.5 per cent of students to 45 per cent. Students from families in the middle family income quintile also dropped between 1992 and 2002 from 25.1 per cent of enrollments to 24.7 per cent. (43) The study also revealed a growing disparity between the median family income of students attending the various campuses compared with Madison students. Median family income for new Madison freshman in 2003 was \$18,000 above their counterparts attending UW two year institutions and significantly above family incomes of families attending the comprehensive four year institutions as well. (44)

For UW-Madison, freshmen students from the lower two quintiles dropped from 24.5 per cent of the student body in 1992 to 20.7 per cent in 2003. Madison enrollments from the upper two income quintiles increased from 54.6 per cent to 58.1 per cent for the same period. Freshmen coming from the middle quintile showed an increase from 20.8 per cent to 21.2 per cent for the period. (45) Chancellor Wiley decried the change: "The median family income in Wisconsin is a little over \$45,000 per year. For this year's new freshmen at UW-Madison, it is nearly \$90,000 per year. Yet, the distribution of brains, talents, ambition, and creativity is independent of family income. We ignore that fact and freeze out the children of average- and low-income families at our great peril. No society is rich enough to waste any of these assets." (46)

UW-Milwaukee suffered the greatest loss of lower income quintile enrolling students with the enrollment dropping from 38.8 per cent in 1992 to 29.2 per cent of new freshmen in 2003. UWM's share of the freshmen from the upper two quintiles rose from 36.8 per cent to 47.7 per cent for the time period while new freshmen from the middle quintile dropped from 24.4 per cent to 23.1 per cent. Median family income for entering freshmen at UWM in 2003 was \$62,000. UW comprehensive institution campuses experienced similar drops in access to families from the lowest income quintiles with the exception of UW-Superior which saw an increase in the percentage of freshman students coming from these quintiles from 42.7 per cent to 44.8 per cent for the time frame. Median family incomes for entering freshmen ranged from \$67,000 at UW-La Crosse to \$49,000 at UW-River Falls. For the lower cost two-year institutions, access to students from the lower two quintiles declined as well, demonstrating the large tuition increases were affecting these students as well. In 1992 43 per cent of new freshmen came from families in the lowest two income quintiles while in 2003 that figure dropped to 38.3 per cent. Students in the middle quintile also declined while students in the upper two

quintiles made up an increased share of new freshmen, growing from 28.1 per cent to 33.8 per cent. Median family income at the two-year institutions for new freshmen was \$53,000 in 2003, lower than all but two of the comprehensive institutions. (47)

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Access to UW System Reduced for Nontraditional Students

At a time when nationally an increasing percentage of college students are nontraditional, access to the UW System for these students has been dramatically reduced. The lower numbers of nontraditional students are particularly startling in that they have occurred at all UW institutions. System wide, in 1994-1995 28,732 nontraditional undergraduate students were enrolled compared to 20,221 in 2004. At UW-Madison nontraditional undergraduate enrollment declined over the same period from 4,361 to 2,264 while over-all undergraduate enrollment grew. The largest decline came in the years between 1994-1998 when Madison nontraditional undergraduate numbers declined by over a thousand students. Other UW institutions experienced similar declines, with only one institution seeing growth in nontraditional students from 1994-2004. The numbers of non-traditional students declined for the period even at the UW two-year institutions, historically a relatively open access point for nontraditional students, where the numbers for the period dropped from 4,207 to 3,783 students. The decline came at a time the two-year institutions actually increased over-all enrollment from 9,821 students to 12,453. Although the system's enrollment management plan aims at increasing access for nontraditional students, enrollment of non-traditional students has been dropping each academic year since 2001-2002. (48)

Enrollments of nontraditional graduate students has also declined system-wide from 12,161 in 1994 to 9,568 in 2004. At UW-Madison the decline has been from 4,794 nontraditional graduate students to 3,539 for the same period. Only two of the 13 system campuses offering graduate programs saw growth in the numbers of nontraditional students, but increases at both campuses were substantial. (49)

