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Joint Committee on Finance
100TH ANNIVERSARY 1911 - 2011

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative Robin Vos

Date: October 4, 2011

Re: 14-Day Passive Review Approval – UW System

Pursuant to Wisconsin Act 32, attached is a 14-day passive review request from the University of Wisconsin System, received on October 4, 2011.

Please review the material and notify **Senator Darling** or **Representative Vos** no later than **Friday, October 21, 2011** if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AB:RV:jm

UNIVERSITY OF WISCONSIN SYSTEM

Board of Regents

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RECEIVED
OCT 04 2011
BY: Jt. Finance

September 14, 2011

Via Electronic Mail

Secretary Michael Huebsch
Department of Administration
State of Wisconsin

The Honorable Senator Alberta Darling, Co-chair
The Honorable Representative Robin Vos, Co-chair
Joint Committee on Finance

Dear Secretary Huebsch, Senator Darling, and Representative Vos:

On behalf of the University of Wisconsin System Board of Regents, we are submitting plans for the $2.46-million GPR budget reduction at UW System Administration, including the elimination of 51.17 full-time equivalent employee positions. We appreciate your willingness to accommodate our schedule to allow for a full public discussion of this important topic at our September Board of Regents meeting.

Attached is President Reilly's response to the President's Advisory Committee on the Roles of UW System Administration. **You will find the reduction plan, submitted for your review, included as Attachment 2 in that response**, along with the full Advisory Committee report. The membership of the Committee is listed on page 18 of the report.

Together, these three documents provide a broader context about our plans, and the ways we anticipated both major budget reductions and major organizational changes. We took the time to ask fundamental questions about what we do, why it matters, and how it should align with today's resources and tomorrow's priorities. The advisory committee gathered advice from higher education leaders across the state, offering valuable input from the dual perspectives of our UW institutions and our governing board.

We published this information online, shared it with news media outlets statewide, and discussed it extensively with the Chancellors and other UW stakeholders prior to the Regents' discussion. At the meeting on September 8, the Regents approved our reduction plan and endorsed the broader organizational changes outlined in President Reilly's response. The two resolutions, adopted unanimously by the Regents, are also enclosed.

If you have any questions, please contact us at any time. Thank you.

Sincerely,

Michael J. Spector
Regent President

Kevin P. Reilly
UW System President

Enclosures:

- President Reilly's Response to the President's Advisory Committee on the Roles of UW System Administration (with attachments)
- Board of Regents Resolutions (2)

Copy: Board of Regents
Cabinet
Chancellors

UNIVERSITY OF WISCONSIN SYSTEM

PRESIDENT REILLY'S RESPONSE TO THE PRESIDENT'S ADVISORY COMMITTEE ON THE ROLES OF UW SYSTEM ADMINISTRATION

SEPTEMBER 2, 2011

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ATTACHMENT 1: Report from the President's Advisory Committee on the Roles of UW System Administration

ATTACHMENT 2: UW System Administration 2011-13 Budget Reduction Plan

EXECUTIVE SUMMARY

The University of Wisconsin System is widely recognized as one of the nation's most efficient, accountable, and productive systems of higher education. Our universities and colleges are enrolling record numbers of students, conferring more degrees than ever, smoothing out the process of transferring from one campus to another, and expanding cutting-edge research that improves our quality of life.

Fulfilling the promise of the Wisconsin Idea, UW outreach and extension programs serve Wisconsin citizens in every corner of the state. The UW System has achieved these and other benchmarks while keeping costs down, spending about half of the national average on administrative overhead.

But we cannot rest on our laurels. We must continue to evolve to meet changing demands and explore new opportunities. Building upon our record of excellence, and the flexibilities the UW received from the state in the 2011-13 budget, we must reform the relationship between UW System Administration and the UW institutions to better serve the people of Wisconsin, the nation, and the world.

