



Wisconsin Higher Education Business Roundtable Executive Summary of April 26, 2007 Meeting

I. Meeting Logistics and Format

The third meeting of the Wisconsin Higher Education Business Roundtable (Roundtable) took place on Thursday, April 26, 2007 in Madison, Wisconsin at the Overture Center. The meeting convened at 9:00 a.m. and adjourned at 3:45 p.m.

In attendance at the meeting were seven of the eight Directors, 16 of 30 Mentors, 11 of 13 Chancellors, four UW System Regents, UW System President Kevin Reilly, Executive Director for Communications and External Relations David Giroux and Executive Senior Vice President for Administration Don Mash, Advisors Michael Theo and Jim Wood, Speakers Dennis Jones of the National Center on Higher Education Management Systems, Rep. Mark Gottlieb, Bob Hanle of the State Budget Office, Wisconsin Department of Administration and Kristi Thorson of UW–Madison, and guests Patricia Brady, Alan Crist, Debbie Durcan, Margaret Farrow, Tom Fletemeyer, Freda Harris, Steve Healy, Grant Huber, David Miller, Kay Plantes, Ron Singer, Jessica Tormey, Dawn Wood and Allyn Ziegenhagen.

Mark O’Connell, secretary and treasurer of the Roundtable and executive director of the Wisconsin Counties Association welcomed and announced the four Mentors who recently became Roundtable Directors—Randy Dimond, Michael Jones, Louis Maier III and James Troupis—along with six new Mentors—Bob Bartlett, Mark Bugher, Andrew Lisak, Patrick Puylear, Joel Skornicka and Jay Smith—joining the Roundtable.

The main topic of the meeting was the state budget and what it means for the UW System. The day was divided into three main sessions: one focused on productivity and Wisconsin demographics; the next focused on the Wisconsin State Budget; and the last session examined the UW budget needs and priorities. The first session included a guest presentation from Dennis Jones, president of the National Center on Higher Education Management Systems, followed by an audience question and answer portion. Next, budget perspectives were presented by representatives from three different entities—Rep. Mark Gottlieb, Wisconsin State Assembly; Bob Hanle, Wisconsin Department of Administration; and President Kevin Reilly, UW System—followed by an expert panel and audience observations. The final session—a full Roundtable discussion about what the budget means to the UW System—was led and moderated by Jim Wood. In addition, participants received updates on the UW–Madison Wisconsin Idea project as well as an introduction to a new UW Campus Communications project.

The meeting was videotaped and will be made available to Directors and Mentors at the Roundtable Web site.

The meeting was preceded by a Board of Directors meeting at which the Board approved a motion to invite President Kevin Reilly, Chancellor Linda Bunnell and Chancellor Bruce Shepard to join the Board as non-voting members.

II. Session Focus and Next Steps

A. Productivity and Wisconsin Demographics

1. Mr. Dennis Jones, president of the National Center for Higher Education Management Systems—a nonprofit institute specializing in public policy work specifically in linking higher education with the future of the state’s workforce and economy—examined current workforce demographics and higher education attainment for both the United States and Wisconsin.

According to Jones, the United States is currently the 8th most educated country compared with other nations, but is one of only two developed countries where the younger population is not as well educated as their parents’ generation. In comparison with the rest of the nation, Wisconsin is below the national average in the percentage of baccalaureate degrees granted and its workforce has a lower educational attainment level than the national average. With the exception of Asian females, Wisconsin is below the national average in students of color in higher education, with the greatest shortfall in African American and Hispanic students. In addition, the population moving into Wisconsin tends to be less educated and more and more people with baccalaureate degrees are leaving the state. While Wisconsin workers with lower educational levels are paid above the national average, Wisconsin workers with associate, baccalaureate or advanced degrees are paid below the national average. The demographics also illustrate Wisconsin’s ability to train but not retain workers as people who obtain their higher education degrees in Wisconsin leave the state to gain experience elsewhere and later return to work in the state when they reach ages 30-64. The picture is slightly different for in state students, 80 percent of whom remain in Wisconsin after graduating from a school in the UW System.