Some Institution Retention Numbers Slip

The UW System is seeing retention of students between the first and second years decline for the first time after a period of significant improvement. After a decade of consistent improvement where 2nd year retention rates increased from 76.6 per cent in 1994 to 80.3 per cent in 2003, the retention number dropped back to 79.7 per cent in 2003. (50) The decline was not uniform across the system, however. At UW-Madison the number slipped marginally from 92.5 per cent to 92.1 per cent which translates into 21 students. (51) The decline at UW-Madison is small enough that it is not possible to view the decline as statistically significant. Even with the decline, UW-Madison continues to retain at a level above its 92 per cent target. Retention of students of color on the campus have improved from 86.4 per cent in 1999 to 90 per cent for fall 2003. (52)

Additionally, six of the four year institutions saw continued improvement in retention rates, but the drop in the other seven was large enough to offset the increases when the systemwide statistics are examined. (53) Some decline in retention may well be caused by factors the UW institutions can not influence. During the period, many Wisconsin
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reserves and national guard units have been called up for service in Iraq and students at Madison and other institutions have been forced to interrupt their academic careers to fulfill military service obligations. UW campuses have exempted these students from the large tuition increases that have occurred while they have been in military service.

Significant Reduction in Faculty Ranks

The UW institutions have experienced a very real loss in the number of faculty over the last decade. System-wide, faculty contact with undergraduate students has dropped 20 per cent for the period. Adjunct faculty and graduate assistants now teach nearly 40 per cent of all student credit hours in the system, up from 30 per cent a decade ago. (54) Since initiation of enrollment management system-wide in 1987-88 the ratio of total FTE enrollment to total instructional FTE has remained at approximately 17:1. Hiring of non-tenure track instructional staff has kept instructional workload relatively unchanged for the period 1996-2002. In 2003, there were over 600 fewer UW faculty (6,072) compared with 1993 (6,673). By contrast, the numbers of instructional academic staff grew during the same time period from 1,802 to 2,838. Over the period UW-Madison lost 144 faculty positions or 6.5 per cent of the total even while enrollment grew. Between 1990 and 2003 adjusted for inflation, the state contribution to total UW System instructional costs has declined 34 per cent while enrollment grew seven per cent over the period (8,742 FTE) (55)

System Struggles To Offer Competitive Salaries

Most UW institutions have lost significant ground against their peers in salaries in recent years. UW System salary data focuses on four institutional peer groups, those for UW-Madison, UW-Milwaukee, the UW comprehensive institutions and finally the UW's 13 two-year undergraduate institutions. Wisconsin institutions have been challenged for decades when it comes to offering competitive salaries comparable to peer institutions for faculty, academic staff and administrative salaries. In the 1980's concern over a "brain drain" of top faculty led to adoption by the Governor and legislature of two pay plans in 1985-87 and 1989-91 to help the institutions "catch up" with peers. The disparity in 1985 was so wide that an adjustment of 15 per cent in salaries was approved for UW-Madison and for the UW two-year campuses with a 10 per cent amount for faculty at the UW four-year campuses. (56) Four years later, a smaller "catch-up" pay plan of half that amount was approved. The twin actions kept the institutions relatively competitive until the state budget of 1995 which began a trend of widening the gap between the UW System institutions and their public institution peers. That gap continued to grow until it was exacerbated when budgets in 2003-2004 provided no pay adjustments and 2004-2005 provided a modest one per cent adjustment. (57)

The salary situation has become especially critical because of the aging of the UW faculty and staff, making retirement an attractive option for many individuals. In a report to the UW System Regents in the fall of 2004 System Associate Vice President George

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Brooks noted “with 34 per cent of our faculty retirement eligible, we have a situation where faculty can retire and receive larger post-retirement increases than their increases if they remain working for the UW System. The institutions are increasingly challenged to keep pace both in terms of matching outside offers and recruiting new faculty to replace those who leave or retire.” (58)