Across the United States, institutions of higher education are being reshaped by powerful forces, while higher education systems face unique pressures of their own. The National Center for Higher Education Management Systems asserts that systems "are increasingly being asked to shift their focus from the management of institutions to the connection of public higher education to the needs of the state."

In Wisconsin, this shift manifested itself in the 2011-13 biennial state budget. With support from the legislature and the Governor, the final budget incorporated many themes and statutory changes from the Wisconsin Idea Partnership, providing UW institutions with substantial new operational flexibilities. Together with a requirement to cut $2.4 million from UW System Administration's annual budget, these changes call for a new organizational model.

The report submitted by the President's Advisory Committee on the Roles of UW System Administration provides many useful suggestions that will help us begin this change process. **I value this broad perspective, focused on how the UW System must be more innovative, nimble, and entrepreneurial, and I embrace all of the Committee's recommendations.**

Chaired by Regent Charles Pruitt (former President of the Board), the Advisory Committee worked over four months to analyze the current functions at UW System Administration, and how the roles of both UW System Administration and the UW institutions might need to evolve. Fully implementing the Advisory Committee's recommendations will take time, but we can

identify some opportunities now to implement large, strategic shifts and specific operational modifications, such as the following:

- **New Roles for Chancellors**: UW Chancellors will take on new leadership roles, including serving on the UW System President's Cabinet, working directly with Regents, and helping to shape UW System policies from the ground up.

- **New Leadership Philosophy**: In keeping with this overall shift to distributed and delegated leadership, UW System Administration is also implementing a new management philosophy focused on *interpreting, training, monitoring, advocacy,* and *consulting*. UW System Administration staff are already in the early stages of implementing this "ITMAC" model.

- **New Board Structures:** I will recommend to Regent President Michael Spector that he appoint a special committee to review alternate university board structures around the country for consideration by the University of Wisconsin System.

Along with these broad considerations, I will consult with the UW Board of Regents, the UW Chancellors, and others to move forward with immediate changes to UW System Administration in such areas as:

- **Academic Program Review:** Restructure the process of reviewing and approving new undergraduate and graduate degrees, with a goal of driving down the length of the process to no more than four months, so that UW institutions can be more responsive to the demand for new degree programs.

- **Academic Affairs Grants:** Restructure the grant-making process to be more responsive to changing UW priorities, using a simplified application process to secure strategic grants that influence measurable institutional change.

- **Academic Affairs Advisory Groups:** Decentralize working groups that can be better led and supported by individual UW institutions that have the desire and expertise to help the entire UW System address new higher education challenges.

- **Academic Affairs Initiatives:** Reduce the number of new national initiatives and projects, re-committing to the core goals of the UW System's *Growth Agenda for Wisconsin*, to produce more better-prepared graduates, to build strong communities, and to develop the local and statewide economy.

- **Operations Review and Audit:** Focus auditing resources more tightly on Board policies, fiduciary responsibilities, and compliance, while delegating to the institutions more responsibility for programmatic reviews.

- **Economic Development:** Re-invest in UW System's economic development activity, providing for a more deliberate, targeted approach that builds upon the impressive work done by UW institutions, establishing new partnerships with the Wisconsin Economic Development Corporation (WEDC), the Wisconsin Technical College System, and others to ensure that initiatives produce maximum return on investment.

- **Current and Future UW System Administration Staffing**: Review and revise, as necessary, all UW System Administration position descriptions, comparing assigned duties and performance measures with new priorities identified by the Advisory Committee.

- **Specific Delegated Authorities:** Continue working with the Regents to aggressively delegate maximum management authority to the local UW institutions in a timely, effective manner.

- **New Accountability Indicators:** Implement new accountability indicators that address educational outcomes and UW performance, as outlined in the 2011-13 biennial budget.

As we implement these and other changes, we will continue working to advance the UW System's *Growth Agenda for Wisconsin* – a vision for a more prosperous state, driven by well-prepared college graduates and job-creating research. Transforming UW System Administration along the lines laid out by the Advisory Committee will strengthen our ability to realize this bold vision.

