



March 31, 2011

Kevin Reilly  
President, UW System  
1720 Van Hise Hall  
1220 Linden Drive  
Madison, WI 53706

Dear Kevin,

I am writing about the briefing we received from your staff on Monday on the details of the System's new plan. As you probably know, we made several suggestions in the meeting, designed to strengthen the statutory language. Darrell suggested eliminating the statutory setting of application fees and reviewing the language for giving System cash management, for example. We believe that the language on cash management is inadequate to achieving what the plan aims to achieve. I will return to this point.

Senior Vice President Morgan requested that we send a list of additional possible improvements and sign on to the plan, once we understood its details and benefits. We have spent the past two days analyzing the information that was shared with us, understanding that the document we saw was still not final. What follows are our thoughts about the plan and our reasons for declining to sign on to what we have seen.

1. We believe the plan goes as far *on behalf of System Administration* as it would be possible to go within the constraints of a state agency model. **With one exception, it does not delegate to UW-Madison any new flexibility or authority.** It does give us statutory authority to manage construction projects that will have been ranked and approved by UW-System. Because there is no statutory language delegating flexibility or authority to the campuses, the WIP plan does not come close to benefiting UW-Madison in the way the governor's proposal does. There is no obvious change in the relationship between System administration and UW-Madison, or any recognition of the unique needs of a major research university, when it comes to key policy issues or operational needs.

2. Let me return to the language on cash management. It seems that all revenue for the University System will continue to pass through the State Treasury as the revenue for other state agencies does, and will, therefore, continue to be vulnerable to "sweeps," rather than being available for the campus and its units to use, save, or invest. We would be happy to discover that we are wrong about the distinction between state agency and public authority status, when it comes to cash management. We hope we can gain clarity on this point and on the feasibility of getting cash management of this sort as we move forward.

Office of the Chancellor

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3. Even if all the flexibility proposed for System Administration in the area of personnel were delegated to UW-Madison, it would fail to approach what the public authority model allows, which is a redesign of our outmoded, byzantine HR system.

4. There is no provision for the possibility of a board for UW-Madison, one that would bring additional expertise to the campus in the core mission activities of a research university and help enhance our development of private funding. Increases in philanthropy are the key to our survival and we need a board with a range of governance responsibilities that will also engage its members in development activities on the university's behalf. This model of a separate board exists at every research institution with which we compete for talent and for research funding.

5. The statutory language we saw was silent on budget reduction numbers. That, too, is a problem. UW-Madison cannot and will not sign on to a plan that allocates half of the total UW-System cut while giving us much less of the flexibility and authority we need and much less than we would get under a public authority model. Under the WIP proposal, with the same flexibilities in our operating budget as other campuses, it is unclear why we would take a greater cut.

The literature and other representations on WIP assert that it will do everything that the governor's budget would do for UW-Madison, while keeping the System together. Unfortunately, the plan we were shown this week does not come close to doing what public authority status would do to enable UW-Madison to deal with state budget cuts, while continuing to serve the state of Wisconsin as its flagship and a major economic driver.

We appreciate the opportunity to see the provisional details of the System plan and wish we could respond more positively to its terms. I continue to support flexibility for all the System campuses and would suggest that all of us support the governor's proposal as well as amendments to it that grant much-needed flexibility to the rest of the System campuses. In this way, we can support every campus as fully as possible.