UW-Madison, which carefully monitors its success at retaining faculty with outside offers has seen its per cent of faculty with outside offers retained drop significantly. In 1999-2000 the campus successfully retained 73 per cent of those faculty it attempted to keep by offering counter-offers. By 2003-2004 that figure had dropped to 51 per cent. In addition, the numbers of UW-Madison faculty receiving offers from other institutions nearly doubled from 51 in 1999-2000 to 98 in 2003-2004. (59)

UW-Madison has suffered nearly a doubling of the gap with its public peers from FY2000-2001 when it trailed the public peers by an average of 2.45 per cent to a 4.92 per cent deficit in 2003-2004. In an effort to protect its competitive position the campus has focused on keeping associate and assistant professor salaries more competitive to stay, \$3,400 and \$1,300 ahead of the peer group median. However, Madison salaries at the Professor rank at the end of 2003-2004 trailed the peer median by \$7,000. In fact UW-Madison full professor ranks salaries ranked 11th of the 12 public peer institutions the UW System uses to benchmark salary averages. Madison trails its Midwestern peers `the University of Michigan, University of Illinois and Ohio State University by \$21,600, \$10,800 and \$7,300 respectively at the full professor rank. UW System data reveal that Madison has fallen 7.28 per cent behind the median of its public peers. (60) UW-Madison salaries at the associate professor level in 2003-2004 trail Michigan by \$7,700 while slightly ahead of Illinois by \$1,300 and Ohio State by \$7,400. At the Assistant Professor rank, Wisconsin trails Michigan by \$3,100 and Illinois by \$900 while leading Ohio State by \$1,300. (61)

While the UW System data survey is reflective of public peers only, the reality is UW-Madison competes to recruit new faculty and retain existing faculty of all ranks in a broader marketplace that includes private-independent and select church-related institutions. The Madison competitive situation in this marketplace is dire. Using AAUP data for 2003-2004, at the full Professor rank UW-Madison trails private-independent doctoral institutions by an average of \$25,958 and church-related doctoral by \$7,275. At the associate professor level Madison trails the private-independent institutions by \$5,563 but leads the church-related doctoral institutions by approximately \$1,068. At the assistant professor rank UW-Madison trails the private-independent institutions by \$9,318 and the church-related doctoral campuses by \$1,126. (62)

The system's other doctoral campus, UW-Milwaukee is in a somewhat better position in terms of its peers than UW-Madison. The Milwaukee deficit measures against its public peers for all ranks of faculty has actually declined from 4.53 per cent in 2000-2001 to 2.13 per cent in 2003-2004. UWM trails the median of its public peer group at the full 12

professor level by \$4,300 at the Associate professor level by \$100 and leads the median at the assistant professor level by \$3,100. At the full professor level UWM ranked 13th of the 14 public peer institutions used by UW System administration for comparative purposes trailing its Chicago peer, the University of Illinois at Chicago by \$17,000 the University of Louisville by \$4,300, the University of Missouri-Kansas City by \$4,100. At the Associate Professor level UWM ranks eighth among its 14 public peers trailing Illinois-Chicago, and Louisville by \$6,700, and \$100 while leading Missouri-Kansas City by \$900. At the Assistant Professor rank UWM ranks seventh among its 14 public peers trailing Illinois-Chicago by \$4,200 while leading Louisville by \$6,500 and Missouri-Kansas City by \$4,900. (63)

Using AAUP data, UWM also generally trails in compensation comparisons with private institutions. Competing against the private-independent doctoral campuses UWM trails by \$38,758 at the full professor rank, \$14,263 for associate professors and \$11,618 at the assistant professor rank. UWM also trails the nation's church-related doctoral campuses on average by \$20,075 at the rank of full professor, by \$7,632 for associate professors and \$3,426 at the assistant professor level. (64)