Internally, we must communicate these changes clearly. Externally, we must mount an intensified campaign to advocate for further statutory changes that secure additional leadership flexibilities from the state. This will be part of a larger effort to advocate effectively for all UW institutions, the value of a college degree, and the UW's role in economic development.

I will ask Chancellors to report back to me by June 1, 2012, on how the new flexibilities from the state and changes at UW System Administration are affecting their local operations, where further flexibilities may be needed, and how UW System Administration might help achieve them.

The challenges of our time call upon us to be as transformative and forward-looking as were the founders of the UW System in their time. Thanks to the hard work of UW System

Administration staff and their counterparts at UW institutions who have served students and taxpayers so well over four decades, we have a university system in Wisconsin second to none. We will now outfit their wonderful legacy for the 21st century by championing the reforms described above.

Kevin P. Reilly
President, UW System

INTRODUCTION

The University of Wisconsin System is widely recognized as one of the nation's most efficient, accountable, and productive systems of higher education.

- With a **record-high 182,000 enrolled students**, UW institutions are meeting the growing demand for college. More than nine out of ten Wisconsin residents who apply for admission to a UW campus are admitted, and resident **tuition remains very low** compared to other colleges and universities.
- **Graduation rates in the UW System consistently beat the national average**, and the number of transfer students is also breaking new records – the result of a concerted effort to simplify the process of moving from one UW institution to another. Counting transfer students, the Systemwide graduation rate is even higher.
- UW system institutions **granted more than 33,000 degrees** in 2009-10, a new record, and those graduates completed their degrees faster, as a result of streamlined course requirements.
- **Each graduating UW class increases Wisconsin's annual income by about $500 million.** Out of every 100 Wisconsin residents who earn a UW degree, about 81 will remain in the state after graduation, putting their college degree to work for Wisconsin businesses.
- **UW alumni are very satisfied with their college experience.** About 92% of UW System graduates say their UW campus alma mater charged a "fair price" for their education. About 94% agree that college was worth all the time and money required, and 98% have a "favorable" impression of their alma mater.
- Scientific discoveries emerging from UW labs yield important benefits for human health, environmental sustainability, and economic growth. Led by UW-Madison, **academic research and development is a $1.1-billion industry in Wisconsin**, translating into more than 38,000 jobs.
- All Wisconsin citizens see a return on their investment in higher education. UW-Extension outreach networks make UW resources available in every community, business, and home, reaching **over a million learners every year**.

The UW System has achieved these and other performance benchmarks while keeping costs down, **spending about half of the national average on administrative overhead**. This led the National Center for Higher Education Management Systems (NCHEMS) to rank Wisconsin fourth

among states in performance of public research universities and fifth in the performance of public comprehensive universities.

With the passage of the 2011-13 biennial budget, Wisconsin ushered in a bold new era for the UW System, building upon a strong record of success. We must seize this opportunity and significant momentum to lead the nation in developing a new kind of higher education structure – one that benefits from maximum local leadership within a cohesive network of colleges, universities, and extension networks that complement each other, preserve educational opportunities, and contribute to a vibrant Wisconsin economy.

This document provides a formal response to the recommendations submitted by the **President's Advisory Committee on the Roles of the University of Wisconsin System Administration.** It links these recommendations to long-term strategic changes across the UW System and immediate budget reductions at the central UW System Administration offices.

Regent Charles Pruitt and all members of the Advisory Committee have earned my heartfelt appreciation for their hard work on this report, providing a great number of thoughtful recommendations in a very short amount of time.

While the Committee focused on the roles of UW System's central administrative offices and related functions, the suggestions they offer have far-reaching benefits that affect how the System as a whole will function.

I value this broad perspective, focused on how the UW System and its member institutions must be more innovative, nimble, and entrepreneurial. I embrace all of the Committee's recommendations, and will implement all of them. Once implemented, these ideas will help reshape Wisconsin's public universities in ways that will let us respond more nimbly to the state's current and future needs.

