

Greater transparency a must but not punitive over prudent budgeting for UW institutions

by Chancellor Richard H. Wells - Monday, June 03, 2013

<http://www.uwosh.edu/today/27794/greater-transparency-a-must-but-not-punitive-over-prudent-budgeting-for-uw-institutions/>

A growing number of the hard-working Wisconsinites on our UW campuses, and I suspect in our communities, too, fear that biennial budget changes to UW System institutions that have been proposed in Madison are designed to be more functionally punitive than fiscally prudent. Our efforts to make Wisconsin more competitive in the regional and national higher education landscape will be shackled unless we make a course correction.

The best analysis we have right now suggests the most recent changes to UW System institution funding for 2013-15, proposed by the state legislature's Joint Committee on Finance last month, will require UW Oshkosh to reallocate several million dollars to close basic personnel and utility expenses. That funding shift would come at the expense of our dedicated, entrepreneurial, student-centered programmatic investments. We have developed homegrown, tax-dollar-free, strategic programs and initiatives designed to best prepare and propel students while catalyzing our workforce and regional economies for growth. Good stewardship at the campus level generated this funding -- funding that is endangered. We [detailed our efforts in a report in late April](#) and continue to encourage all of our stakeholders to take a few minutes to review it.

We understand what is driving the budget changes. We accept responsibility for our role in bringing about these conditions. In the last several weeks, there have been many justified questions about appropriate levels of UW institutions' fund balances and reserves as well as fiscal transparency. There is a need and a way for UW System and its institutions to be more systemically and proactively transparent about our fund balances. We are working very hard with our UW System Board of Regents to develop policies and practices to establish what the most prudent fund balance level is and restore confidence. We expect updates on these efforts at our June 6 and 7 Board of Regents meetings.

With our mea culpa, we need our stakeholders to understand why and how fund balances and reserves at our many Wisconsin campuses have grown so significantly in the past several years.

Campus by campus, we have pushed ourselves to be more entrepreneurial and business-like. In fact, that is what leaders in our Capitol have demanded of us during the Great Recession. The good news is we are making excellent progress in the pursuit of that mandate. Despite the economic strain and cuts to our state taxpayer funding sources over the last several years, we have realized historic enrollment growth at UW Oshkosh. How? Our on-campus efficiencies, coupled with our development of those aforementioned, non-GPR-dependent, revenue-generating academic programs have saved money and proven popular with students seeking a fulfilling, career-launching education.

The expectation of better, more-proactive openness in light of this success should not come at the expense of the reinvestment Governor Walker proposed for UW System institutions over the next biennium.

UW Oshkosh and all UW System institutions need our alumni, our donors, our current students, our state taxpayers and, most urgently, our legislators to understand that our campus fund balances are not shadowy, uncommitted, banked stashes. Of the \$37 million in fund balance and reserves we have grown and responsibly managed at UW Oshkosh (equating to approximately 15 percent of our overall, \$250 million UW Oshkosh budget), \$34 million is [dedicated to many specific academic programs and initiatives](#) helping better prepare graduates, address the cost of college, close student achievement gaps and create hundreds of new jobs for students and community members. The remaining \$3 million in our reserves (equating to approximately 1.2 percent of our overall budget) constitutes emergency funding designed to help our campus weather a fiscal crisis – hopefully, a short one.

No doubt, the hard-working, public servants in our state legislature have sons, daughters, husbands, wives, partners, neighbors and colleagues receiving world-class educations from our public institutions right now. We all owe it to these many diverse stakeholders to collectively take a deep breath and end punitive reductions in funding for our backyard UWs. Governor Walker’s proposed tuition freeze for the next two years will represent a very welcome break for our students. But let’s not enact it at the expense of reinvestment in those same students’ institutions and our hard-working faculty and staff.