Larger gaps between system institutions and peers occur at the four-year comprehensive campuses. In 2000-2001 the gap between those institutions and their public peers was 5.3 per cent, a number that grew to 9.18 per cent in 2003-2004. Given the differing disciplines among the UW comprehensive institutions average salaries at all levels vary considerably. That said, the UW four year campuses trail their peer medians at all faculty ranks with the exception of one of the institutions which pays its assistant professors \$1,000 above the peer median. The four-year institutions considered in a discrete cluster however trail at the Professor rank by an average of \$7,900 at the full professor rank, \$5,600 for associate professors and \$2,100 at the assistant professor rank. (65)

Gaps between campus salaries and the four year peer median cluster vary greatly from a deficit of \$12,200 at UW-River Falls to \$2,600 at UW-La Crosse. At the associate professor rank the gap varies from \$8,600 at UW-Superior to \$1,500 at UW-Parkside. Assistant professor salaries vary from \$5,400 below peers to \$1,000 above peers at UW-Superior. Considered as a cluster among 33 peer institutions, the UW comprehensives rank last with a shortfall of \$8,000 at the full professor rank, last at the associate professor rank with a gap to the median of \$5,900 and 24th among 33 four year peers \$2,000 below the peer median. The UW institutions fall fully \$17,900 below the top Midwestern peer institution Wright State University, \$17,400 below Western Michigan University which ranks second in the peer cluster and \$14,600 behind third place Michigan Technological University at the full professor rank. At the associate professor

rank the gaps are \$11,000 below the top Midwestern peer, the University of Minnesota-Duluth, \$9,500 behind second place University of Michigan-Dearborn and \$8,900 behind third place Michigan Technological University. UW comprehensive salaries at the

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assistant professor rank trail Midwestern leading peers Michigan-Dearborn by \$11,000, Michigan Technological University by \$9,700 and Oakland University by \$7,700. (66)

Increasingly UW officials have also become concerned at the inability of the comprehensive institutions to also compete for faculty with comparable private-independent and church-related institutions. The gap at full professor between UW comprehensive campuses and those at private-independent campuses is \$14,870 while the gaps at the associate and assistant ranks are \$8,434 and \$12,330 respectively. The corresponding gaps at church-related institutions are \$9,503 for full professors, \$8,183 for associate professors and \$8,845 for assistant professors. (67)

The UW System two-year campuses also face wide gaps between salaries at all faculty ranks, falling \$12,500 below their peers at the Professor level, \$9,000 at the Associate Professor Level and \$10,000 behind peers at the Assistant Professor level. (68)

Focus on Institutional Efficiency

Resource limitations have been part of the motivation behind systemwide efforts to achieve both reductions in average credits-to-degree taken by UW System students while improving institutional retention and graduation rates. As far back as the 1996 Regent study on the system's future Regents saw a link between reducing the number of credits students were taking as they progressed toward graduation and increasing access. A year earlier, Regents had adopted a policy goal of decreasing attempted credits-to-degree from 145 to 140 by 2001. (69) Six of the 13 four-year campuses met the goal. In fact, system-wide, the average decreased from 145 to 137 by 2000-2001. Two institutions reduced the figure by 13 credits, one by eleven. UW-Madison achieved one of the larger reductions at 9 credits. (70)

A second initiative aimed at cutting the time-to-degree calling "The length of time bachelors degree recipients take to complete their degrees is one measure of student effectiveness. Getting students to graduate sooner, in addition to encouraging them to graduate with fewer credits, frees up resources and allows UW institutions to serve more students." (71) Between 1993-94 and 2000-2001 the percentage of students finishing in four years rose from 21 per cent to 33 per cent. Similarly system institutions showed dramatic improvements in the numbers of students graduating in six years. At UW-Madison the 1981 entering freshmen cohort statistics revealed 64.5 per cent had graduated from UW-Madison and 68.6 per cent had received bachelors degrees when those students who transferred to and graduated from other UW institutions were included. The UW-Madison figures for the 1995 cohorts were 75.8 per cent and 78.3 per

cent, a major improvement. System wide, the figures increased from the 1981 cohort of 44.4 per cent at the institution first attended and 51.4 per cent including those transferring to and graduating from other institutions in the system. The system-wide cohort for the entering class in 1995 had improved to 54.2 per cent and 60.5 per cent, a substantial improvement. (72)