In keeping with the spirit of our *Wisconsin Idea Partnership*, the Advisory Committee reaffirmed the value of an integrated public system of higher education, while further underscoring the need to provide greater leadership flexibility to individual UW institutions and to the Chancellors who lead them. In short, the report underscores our call for **a unified higher education structure in which distinctive institutions can prosper.**

Translating all of these recommendations into tangible, fundamental change will be a long-term process. My initial response, outlined in this paper, identifies some of the first important steps we will take in that new direction.

SWEEPING CHANGES IN HIGHER EDUCATION

Across the United States, institutions of higher education are being reshaped by powerful forces, not the least of which are growing demands for college education and lagging financial support from state governments. Universities and colleges, both public and private, are searching out new ways to overcome these challenges, identifying creative new strategies to increase revenue, control expenses, maximize efficiency, and sustain educational quality.

Beyond these and other forces that affect individual *institutions*, public higher education *systems* face unique pressures of their own. As part of an upcoming survey of university system offices undertaken by Dennis Jones of the National Center for Higher Education Management Systems and Jane Wellman of the National Association of System Heads, these nationally respected experts assert the following:

> *"Public system offices play multiple roles: administration and governance, public advocacy, planning and oversight. Born out of what were often shotgun marriages, brokered between state and institutional constituencies, they have historically had to straddle a line between state, system and campus interests. This is increasingly challenging in the current political and financial environment.*
>
> *"The academic and educational leadership responsibilities facing public systems are also changing.* ***They are increasingly being asked to shift their focus from the management of institutions to the connection of public higher education to the needs of the state.*** *This requires much greater capacity to focus on access and attainment; efficiency and effectiveness; accountability for outcomes and for use of resources; and for contributing to public needs for economic development. Added to this is the on-going job of connecting the institutions to a variety of external constituencies, through effective communication, credibility in leadership, and personal connections to the state's economic and political leaders."*

In the University of Wisconsin System, we have begun this shift to decentralize management of the UW institutions through a series of steps delegating existing authority to the 14 UW Chancellors.

The Board of Regents and UW System Administration are undertaking a review of all Regent policies, one goal of which is to let institutional leadership make more decisions more expeditiously at the campus level. A variety of flexibilities have already been extended to Chancellors, including the ability to use certain titles and make certain appointments and pay decisions on campus without Board or System approval. These and other newly granted

flexibilities are described in the Report of the President's Advisory Committee on the roles of UW System Administration, pp. 20-21 of Attachment 1.

This process of becoming more nimble and responsive will continue, and indeed be greatly accelerated, by virtue of the UW System's success in achieving a number of long-sought freedoms from state control in the 2011-13 state budget.

2011-13 STATE BUDGET: SWEEPING CHANGES IN WISCONSIN

In its 2011-13 biennial budget, the State of Wisconsin reduced taxpayer funding for the UW System by $125 million annually ($250 million over the biennium), including a requirement for UW System Administration to cut its annual budget by $2.46 million, and eliminate 51.17 full-time equivalent staff positions from the central offices.

As the state was developing its 2011-13 biennial budget, UW leaders revived a longstanding effort to secure new administrative flexibility for all University of Wisconsin institutions, giving UW institutions greater management authority and new relief from cumbersome state laws, regulations, and procedures.

UW Regents and Chancellors, joined by elected officials, business leaders, students, alumni, and other external constituents, supported the resulting **Wisconsin Idea Partnership** – a plan to enact specific statutory changes that would help the UW System manage significant funding cuts, allocate limited resources more efficiently, and compete more effectively in the higher education arena.

