

From: Campus Announcements

Sent: Tuesday, January 27, 2015 6:38 AM

Subject: Campus Announcements - Important State Budget Update

Dear students, faculty and staff,

Last night I received the following information from UW System President Ray Cross and want to make sure you receive this information as you come to work and class this morning. Please read President Cross' message as well as the attachment. As more information becomes available, it will be shared as soon as possible.

Sincerely,

Bernie L. Patterson

Chancellor

Dear Colleagues-

As you know, I have been in discussions with the Governor and his staff about his budget proposal and the future of UW System over the last several weeks. Tomorrow the Governor will release several details about his budget proposal as it pertains to UW System. The attached documents provide an outline of the Governor's proposal as we currently understand. I will share more information about the UW System and Board of Regent's response to this tomorrow.

The Governor will include in his budget proposal a plan that will designate the UW System as a public authority. This new public authority will mean significant autonomy from the state and provide the ability to manage procurement, human resources, and some building projects outside of state processes. This new relationship with the state will also allow the UW System to manage our resources in a way that reflects actual costs and ensures affordability, accessibility and continued excellence for our tens of thousands of students and their families.

This new approach will not sever our important connection and accountability to the state. The State of Wisconsin will still provide \$1 billion annually in support of the UW System, including debt service. Moving forward, the state's commitment to the UW System's annual operating budget will come in the form of a dedicated funding stream, giving our institutions the predictability they need to ensure UW System's continued level of excellence.

These reforms will make us a more accountable, efficient and effective System over time, but they will not reduce the immediate impact of the cuts, which are significant.

The impact will happen on every campus, compelling us to make very difficult budget decisions. Every state supported agency will be asked to do that over the next two years. The changes ahead – both the challenges and the opportunities – will begin immediately and happen over time. Nor will they take place without thoughtful discussion and planning at each campus, college and UW Extension office.

However, the authority and the stability of a dedicated funding source offer a path forward and a stronger, sustainable future for the UW System well beyond this budget.

As I said, I'll be sharing more details about this proposal as they become available. If you have any questions, please contact my office.

Ray Cross

President-UW System

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UW System Public Authority

In the past two budgets, the UW System and its institutions have acknowledged the need for increased autonomy from the state to more efficiently and effectively deliver our core mission. Governor Walker has embraced that idea and included a provision in his proposed budget to designate the UW System as a public authority.

Looking ahead, a large state budget shortfall dictates that the UW System will be receiving a sizeable funding cut. This follows significant cuts over the last three budgets as well as a continuation of the current tuition freeze for the upcoming biennium. The UW System expects a \$300 million cut over the 2015-17 biennium. This new funding base, however, will be a dedicated and annually adjusted allocation allowing the UW System, for the first time, to plan its operations with certainty into the future. It should be noted that this new base does not put state support for the UW System below the amount we received in 1998. To manage these cuts, the UW System and its institutions will be forced to make difficult and significant choices in the short term.

In the longer term, the flexibilities granted through the authority and the consistency generated by the dedicated, sustainable funding source will help make the UW System a stronger, more nimble and more responsive higher educational system for generations to come.

- The UW System authority proposal acknowledges that the UW System is a unique and crucial organization with a mission and purpose that requires the ability to operate its \$6 billion annual budget more like a business -- responsible to its state, student, and workforce stakeholders.
- A UW System authority is the best model to deliver a public university that is committed to the core principles of academic excellence, access, affordability for our students, parents, and taxpayers.

Funding and empowering the authority

Wisconsin's public higher education system is a critical part of our state's economic infrastructure. Providing the UW System with a consistent, long-term funding source and the ability to manage the needs of a large and diverse workforce will enable the UW System and its institutions with more certainty as well as the ability to better meet the needs of Wisconsin's workforce and economy.

- The legislation proposed will create a dedicated funding source similar to the state Transportation Fund. It will be funded by the state's sales tax and annual increases will be based on the Consumer Price Index (CPI).
- Shared governance and tenure – two principles that are critical to delivering a high-quality education -- will be managed by the Board of Regents through board policy rather than by the legislature through statute. This is the standard among many other state higher education systems.
- While maintaining public employee status, UW System will have the ability to create a pay plan.

New flexibilities under the authority

- UW System will be allowed to create its own procurement, separate from the state process, allowing institutions to find savings and efficiencies not currently available.
- UW System will gain significant new flexibilities in managing building projects.
- While the legislature will continue to have statutory oversight, public authority status allows the UW System to work with each campus to find a pricing formula that reflects the costs of each program while still ensuring affordability, access and quality.

The strength of the UW System is the powerful connection each campus has with its community and the entire state. That connection is maintained as part of the authority, with state taxpayers continuing to provide significant ongoing financial and administrative support annually. The legislature and the Governor will also continue to play a critical role in the governance of the authority through the appointment and approval of the Board of Regents and the continuation of the legislative oversight committees in each house.

- The new public authority will negotiate a master lease with the State of Wisconsin, which will maintain ownership of the buildings on each campus.
- All of the employees throughout UW System will remain participants in WRS and ETF (retirement) and will continue to receive health insurance benefits through the State of Wisconsin.
- The current Board of Regents structure and appointment process and schedule will stay in place as the governing body of the new authority, which will become fully enacted on July 1, 2016.