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Classroom Modernization and Technology Challenges

UW System institutions have proceeded with a major classroom modernization program despite dropping state support. Significant dollars for technology improvements are coming from a special technology fee enacted for UW-Madison students in 1993 and students on the other campuses two years later as well as from significant internal reallocations. The system's 2003-2004 accountability report, "Achieving Excellence" states that technological change has "dramatically altered traditional models of teaching and learning with electronic media playing an increasingly vital role in today's university curriculum." (73) Both the 2003-04 and 2004-05 reports warn that the internal reallocations are not meeting "expanding demands for the replacement and upgrade of equipment. State support is needed to ensure that the UW System maintains its role as a leader in providing quality education for the increasingly technologically sophisticated economy." (74) The reports note that even in the difficult budget environment of the last decade the system has still made what it calls "substantial progress" in moving the system institution classrooms toward improved technology environments. (75) The picture for technology upgrades to facilities is somewhat more positive. The system has received \$42.5 million in state support in the last decade to upgrade approximately 430 classrooms system-wide of the system's over 1700 general assignment classrooms. The 2004 progress report states 60 per cent of the instructional space remains yet to be updated with new technology and 54 per cent require remodeling. (76)

In addition to concerns about modernizing classrooms, the UW System has focused significant attention on spotlighting facilities maintenance needs. For the 2003-2005 biennium the System maintenance backlog for tax supported facilities was estimated at \$650 million. The System anticipates receiving state funding in the upcoming two-year biennial state budget to address \$90 million in backlog needs from a special state facilities maintenance program and an additional \$12 in maintenance needs through state major construction projects. The System anticipates making major progress in the 2005-2007 biennium to further address the large maintenance backlog, but state funding for maintenance has met only half of what the System sees as its need since 2001, although the 2003-05 state budget provided what the accountability report labeled a "record amount" for maintenance. (77)

Budget Impact on Graduate and Research Functions

Both graduate education programs and the research function remained relatively healthy at UW System institutions in the period from 1992-2004. Although some research is conducted on virtually all UW campuses, the lion's share occurs at UW-

Madison. Federal and research funding from private sources increased 116 per cent for the period, from \$273 million to \$589 million. External sources provided approximately \$4.2 billion over the 1994-2004 period. (78) The difficult decade did not see a major departure of research faculty bringing in large grants. Indeed, UW-Madison saw major research breakthroughs, especially in the areas of medicine and the biological sciences.

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Teams on the Madison campus attracted international attention with breakthroughs in areas as varied as stem cell research, treating neurological disorders, vascular health and heart disease, insecticides and nanotechnology. Although the federal research support was generally improving during the period partly as a result of federal government decisions to increase funding for research for the National Institutes of Health and the National Science Foundation, the current proposed federal budget now before Congress halts the growth in federal funding that had been occurring in the last decade. Total research awards for UW-Madison increased from \$362 million in 1997-98 to over \$704 million in 2003-04 with the average faculty research award growing from over \$255,000 to over \$436,000 for the period. (79)

The UW System did not significantly reduce graduate enrollments system wide for the period of 1993-2003 as a result of the erosion of state support. That said, however, the enrollments did not reflect a steady state over the decade. Graduate enrollments did drop significantly at most institutions between 1993 and 1998 before beginning a recovery process. During the same period, most system campuses experienced large increases in undergraduate enrollments. An analysis of enrollments for the decade does not reveal any diminishment in undergraduate enrollment in an attempt to preserve the institutions' graduate programs. In fact, quite the opposite appears to have occurred. Between 1993 and 2003 system wide the FTE count of professional/graduate students declined from 15,797 to 15,760 while undergraduate enrollment increased from 111,261 to 120,037 FTE. (80)