The final budget, approved by the legislature and signed by the Governor, incorporated many general themes and recommended statutory changes from the Wisconsin Idea Partnership, providing UW institutions with some, but not all of the requested flexibilities sought, in six areas:

- **Budgeting** – ability to reallocate savings from one area to another, using all available financial resources to address legitimate university needs.
- **Financial Management** – authority to manage revenues and retain interest earnings.
- **Personnel Systems** – freedom to develop new personnel systems (one for UW-Madison and another for the other institutions) that reflect the unique roles of UW employees.
- **Purchasing** – authority to enter into contracts for materials, supplies, equipment, or services that relate to higher education and which agencies other than the UW System do not commonly purchase.

- **Tuition** – authority to increase resident undergraduate tuition without restriction, subject to a two-year 5.5% cap on tuition increases for these students.
- **Construction** – authority to manage building projects costing less than $500,000 that are entirely funded with gifts and grants, without approval by the State Building Commission.

As these new freedoms came into focus, it became clear that we could not simply apply new rules to an old structure. While the UW System never has been a linear, top-down organization, it has operated under state laws and regulations that provided little management leeway compared to the ways in which public universities and colleges operate elsewhere. The structure, operating procedures, and general culture of UW System Administration have evolved over decades to reflect this centralized state structure.

The Regents, Chancellors, other UW System leaders, and I recognize that deploying these new operational flexibilities to their full potential requires a new operating model, and a re-examination of relationships between UW System Administration and the individual universities, colleges, and extension networks.

PRESIDENT'S ADVISORY COMMITTEE

Before making any near-term decisions about reducing UW System Administration's operating budget, as required by the 2011-13 biennial budget, I first wanted to seek constructive advice about our effort to reshape UW System Administration – what we do, how we do it, and how it might be done differently in the future. This high-level analysis would then inform how we would accomplish our necessary budget cuts in ways that address the priorities of our governing board, our member institutions, and the people of Wisconsin.

On May 27, 2011, I announced my intention to appoint a **President's Advisory Committee on the Roles of UW System Administration.** Chaired by Regent Charles Pruitt (former President of the Board), and facilitated by former UW-Superior Chancellor and former University of Maine System chief executive Terry MacTaggart, the Advisory Committee worked over four months to analyze the current functions at UW System Administration, and how the roles of both UW System Administration and the UW institutions might need to change.

The Advisory Committee received substantial input from a variety of campus constituencies on all aspects of UW System Administration operations, and submitted a final report to me on August 16, 2011 (see Attachment 1 for the full report, including the committee membership). In that report, the Advisory Committee recommends a new model for leadership and administration throughout the UW System – one that requires a substantial delegation of

authority and responsibility to the institutions within the System. The committee identified ways to further empower UW Chancellors who would be backed by a leaner, more tightly focused central administration.

The Advisory Committee's report was then shared with Regents, Chancellors, UW System Administration staff members, and others.

As we adopt these new ideas and contemplate the best ways to manage this strategic change process, it is important to acknowledge the many important contributions made by dedicated, talented professionals employed by UW System Administration, and those who have worked in these offices over the past 40 years.

Introspection is often an uncomfortable process, but the Advisory Committee members were careful to offer very constructive suggestions about new roles and new ways of doing business, while respecting the individuals who have filled those roles in the past.

BUDGET REDUCTION PLAN: IMMEDIATE CUTS

Based on broad input from the Advisory Committee, we have developed a Budget Reduction Plan (see Attachment 2) for UW System Administration. In accordance with the provisions of Wisconsin Act 32 (the 2011-13 budget legislation), this plan does the following:

- Reorganizes UW System Administration's Academic Affairs unit, eliminating one Associate Vice President position and other staff positions, shifting more responsibility to the UW institutions for academic quality and integrity, subject to general UW System oversight.
- Integrates diversity efforts into the core aspects of institutions, consolidating four positions and reducing expenditures by the Academic Affairs office.
- Delegates greater responsibility for Human Resources leadership to institutions and eliminates positions dedicated to collective bargaining.
- Reduces staffing in Budget and Planning to recognize efficiencies inherent in the new block grant process secured under the Wisconsin Idea Partnership.
- Reduces staffing devoted to Information Technology (IT) support for UW System Administration employees by decreasing services related to legacy computer applications.
- Eliminates administrative support services positions by more effectively managing these services across multiple departments within UW System Administration.