Examining the productivity of the research enterprise in Wisconsin, Jones reported that Wisconsin is above the national average in academic research and development (R&D) with a balanced variety of R&D fields. Wisconsin also ranks high in income generated through academic licensing and corporate and university patents. However, Wisconsin falls below the national average in dollar value for small business innovation, research grants and venture capital funding. And, while there is a strong university presence in research, in general, it is not finding its way into the state’s commercialization.

Jones concluded, in order for Wisconsin to be competitive nationally and internationally over the next 20 years, 55 percent of its working population will need an associate degree or greater. Currently, 37 percent of Wisconsin’s population has

degrees, and with present circumstances factored in, that percentage would increase to 47, leaving a shortfall of 8 percent. Recent trends show that creating a larger pool of high school graduates who can move on to higher education degrees will only partially address the disparity. In order to produce the one million workers Wisconsin needs to advance its competitive edge, it needs to improve the graduation rates of students already in the higher education system. Methods must be implemented to encourage students who have left the system to return to a degree track. The state must also find ways to attract many more college-educated individuals to Wisconsin, an effort in which Wisconsin ranks close to the very bottom among the 50 states. Greater synergy between the state and university system is in everyone's best interest to increase higher education graduation rates, grow and attract an educated workforce and move Wisconsin in the forefront nationally and internationally.

2. Following Jones' presentation, Roundtable participants asked numerous questions concerning student and graduate retention and affordability and efficiency of higher education in Wisconsin.

In response to student and graduate retention questions, Jones suggested that a key way to attract more students to higher education, in particular first generation college students, is to create a system of incentives and support in middle school rather than later in high school. He cited Indiana as an example of a state that has been very successful with its efforts. It also is vital to the state's economy to retain workers once they have graduated. Currently, Wisconsin's retention of state residents who receive a baccalaureate degree is well above the national average, but there still remains a brain drain—educated workers leaving the state. One solution he offered is to make entrepreneurship an integral part of the education process by emphasizing not only problem solving, but solving problems with market value. Jones cited North Dakota as a state that has been aggressively creating internship programs that highlight North Dakota businesses in an effort to quell the trend of graduates seeking employment in the Twin Cities.

Concerning the affordability and efficiency of higher education, data shows that the United States invests more in education than any other country, but has comparatively lower graduation rates. Jones agreed that affordability plays an important role in student retention and states need to carefully examine the cost of attendance with the ability to pay. However, attempts at efficiency through methods such as consolidation of university and technical systems shouldn't ignore the value that the public places on local system control. Jones stressed consolidation should only be considered if there is no other way to achieve efficiency goals.

B. Perspectives on the 2007-09 Wisconsin State Budget

President Kevin Reilly, University of Wisconsin System; Bob Hanle, executive policy and budget manager, State Budget Office, Wisconsin Department of Administration; and Rep. Mark Gottlieb, Speaker Pro Tempore, Wisconsin State Assembly presented their perspectives on the 2007-09 Wisconsin State Budget.

1. President Reilly began by explaining the correlation between higher education degrees and per capita income. Nationally, for every 100 eighth-grade students, 30 of those students will have college credentials in 10 years. However, 70 working-age adults lack higher education credentials to help them compete in the working-world. Nationally, approximately 27.5 percent of the population has earned a baccalaureate degree, while in Wisconsin the number is slightly less at 25.5 percent. Ten years ago, Wisconsin and Minnesota were virtually tied in per capita income and percentage of baccalaureate degrees. However in the last 10 years, Minnesota has increased its degree rate by seven percentage points, and subsequently has seen a \$4,000 increase in per capita income.

To address the long-term goals of the UW System, a Growth Agenda with three specific goals has been proposed: increase the percentage of college degree holders; use university resources to attract more highly educated people to Wisconsin; and use university resources to help grow jobs. President Reilly explained that to help a broader, deeper cut of the current school population prepare for college, the University of Wisconsin System must work with eighth-grade students and their families to help them realize college is possible and affordable. He added the UW System must also reach students who have left the college system before obtaining a degree. President Reilly projected, based on a university survey, that of the one million people ages 25 and older with some college credit, but no degree, approximately 60,000 are anxious to return to some type of degree track. These are taxpaying residents who are less likely to leave the state once they have obtained a degree. As a result of these needs, the governor has proposed the Wisconsin Covenant and the UW Adult Student Initiative programs.