The UW 11 comprehensive institution graduate programs, which are all Masters programs, began the decade with 3,117 enrollments, dipping to a low of 2,883 in 1999 before growing to 3,081 in 2003. Reviewing the enrollments on a campus-by-campus basis, campuses which recovered were either offering programs in the allied health area or through new on-line or other distance education avenues. The institutions which suffered net losses were institutions which primarily offered masters programs in education. Four year campus undergraduate enrollment began 1993 with 65,248 declining to 64,826 in 1995 before hitting an enrollment peak of 69,314 in 2002 and then declining slightly in 2003 to 69,023. All of the four-year institutions finished the decade with more undergraduate FTE than they began it with. UW-Milwaukee actually increased its graduate enrollments over the period examined. Masters enrollments began the period in 1993 with 1,784 FTE, hit a low point of 1,643 FTE in 2000 before rebounding to finish with 1,863 in 2003. The institution's Ph.D. programs had 599 FTE in 1993 and finished the decade with 638 after hitting a low of 530 FTE in the Ph.D. programs in 2000. Milwaukee began 1993 with 13,545 FTE undergraduate enrollment, a

figure that dipped to a low point of 12,674 in 2005 before beginning a period of steady growth reaching 16,103 in 2003. (81)

The largest portion of the system's graduate enrollments occur at UW-Madison where graduate and professional FTE dropped slightly from 10,297 in 1993 to 10,178 in 2003. The low point in professional and graduate enrollments occurred in 1997 when they

declined to 8,974. Madison's masters FTE enrollments declined from 3,427 in 1993 to a low of 2,612 in 1998 before growing to 2,722 in 2001 and then declining in 2003 to 2,652. Madison finished the decade with a higher Ph.D. FTE count at 5,175 than it had in 1993 when there were 5,035 FTE in Ph.D. programs on campus. Ph.D. FTE declined to a low point of 4,376 in 1998 before recovering gradually until 2003. Professional program FTE enrollment in 1993 (10,297) declined to a low enrollment figure of 8,974 in 1998 before beginning a period of growth annually through 2003. (82)

UW-Madison Accountability Goals Address Quality Issues

In addition to participating in UW System accountability reporting, UW-Madison has developed measures unique to its mission to supplement the system report. The measures range from enrollment management to protect quality to improvements in study body diversity as well as enhancing the undergraduate experience on the campus. Madison is succeeding in controlling its undergraduate enrollment as demonstrated by increasing success at meeting enrollment targets the Madison "Achieving Excellence" report says are designed to "represent the optimal enrollment capacity necessary to ensure the maximum quality." (83) After slightly overshooting enrollment targets, Madison as essentially met the targets for the last six years. (84) Likewise, the campus has steadily increased the diversity of its student body, increasing the headcount of African American students between 1998 and 2004 by 15 per cent, Hispanic/Latino students by 10 per cent and Southeast Asian students by 103 per cent. Enrollments for students of color have risen by 13 per cent over the period. (85)

In recent years as part of a focus on improving quality of the undergraduate experience, the Madison campus has embarked on an aggressive program of improving the freshman experience through creation of residential learning communities as well as "First-Year Interest Groups (FIGs). Students participating in the special residential learning communities have increased dramatically from the fall of 1996 when 318 students participated in three such communities to the fall of 2004 where participation reached 1,355 students in eight communities on the campus. Participation in FIGs has likewise shown dramatic increase from 75 students participating in four FIGs to 600 participating in 30. The institution has also successfully encouraged student participation in programs where they conduct undergraduate research and participate in scholarly work with faculty in independent study courses. Student participation in undergraduate symposia has grown from 44 in 1998-99 to 257 in 2002-03. For 2003-04 the number declined to 229 but the campus has set a target for participation of 275 students for 2005.