Together, these and other changes will result in annual savings of $2,460,100, which represents 25% of UW System Administration's GPR budget.

I should note here that these savings cannot be achieved without some risk, as a leaner UW System Administration staff strives to lead and serve higher education institutions that are enrolling record numbers of students, implementing budget cuts and staffing reductions of their own, and working to make significant contributions to Wisconsin's economic growth.

Cutting such a significant share of any organization's budget dictates that it forgo some activities, using remaining resources to focus on higher priorities. In doing so, the organization must minimize the liability resulting from those reductions. I believe the strategy presented here and in the attached Budget Reduction Plan does just that.

BROAD NEW APPROACHES

The development and implementation of this annual budget reduction plan is an important first step, but our strategic response to the changing landscape must also include larger, more significant structural and cultural changes that benefit the people of Wisconsin and their UW System over a longer period of time.

NEW LEADERSHIP ROLES FOR UW CHANCELLORS

The Advisory Committee recommended that we look for ways to "further engage the Chancellors in upstream discussions of policy options well before System Administration makes recommendations for Regent approval, or System Administration implements new policies."

Likewise, all of the current UW Chancellors have expressed interest in taking more active roles in developing policy, shaping agendas, and participating directly in UW System Administration activities.

Having appointed 12 of our 14 current Chancellors, I am keenly aware of their exceptional leadership capabilities, and I am eager to tap this available talent pool in new ways. I have therefore invited all the UW Chancellors to take on significant new leadership responsibilities on a Systemwide level. These new opportunities for Chancellors include:

- Serving as full members of the UW System President's Cabinet.
- Working with our Regents and our UW System Administration staff to operationalize the new leadership flexibilities described above, helping to develop new policies and procedures.

- Developing upcoming meeting agendas, presentations, and policy discussions for the UW System Board of Regents.
- Consulting directly with Board of Regents leadership on future policy and management issues, providing additional management insights from new perspectives.
- Orienting and mentoring fellow UW Chancellors and senior UW System Administration officials.
- Developing UW System's legislative agenda and strategic communication plans.

These are only some examples of the ways that we will engage UW Chancellors more fully in meaningful dialogue about the future directions of the UW System as a whole, leveraging their considerable leadership experience and higher education expertise.

THE "ITMAC" CONCEPT

In keeping with the overall shift from a management system that is seen as centralized to one that more clearly distributes and delegates leadership, UW System Administration must find the right balance between service and oversight.

Recognizing the healthy tension between these inter-related roles, the Advisory Committee suggested a concise way to illustrate the purposeful shift to UW System's new management model designed to "empower and evaluate."

This led to the mnemonic "ITMAC," reflecting UW System Administration's core roles of *interpreting, training, monitoring, advocacy,* and *consulting.*

- **Interpret**: UW System Administration staff are responsible for interpreting Regent policies, Wisconsin statutes, agency rules, federal laws, and other pertinent regulations.
- **Train**: Working with new and continuing managers at each UW System institution, UW System Administration staff can build local capacity and aid in the application of "best practices," especially in areas of newly delegated authority.
- **Monitor**: On behalf of the Board of Regents and the people of Wisconsin, UW System Administration staff will monitor compliance with all pertinent laws, regulations, and policies, and play a key role in measuring institutions' operational performance against benchmarks and goals.

- **Advocate**: UW System staff will advocate for systemwide goals and higher education issues, based upon the unique needs of each of the colleges, universities, and extension networks in the UW System.
- **Consult**: Provide advice and counsel on a wide variety of topics, including legal, risk management, budget, legislative, personnel, and advocacy.