As I shared in a [May 16 statement](#), we cannot fail to give our UW System Board of Regents necessary flexibility to manage compensation plans and to empower campuses to reallocate and develop new revenue resources addressing our long-standing compensation challenges. Without granting that authority and accountability, we will seriously erode our ability to provide the higher-quality education Wisconsin wants and our students deserve at a fair, subsidized price. Even with modest 1-to-3-percent compensation increases over the next several biennia, the absence of general pay plan funding over the last several years leaves our institutions an estimated six to 12 years from catching up to only the median employee compensation levels at peer institutions. That is based on the incredibly unrealistic assumption that peer institutions will not experience any pay plan increases over that same time frame ahead. While pay plan efforts stalled over the last five years in Wisconsin, other state’s systems have implemented some modest annual increases. So, to borrow a bit of football terminology, we continue to give up ground, and our Midwestern competitors “gain yardage.”

One only needs look at a nearby state like Indiana to see the different approach. There, according to a [recent Wall Street Journal report](#), the state legislature approved a more than 14 percent increase in funding for universities after years of cuts. Right next door in Minnesota, legislators enacted a tuition freeze but also increased state funding for public universities by \$200 million, according to the report. Our neighbors are reinvesting in higher education as our legislature unravels Governor Walker’s proposals to do the same in Wisconsin in 2013-15.

They advance. We erode.

An implicit and powerful message is also sent to faculty and staff designing and delivering the education in neighboring higher-education systems: “Our state is doing what it can to support you and your work to help students learn and succeed.”

That is not the message our tens of thousands of faculty and staff in Wisconsin are hearing.

I was recently asked what morale is like on campus. To myself, my answer was frankly, “What morale?” Our faculty and staff are in a difficult position. To be discouraged is to seem ungrateful for their jobs and their opportunity to contribute to our students’ and state’s future. Without question, these good people are dedicated. Yet, discouraged is exactly how they feel. Some are numb. Most are simply saddened.

Our 1,700 employees have not seen a general pay plan increase for the last five years. These colleagues are the first to stress that the personal and career-development rewards their teaching, research and community service work bring easily outweigh a paycheck. However, it is becoming increasingly clear to many of these selfless faculty and staff members that they will not be able to complete their careers at our institution. That is unfortunate for current and future students more than any other stakeholders. Colleagues look to the Minnesotas and Indianas, and they cannot commit, in good conscience, to keeping their knowledge, talent and family economic investment in a state that is not truly committing itself to addressing higher-education compensation. With all Wisconsin has to offer, we are not close to competitive in that arena.

Governor Walker and our legislature have made it no secret that Wisconsin wants businesses and entrepreneurs from border states to view the Badger State as fertile ground and to set up shop here. We have made a more-welcoming economic climate and conditions in Wisconsin a high priority to help catalyze our growth. We should be equally committed to reinvestment and competitive compensation in public higher education. Punitive budgeting only hampers the mission and growth of every UW institution within communities throughout our state.

There is still time to change course:

- We need our legislature to roll back the Joint Committee on Finance’s most recent UW System budget changes and accept the [Governor Walker’s May errata](#). The JFC changes create a \$62 million structural deficit beginning in 2015-16, and we need to have the flexibility to use one-time cash balances to make some headway in closing the gap.
- Rolling back the JFC budget changes will also help us begin to address our UW employees’ compensation. Again, they have not had a general pay plan in five years, and the average faculty salaries are now more than 18 percent behind established peer groups’. The gap is widening.
- The JFC took away Governor Walker's proposed compensation flexibility for UW and halted two years of work on a new personnel structure that we were required to create in the last budget. We must have a modern personnel structure that matches UW needs – one that has been developed in a highly transparent manner with broad input. Deleting these two personnel items from the budget does not save money. Adding them back into the budget costs the state nothing.

We would hope that if the state legislature does not accept the errata, Governor Walker will prudently exercise his veto power and preserve his own most recent proposal.

This week's Board of Regents meeting will be followed by budget updates next week to our UW Oshkosh campus deans, administrators and U-PLAN governance group leaders. Meanwhile, we are urging our many stakeholders who care about Wisconsin's educational tradition and economic future to contact the Governor and their local legislators and show their support for the action we outlined above. To do anything less is to put punishment ahead of fiscal prudence. That is not the Wisconsin Idea, nor is it the path to a prosperous future where our state is second to none in higher education.