For 2003-04 nearly half of the graduating seniors had participated in 17 independent study courses designed to promote greater student interaction directly with faculty. (86)

Addressing the stresses caused by declines in state support, the campus has set a goal of preserving “educational quality by maintaining significant non-state and non-tuition funding source levels to offset losses in state dollars.” 87) Since 1988 more than half of the campus operating budget has come from sources other than state tax support and 17

tuition. The same can be said for campus capital budgets since 1995. The 2004-05 campus accountability report bluntly states “The level of funding will need to be increased further so that the quality of our academic programs is not compromised.” (88)

UW-Madison also has set goals for giving students opportunity outside the classroom to learn and grow. Such programs all show higher than average participation rates by Madison students compared to national data. Finally, the campus has made progress toward a system wide goal of having at least 25 per cent of graduates study abroad. The percentage of Madison graduates who studied abroad increased from 8.7 per cent in 1996-97 to 15.7 per cent in 2003-04. The growth has occurred despite the state’s refusal to provide any additional funding for the program and despite tuition increases which might be expected to alter student study patterns. (89)

Regents Study System Future

Following the dramatic budget reductions adopted by the state in the spring of 2003 for the 2003-05 biennium, The UW System Regents undertook a year long study in collaboration with students, faculty, staff, administrators and private citizens and in June 2004 released the study’s findings “Charting a New Course for the UW System.” Regent Guy Gottschalk, who served as the Board President viewed the study as “essential to helping focus attention on the financial challenges of the system” when the study was launched. (90) The Regent study stated that nationally a confluence of forces was combining that “threaten the operation and effectiveness of many public colleges and universities across the United States.” Acknowledging the historic boom and bust cycles that parallel the U.S. economic situation, the report noted: “But there is an ominous quality to the current situation that is causing a collective shiver from coast to coast.” (91)

Among the trends spotlighted by the UW Regent study was the over-all 20 year decline in some measures of state support for public higher education. Regents observed that public funding was declining while demand for higher education was growing thanks to both demographic factors and the national economic downturn which began in the fall of 2000. Other challenges resulted from losses in endowments caused by the downturn in the stock market, growing pressure to improve information technology infrastructures which the Regent study labeled “a new and costly necessity for delivering quality education.” (92) Finally, the Regents noted the institutions were increasingly being asked to enhance local and regional economies by forming public/private industry

partnerships and spinning off research results which could stimulate economic growth. (93) The study added that “ In short, public universities across the country are struggling to educate more students and are grappling over fewer dollars while striving to preserve quality and meet greater public expectations. All this suggests a mounting crisis.” (94)

Placing the Wisconsin challenge in the national context, the study noted that the UW System had lost \$250 million in state assistance in 2003-05 on top of a net \$50 million
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cut the previous year. Meanwhile, the study noted that enrollment at UW institutions was strong, growing by over 8,700 students to a total enrollment of nearly 161,000 students over the previous decade while the numbers of faculty have been reduced by 670 during the same time period. (95)

The year-long study endorsed a series of recommendations designed to help address the System’s fiscal challenges, ranging from a call for stabilization of state tax support and a review of further streamlining of administration to innovative approaches to increase revenues by focusing on new markets. The study recognized that while “There are no alternative revenue streams that can take the place of adequate, stable state support for the UW System’s instructional mission,” nonetheless that at the campus level there were opportunities for some of the institutions to refocus on a new vision of market opportunities. (96)

Regents were especially vocal about the need to stabilize state support. “The one overarching fact that emerges from this study is that there are no substitutes for adequate, stable state support for our instructional mission. Wisconsin will make a grave error if it does not reverse the trend of diminishing support for its university system as we enter the new global information economy.” (97)

Besides a plea for stabilizing state support, Regents endorsed development of innovative pricing and marketing strategies to take advantage of niche opportunities where underutilized physical plants could be used to generate significant net additional income for a campus. An example of this approach is occurring at UW-Platteville, a comprehensive institution in southwestern Wisconsin with a special focus on engineering. Campus officials, working with UW System leaders created a pilot program for the previously somewhat underutilized campus physical plant. The concept aims at protecting in-state access to the campus while increasing enrollments over four years by 2000 engineering students from Iowa and Illinois. UW-Platteville Chancellor David Markee projects the program using additional tuition revenue from the additional students will pay for expansion and modernization of the campus engineering physical plant as well as expansion of student housing. “This program will help our campus provide Wisconsin with additional graduates our state’s business need in areas ranging from engineering to technology, creating a real brain gain for Wisconsin because over 80 per cent of our graduates remain in state after they complete their studies. Beyond that, this program gives our campus the opportunity to grow, and to help spur economic growth statewide. We estimate the addition of these students will inject over \$25 million

annually into the economy of our region—the equivalent of us landing a gigantic new industry.” (98)