ITMAC serves as a practical reminder for UW System Administration managers and staff, as we work to focus on a more service-oriented, consultative role. UW System Administration staff are already in the early stages of adopting and implementing this model, which will evolve over time.

To better understand how this new philosophy would manifest itself in daily operations, here are just a few brief examples of ITMAC in practice:

- In the area of **human resources**, UW institutions will have full responsibility for classified personnel recruitment, including development of related materials and exams, with no review and approval by UW System Administration. In general, UW System Administration's role will be less intrusive and more consultative, as reflected in several actions already undertaken, in which the Board and I delegated a number of administrative flexibilities to UW Chancellors in the area of unclassified personnel.
- In **purchasing and procurement**, advocacy will become the primary goal. Procurement staff members are currently working with UW institutions to adjust procedures that incorporate higher legal thresholds for complex contractual bidding processes. Similarly, procurement experts from across the UW System are working to develop a common definition of "uniquely university related" purchases, so that all UW institutions can take full advantage of new flexibilities granted in the 2011-13 state budget.
- In **information technology**, UW System Administration staff will consult with Chancellors, Chief Business Officers, and other campus leaders to determine needs and priorities related to large IT systems that are used across all UW institutions.

BOARD STRUCTURES

Regarding the ways that citizen trustees are involved in university governance and advocacy, the Advisory Committee encouraged "a thoughtful and broad statewide conversation on the benefits and drawbacks of establishing campus-based institutional boards..."

Questions about the usefulness of such boards, how they might be constituted and appointed, as well as their authority, are indeed timely given the ever widening variety of non-state funding streams and stakeholders that support our public universities.

I will recommend to Regent President Michael Spector that he appoint a special committee of the Board of Regents to work with several Chancellors and me to review select university board structures around the country, and bring our estimation of their strengths and weaknesses to the full Board for a public discussion.

SELECTED MAJOR CHANGES

In addition to the broad cultural and organizational changes described above, and the specific cuts outlined in the Budget Reduction Plan, I will consult with the UW Board of Regents, the UW Chancellors, and others on moving forward now with some other major changes to UW System Administration.

ACADEMIC PROGRAM REVIEW

To meet the rapidly changing educational needs of a knowledge-based economy, we must reduce the time it takes to approve new academic degree programs at UW institutions.

I will recommend to the Board of Regents Education Committee that we significantly restructure the process of reviewing and approving new undergraduate and graduate degrees offered across the state, with a goal of driving down the length of the process to no more than four months. We can achieve this gain by focusing UW System Administration's role on the importance of maintaining the proper *array of degree options* across the state. In doing so, UW System Administration should curtail the review of new degree proposals for the purpose of assessing *academic quality*, leaving that in the capable hands of the UW faculty who are best equipped to assess the integrity and rigor of a degree curriculum developed in their respective disciplines.

With ample oversight by Deans, Provosts, Chancellors, and higher education accreditation agencies, UW faculty experts are in the best position to develop and implement high-quality degree offerings in ways that leverage academic strengths and respond to emerging workplace needs.

UW System Administration should focus on ensuring that necessary programs are available to serve the needs of the region and state, avoiding unnecessary and inefficient duplication across the System, while also identifying gaps that may need to be filled.

ACADEMIC AFFAIRS GRANTS

Grants made by UW System to individual academic departments and institutions can incentivize new strategic directions and fuel entrepreneurial activity. While preserving this core activity in UW System Administration's Academic Affairs unit, **I recommend that we restructure the grant-making process to be more responsive to changing priorities, establishing a simplified grant application process, and offering grants that influence measurable institutional change.**

The current grant structure operates with a large number of separate funds established to help support narrowly defined criteria. The large number of separate funds and limited financial resources result in most of the grants being awarded in relatively small amounts, less than $5,000. This structure makes it difficult for institutions, colleges, or departments to seek funding for initiatives and programs with the potential to create large-scale change at any level within the institution.