Reilly cited recent cost-saving and efficiency accomplishments of the university. Over the last six years, the UW System has reduced its ongoing base budget by \$225 million dollars, eliminated 1,000 tax-supported positions and increased student enrollment by 3,000. Wisconsin's state support of university students is, on average, below similar higher education systems. The per student higher education cost to the average Wisconsin taxpayer is \$204.38 which ranks 33 out of 50 states. Of UW System expenses, six to seven percent is administrative cost, which is about three to four percent less than administrative costs at other similar state university systems. President Reilly concluded that throughout the cost-saving and efficiency efforts, the reputation of the university has remained strong and the UW System continues to work with lawmakers to meet long-term goals. However, he cautioned that excessive cost saving would damage the quality of education in the long run.

2. Bob Hanle presented a general budget overview. In his presentation, he explained that 40 percent of general purpose revenue (GPR) collected is allocated as K-12 school aid, the largest single expenditure in the state budget. Overall, 57 percent of the GPR funds are returned directly to local budgets. Currently, UW System operations account for approximately seven percent of the state budget. Of \$183 million dollars budgeted for the UW System, the majority is for debt service, utility cost and salaries, and fringe benefits that have already been approved. Approximately \$21.5 million has been budgeted for the proposed Growth Agenda.

3. Rep. Mark Gottlieb explained the state’s six-step budget process. It begins with the governor’s initial budget presentation, followed by amendments from the joint finance committee, the state senate and the state assembly. The budget then moves to the conference committee for reconciliation and additional amendments before final approval or denial by both the senate and the assembly. Finally it is sent to the governor’s desk for vetoes and approval. To ease the current budget process, the joint finance committee has agreed to only consider items that have been determined as financial by the Legislative Fiscal Bureau, removing all non-fiscal policy from the budget. In addition, the committee has agreed to use the governor’s proposed budget as the basis for budget negotiations rather than using the previous budget as a base.

C. Panel Reaction to Budget Perspectives

An expert panel, chaired by Michael Youngman, a Roundtable Director and vice president for government affairs at Northwestern Mutual Life Insurance Company, presented their reactions to the budget perspectives.

- James Troupis, Roundtable Mentor and partner at Michael, Best and Friedrich, suggested that the UW is actually more efficient since more costs have been shifted to the student. He stated that moving costs closer to constituents equaled greater efficiency, and the danger the budget poses is moving costs away from students, making it more of a statewide initiative. “If you move the expenses to the state, you take away accountability,” Troupis said. He also mentioned that Wisconsin has the second lowest tuition in the Big Ten and continues to have graduation rates that are equal, if not higher to where they have been in the past. Lastly, Troupis observed that the budget has taken a dramatic shift in rhetoric with UW–Madison positioning itself as an economic development engine. Troupis pointed out that the foundation of the university was to improve the economy, in addition to serving as a resource for higher education. He suggested that it will not take long for the UW System to view itself in a similar way and focus more on the potential for economic development.
- Tom Fletemeyer, former executive director of the Wisconsin Educational Communications Board, voiced a positive reaction towards the budget. He didn’t note many new cuts and highlighted the focus on improving education. Fletemeyer stated that the funds set aside for the UW were a modest request and will create worthwhile improvements. However, he also pointed out that the budget process is still in the early stages and there remains a chance these funds could be eliminated, in efforts to balance the budget. He indicated it is too early to know for certain what the final budget will be, but Fletemeyer added overall the UW System’s budget request is reasonable.
- Mark Bradley, vice president of the UW System Board of Regents and attorney with Ruder Ware, LLSC agreed with Fletemeyer on the reasonableness of the budget requests made by the UW and noted that during the process each campus in

the System was asked to determine its regional needs. “The UW System is an administrative entity and the budget request is responsive to these needs,” Bradley said. In response to Troupis’ remarks on efficiency, Bradley agreed that it is more efficient when costs are shifted to students. However, he added that the reduction of institutional support in the budget has been left out of the discussion. Bradley expressed concern there has been a slip in quality due to reductions, which is worrisome because the quality of education in the UW System has always been a primary appeal to prospective students.