Other Regent study recommendations include further administrative streamlining, examining non-resident tuition to charge a more market competitive price, examine additional resident tuition flexibility, expanding opportunities for high school students to

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earn college credits, facilitating transfer of students between institutions and between the state’s technical colleges and the UW campuses. (99)

UW Leaders Seek State Government Efficiencies

Although the system has adopted operating efficiencies in areas ranging from areas as varied as the campus admissions operations to speeding time to degree and reducing the number of credits attempted by undergraduates, the study called for further reviews of both state government and campus operations. Wisconsin remains perhaps the most state-regulated public university system in the country. The study estimated streamlining the Wisconsin state building process could save the UW System \$400 million over 20 years. Then-UW System President Lyall told Regents the state government-controlled building program was inefficient, with state bureaucratic operations adding to the cost of UW buildings through avoidable significant delays in the construction timetables as well as excessive state Department of Administration overhead charges levied on the campuses with dubious justification. (100)

The Wisconsin state construction process was labeled by the Regent study as being “overly burdensome and time-consuming.” (101) Regents noted the current state building process adds approximately three years to the project approval process during which significant project cost escalation occurs as a result of inflation. In addition, Regents and campus officials noted the Wisconsin Department of Administration operating as a fee-for-service agency had no incentive to save institutions money, but in fact was rewarded financially as construction costs rose and timetables slipped because the agency charged a project management and construction supervision fee of four per cent. Regents asked that the fee be optional and the system have the option of choosing between state services and other providers on a competitive basis. Finally, the Regents stated that if they could issue revenue bonds for projects supported entirely by program revenue “savings in time and cost to complete construction would be significant. In addition, a burden on state bonding would be lifted.” (102)

UW Regents are also seeking authority to operate a procurement process “directly in the marketplace” without participating in state Department of Administration (DOA) mandatory contracts which they argued use student tuition dollars to subsidize state agencies including DOA with no benefit to the campuses. Regents noted, UW System peers participate in consortial buying arrangements that save significant dollars. Currently, DOA has prevented most UW institutions from benefiting from major savings

in commodities such as office supplies through consortial purchases, driving up institutional costs and hence UW tuition without any offsetting benefit of participating in mandatory state contracts. (103)

Additionally the study urged a joint UW System-state government examination of risk management programs to reduce costs for such programs. An outside consultant hired by the System estimated the System, if allowed to function as its peer institutions function
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could reduce its expenditures on insurance by a minimum of 10 per cent—yielding an estimated \$14 million in savings over a decade. An examination of recent experience of system peers which have created so-called “captives” to manage some of their insurance programs has demonstrated savings far in excess of those estimated by the UW System consultant. (104)

For long-term observers of the UW System, the current financial travails appear to fit a condition baseball great Yogi Berra once labeled “deja-vu, all over again.” (105) The Regent study noted that UW System President John Weaver 30 years earlier had observed that: “The immediate public policy issue becomes clear. If we are to fulfill our missions as historically defined, we need to be certain the state still supports those missions, and supports them with the full realization that they can not be fulfilled on the basis of static or declining resources. If we are to plan for long-term fiscal austerity and retrenchment, this needs to be directed with the complete understanding that this will require a most basic change in direction for the State of Wisconsin—a deliberate decision to constrain for fiscal reasons, the levels of access to educational opportunity that have historically been provided.” (106)

Weaver concluded his remarks by saying: “We should give fair warning, and we must continue to warn that we cannot go on reducing faculty and staff, as well as support for instructional materials and equipment and simultaneously undertake the teaching of ever-increasing numbers of students. To attempt such is an inescapable proscriptio for irreversible mediocrity.” (107)

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