Sincerely,



Biddy Martin  
Chancellor

cc: Members of Joint Committee on Finance

Comparison Of UW-System Wisconsin Idea Partnership Proposal And UW-Madison New Badger Partnership With Public Authority Status As Contained in Governor's proposed 2011-13 Budget Bill

Area of Flexibility	Wisconsin Idea Partnership Proposal: System with State Agency Status	New Badger Partnership: UW-Madison with Public Authority Status (2011-13 proposed Budget Bill)
<b>BUDGETING</b>		
<p><b>a. Block Grant</b></p>	<p>Board of Regents (BOR) would receive single "GPR block grant," replacing the current appropriation structure of line-item funding.</p> <p>BOR would provide UW institution-specific block grants to allow campuses and Extension to use GPR, fees, and other program revenues. Permits UW institutions to reallocate funding among all budget lines to address institutional priorities and regional needs.</p>	<p>Board of Trustees (BOT) would receive block grant for appropriated funds.</p>
<p><b>b. Categorization</b></p>	<p>All funds, GPR and non-GPR, remain state dollars subject to state requirements and restrictions.</p>	<p>GPR funds remain state dollars. Non-GPR, including program revenue, tuition, fees, gifts, and grants, no longer state dollars and no longer subject to state requirements and restrictions.</p>
<p><b>c. Additional Revenues</b></p>	<p>UW institutions would retain additional revenues from institution-specific tuition increases and from new enrollment growth.</p>	<p>BOT would retain <b>ALL</b> revenues and set own policies regarding use.</p>
<b>TUITION/PRICING</b>		
<p><b>a. Delegation to Set Own</b></p>	<p>BOR would set tuition. Not subject to current statutory restrictions. Each institution could submit tuition to BOR which would retain ultimate authority to approve.</p>	<p>BOT would set tuition for UW-Madison. Current statutory restrictions would not apply.</p>

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	No authority granted to UW-Madison to set tuition. Unclear how BOR could delegate tuition-setting authority without creating separate institutional governing boards specific to each university to set tuition.	
<b>b. Categorization</b>	Tuition revenue generated by the BOR, an executive branch agency, would continue to be categorized as "state funds" and be deposited into the State Treasury subject to all state requirements and restrictions. UW-Madison would not retain interest on tuition revenue.	UW-Madison's tuition revenue would not be considered state funds. Not subject to state requirements and restrictions. Tuition revenue would be deposited into the Local Government Pooled Investment Fund, not the State Treasury. BOT would control those funds, retain interest on the principal, and avoid sweep.
<b>c. Authority to Manage</b>	Does not appear BOR is proposing statutory delegation of authority to manage tuition to the individual campuses, and BOR's involvement in management decisions is unclear. Absent direct delegation, BOR policies control individual institution's management of tuition revenue.	BOT would establish its own policies and decide at the local level how to manage tuition revenue, determining which initiatives to fund. This would include use of funds generated through tuition to create additional staff and faculty positions as appropriate.
<b>HUMAN RESOURCES</b>		
<b>a. OSER oversight</b>	Would <b>reduce</b> oversight by OSER.	Would <b>ELIMINATE</b> oversight by OSER. BOT would develop human resources system, maintaining governance rights and current policies and procedures.
<b>b. Pay plan</b>	BOR would set <b>uniform</b> pay plan (no state compensation	BOT would set pay plan <b>specific to UW-Madison</b>

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	plan).	including merit increases for unclassified employees (no state or BOR oversight).
<b>c. Collective Bargaining</b>	BOR would negotiate collective bargaining agreements.	BOT would negotiate collective bargaining agreements.
<b>d. Job Classifications</b>	BOR would determine appropriate job classifications for all staff.	BOT would determine appropriate job classifications for all staff per its own human resources system.
<b>e. Unclassified Policies</b>	BOR would establish policies regarding unclassified titling, compensation, including salary ranges, rationale for setting salaries within ranges, and exceptions for market needs. No statutory guarantee of the delegation of management flexibility from BOR to UW institutions for personnel matters.	BOT would have statutory authority to manage its own unclassified titling and compensation, including salary ranges, merit, rationale for setting salaries within ranges, and exceptions for market needs. Would require no delegation from BOR.
<b>f. Benefits</b>	UW institutions would determine benefits and opt in/opt out of state-procured benefits programs (e.g., regionalized health insurance options, purchase of insurance through university consortia).	UW-Madison employees would retain current eligibility for state benefits. Would have option to offer additional benefits programs.
<b>g. Hiring Authority</b>	BOR would delegate hiring authority to UW institutions to administer classified hiring.	BOT would be exempt from state civil services laws and would be able to develop its own hiring policies and practices.
<b>h. Overload Cap</b>	Would eliminate \$12,000 cap on overload pay.	BOT would set its own overload pay policies.
<b>i. FTE restriction</b>	BOR would not remain subject to restrictions on creation of new positions (FTE allotment) based on delegated authority in s. 16.505. Created exemption to the reporting requirement for all non-represented classified	UW-Madison would be exempt from Ch. 230 and the FTE limits in s. 16.505. BOT would obtain <b><u>total position control</u></b> .