D. Roundtable Discussion of Budget Perspectives

The panel discussion was followed by an open discussion by all Roundtable members, moderated by Jim Wood.

Youngman began the discussion with questions and comments concerning access and affordability, stressing the importance of increasing degrees and retention rates, but adding that there remain unanswered questions relating to expenditures, revenues and the Wisconsin Covenant. Lack of information on the Wisconsin Covenant was echoed by several other Roundtable members. President Reilly shared data illustrating Wisconsin currently is not successful in educating students from lower income levels, and tuition increases send the wrong message to these families, making higher education appear unobtainable. Rep. Gottlieb noted any success of the Wisconsin Covenant would not be realized until at least 2011, but it is designed to create an awareness and a desire for a higher education among a portion of the population that is currently not seeking higher education degrees.

Wood noted that a consistent response in statewide surveys is “What is it going to cost and how will it be implemented.”

Delgado noted that Marquette University offers scholarships to defray high tuition costs for those in need, but added that families with greater means may be willing to pay a greater share of the tuition burden. He suggested the UW System carefully examine its current programs, keeping the goals of the Wisconsin Idea in mind. If a program is found not to deliver direct benefits, it should be considered for elimination. He likened the process to a business cutting back on products rather than facing bankruptcy.

In response, Chancellor Joe Gow stressed the importance of liberal education, despite the fact there is often not a direct correlation with jobs, as there is with science and technical education. Chancellor Gow added a liberal education is a large contributor to innovative thinking. He suggested exploring the ability to change what the market will bear and invest in quality.

Lastly, several Chancellors commented on advancements and challenges of high tech education, pointing out breakthroughs in technology are sometimes slow to translate into job creation, and state and business leaders must join with the UW System in attracting and increasing the amount of venture capital in Wisconsin.

III. Wisconsin Idea Project Report

Kristi Thorson, assistant director, state relations at UW–Madison and Wisconsin Idea Project co-coordinator, briefed participants on the Wisconsin Idea Project, in which UW–Madison is embarking on a major commitment to enhance and reconnect its partnership with the state in order to: increase awareness of and foster positive attitudes about the university; increase the number of meaningful and relevant interactions with state constituents; and increase citizen support of UW–Madison. To accomplish this, the Wisconsin Idea Project will communicate university accomplishments with state residents, conduct listening sessions to determine how UW–Madison can better serve the state, address areas of primary interest and impact to citizens; create sustainable partnerships that help address significant state issues; and increase the number of undergraduate degrees.

IV. Plenary Discussion: UW Budget Needs and Priorities

During the afternoon session, Roundtable members participated in a lively discussion of budget, communication and other issues facing the UW System. Wood moderated the discussion and began by encouraging participants to offer specific ideas and recommendations the chancellors would be able to discuss further in their upcoming retreat. He asked participants to consider if the budget request was on target to meet the needs put forward in Mr. Jones' morning presentation.

In response to a question by Jonathan Barry concerning license and patent activity, Chancellor John Wiley explained the majority of research grants are federal dollars and federal rules are specific in the administration of patents and licenses. However, the UW System has instituted changes and incentives that are increasing license and patent use in the state and encouraging entrepreneurship and business growth.

Chancellor Carlos Santiago stressed the importance of enhancing UW–Milwaukee's research capabilities in order to create an IT corridor from Minneapolis, to Madison, to Milwaukee and to Chicago. He stated the university needs to create a collaborative research base and infrastructure in order to remain viable and efforts are being made to create and nurture private partnerships.

Chancellor David Wilson said one issue threatening the long-term quality of the UW System and making recruiting and retention of top-notch faculty difficult is the lack of competitive salaries for faculty. He remarked there are a number of cases where a faculty member at a two-year campus with a Ph.D. is earning \$22,000 a year less than an instructor in the technical college system, and in some cases less than a high school teacher.

Wood, acting as a devil's advocate, raised the issue of public perception concerning system problems and faculty salaries. He added the UW acknowledges the need to address specific issues such as expanded research in Milwaukee or expanding the base of students preparing for higher education; but when requests are made of legislators or the

public, higher salaries tends to top the list. He said the public relations problem is that the university says it is concerned with students, but the first thing it asks for are bigger salaries.

Chancellor Wilson acknowledged the university has not communicated its needs adequately to the public, but added it is essential to invest in faculty in order to keep the system's quality at its current high level. Chancellor Wiley added that the university is producing more degrees with fewer faculty members. Chancellor David Markee noted most faculty members at many campuses currently carry a full teaching load.

Mickey Maier observed there is a perceived disconnect between the requirement for competitive salaries and public dialogues on issues and needs; adding if the state wants to attract business, raising taxes should not be considered. Chancellor Gow suggested the public and students be invited to greater utilize the resources of the university. Pat Puyleart recommended a state business advisory council work with regional entities and local universities to explore regional economic development and greater utilize university resources to address state issues.

Wood said the public needs ideas and solutions it can rally around. Adding, while business leaders believe in the importance and mission of the university, there is a perception that the system is not operating efficiently. Wood stressed the UW System must clearly make a case in support of its budget requests, adding too often the budget appears to ask "what can I get, rather than what do I need."

Freda Harris itemized a number of initiatives already in place throughout the system to address efficiency and productivity. Chancellor Don Betz said the system needs to clearly define specific goals and then keep those goals in mind with each new initiative. Chancellor Wells introduced the New North initiative as an example of a regional concept that is making positive inroads by making higher education a partner in prosperity, elevating education to enhance the public good, creating access with success to qualified students, and setting and achieving specific goals. Chancellor Markee agreed that campuses need to develop an entrepreneurial mindset and the system, as a whole, needs to explore alternative revenue sources.

Margaret Farrow commented that as she traveled the state as lieutenant governor she observed most of the UW System's individual campuses and suggested the public not only needs to understand the contributions of its local campus, but the scope of the UW System at large. Several members stressed that increased public understanding and recognition of UW System benefits will make it easier to sell the concept of additional funding. Barry suggested better education of the media, in addition to legislators, will improve communications throughout the state.

Wood said any analysis of the budget must determine what items can't be changed, what items are new and innovative and are the allocations for these innovations correct. He added the budget must reflect a capacity for change.

O'Connell stated in order to create a more highly educated populace, more than system efficiency is needed. The system needs more money. Bill Howard added that short-term projects to reduce redundancies and inefficiencies would still be beneficial.

Chancellor Wilson noted the UW Extension serves approximately 25 percent of the state's population and is highly regarded. Wood agreed that survey results indicate the public is generally pleased with the quality of local university services, despite the continuing concern about cost.

V. UW Campus Communications Pilot Project

In response to Roundtable recommendations to improve communications throughout the state on the goals and accomplishments of the UW System, Wood introduced a Communications Pilot Project. This 12-month program is designed to communicate to business leaders and the media the budget needs of the UW System and how the community benefits from the UW System. It will consist of four to six luncheon forums with business leaders in selected media markets, and those luncheons will be combined with media contact to relay the message of the university to the larger public. In addition to the forums on the budget, there will also be a series of community meetings focusing on various aspects of the Wisconsin Idea and how the UW System is contributing to areas such as K-12 education and funding, health care and economic development.

David Giroux, executive director for communications and external relations with the UW System, explained there is great enthusiasm for the project throughout the UW System and the media markets to be targeted are Eau Claire/Menomonee; Green Bay; La Crosse; Oshkosh; and Janesville/Beloit. The Wausau/Stevens Point area may be added as well.

Mike Theo, Roundtable Advisor and vice president for governmental relations at the Wisconsin Realtors[®] Association, felt this project pulled together all the elements and goals of the Roundtable by helping to build relationships between community, business leaders and the UW System.

VI. Closing Remarks

President Reilly shared that he has seen a great improvement in attitudes concerning the UW System. He added there has been progress and remain continued opportunities for growth in several areas: the idea of the centrality of the university in economic development and quality of life issues; accountability and transparency; and productivity, flexibility and efficiency. He concluded by asking Roundtable members to advocate on behalf of the UW in the upcoming budget process.

Wood wrapped up the day's program by reminding participants to keep their eye on the goal and the message, and to not waste time delivering a message the public already believes. By continuing to communicate the UW System's vision, the public will better understand the UW System's budgetary needs and how its success benefits the state.