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	and unclassified FTE employees of System.	
<b>CAPITAL PLANNING AND CONSTRUCTION</b>		
<b>a. Capital Planning</b>	BOR would retain authority to prioritize all UW institutions' building projects and submit the UW System building project request to Building Commission.	BOT would prioritize UW-Madison's building projects and directly submit capital project requests to Building Commission.
<b>b. Construction management</b>	BOR would obtain authority to manage construction projects funded from non-GPR sources. System delegated to the University of Wisconsin-Madison the authority to manage its construction projects and leaves open the possibility to delegate to the individual institutions the authority to manage construction projects funded from non-GPR sources.	BOT would be able to control all aspects of building projects funded entirely by non-GPR sources and no longer be required to pay 4 percent DOA management fee for those projects.
<b>FINANCIAL MANAGEMENT</b>		
<b>Financial management</b>	BOR would oversee revenue and interest earnings on program revenue funds. BOR would retain authority to invest surplus funds and retain interest earnings.	BOT would oversee revenue and interest earnings on program revenue funds. BOT would retain, manage, and invest gift and grant funds, including ability to transfer gift and trust funds to UW Foundation. BOT would retain earnings from investment of both GPR and non-GPR funds. BOT would retain income from sale of UW-Madison lands.
<b>PURCHASING AND PROCUREMENT</b>		
<b>a. Unique University Purchases</b>	DOA would delegate to BOR authority to contract for specialized, university-related materials, supplies, equipment	BOT would obtain direct delegation from DOA for these purchases.

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	and services. BOR would delegate this authority to UW institutions.	
<b>b. Higher Education Consortia</b>	BOR would be authorized to enter into consortium purchasing agreements with other higher educational institutions. UW institutions could purchase from any vendor included in those purchasing agreements.	BOT would obtain direct delegation from DOA to select and enter into consortium purchasing agreements with other higher educational institutions.
<b>c. Fleet vehicles and State Travel</b>	UW institutions would manage vehicle fleets in lieu of management by DOA.  Does not address whether UW institutions would have individual authority to set own travel policies.	Only through public authority status, BOT would be exempt from all state travel rules, including state control of out-of-state travel, and freedom from DOA fleet management. <b><u>BOT would set own travel policies.</u></b>
<b>d. Risk Management</b>	BOR would manage its own workers compensation program and insurance contracts with six months' notice of such intent provided to DOA.	BOT would be able to participate in state risk management programs with ability to opt in or opt out in any fiscal year with six months' notice.
<b>GENERAL RULE AND POLICY-MAKING AUTHORITY</b>		
<b>a. Rule-making Authority</b>	BOR would retain rule-making authority for all UW-institutions.  Does not address whether rule-making authority can or would be given directly to UW institutions.	BOT would be granted statutory authority to promulgate own rules governing access to and conduct on UW-Madison lands.
<b>b. Policy-making Authority</b>	BOR would continue to establish system-wide policies to be applied by all UW institutions.  Does not address whether BOR would instead delegate	BOT would be authorized to develop policies specific to UW-Madison within the shared governance process. Shared governance groups could work directly with BOT.

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	authority to UW institutions to develop policies specific to their own campus.	
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