As institutions work to meet their Growth Agenda for Wisconsin goals and help their local economies grow new high-paying jobs, they must have available funds awarded on a competitive basis that allow them to develop new ideas to meet those challenges. A grant-making structure needs to provide incentives to institutions to be innovative and take reasonable risks in developing solutions to the challenges of their institution, their local region, and our state.

ACADEMIC AFFAIRS ADVISORY GROUPS

Academic Affairs supports various advisory/working groups that have been assembled over the years to address specific challenges within higher education in Wisconsin. Many of these advisory groups have matured beyond their original goals and can be fully supported by an institution.

I am asking the Senior Vice President for Academic Affairs to establish a process to review and select new campus "homes" for these advisory/working groups, where they can be adequately sustained by individual UW institutions that have the expertise and desire to take on Systemwide roles.

This approach can leverage institutions' significant strengths and resources, where appropriate campus experts are willing to provide leadership and coordination for a group's statewide activities. We have UW institutions that are anxious to establish a reputation of excellence in the disciplines or activities of a particular advisory/working group, where faculty and staff are willing to take on new leadership responsibility in that area. The transfer of these activities will

help the "home" institutions build their national reputations while fostering greater collaboration across the system.

The UW System continues its commitment to the goals and ideals of the *Growth Agenda for Wisconsin* and *Inclusive Excellence*. Reductions within UW System Administration will affect specific programs including the Institute for Race and Ethnicity, and we will see changes to the organizational structures of the Women's Studies Consortium and the Institute for Urban Education. However, UW System Administration remains committed to enhancing efforts to improve access, opportunity, and success for all Wisconsin citizens. Activities in these areas will not stop, but they should be reorganized and refocused to achieve a deeper impact for all Wisconsin citizens who are pursuing their college dreams.

Before determining which programs will be transferred to individual institutions, the Senior Vice President for Academic Affairs will submit a recommendation to the Education Committee of the Board of Regents for its review and possible action.

ACADEMIC AFFAIRS INITIATIVES

The University of Wisconsin will continue strengthening its national reputation as a leader in addressing the challenges within higher education. This is best done through commitment to UW System's *Growth Agenda for Wisconsin* goals and participation by the institutions in selected national projects that focus on those shared goals.

I am asking that we all re-commit to the goals of the *Growth Agenda*, to produce more, better-prepared graduates, to build stronger communities, and to develop the local and statewide economy, specifically jobs, through entrepreneurism and innovation.

As a System and as individual institutions, we will reduce the number of new national initiatives and projects to maintain that focus on the *Growth Agenda for Wisconsin* core goals and specific efforts that advance those goals. UW System Administration will work with Chancellors and their institutions in the selection of new Systemwide initiatives and projects and the manner in which each institution will participate.

As a System we are united by our commitment to the educational needs of the people of Wisconsin, our role in developing the economic strength of our state, and our role in strengthening the communities of Wisconsin. There are initiatives, such as our More Graduates and Inclusive Excellence initiatives, that we must work on together. These Systemwide initiatives need to show their strong relationship to our shared mission, goals, and commitments. We should also allow each institution to participate in a manner consistent with its unique institutional mission, goals, and commitments.

OPERATIONS REVIEW AND AUDIT

I propose a shift for this office, moving away from programmatic reviews conducted by UW System Administration in favor of financial and compliance audits that focus even more tightly on Board policies and priorities, as well as state and federal regulations.

There should be an emphasis at UW System Administration on financial, management, and operations audits related to the new flexibilities (block grants, human resources, etc.). Future System audits should be based on risk analysis and campus impact. In order to build this kind of audit capacity, the existing program auditor vacancy at UW System Administration will be repurposed to a financial auditor.

A reorganization in 1996 provided each UW institution with funding and position authority for at least one campus-level auditor position. These auditors provide the Chancellors objective analysis of institutional financial and operational activities, evaluating systems of control, examining financial transactions, and reviewing capital equipment inventories. Campus auditors should continue to focus on institution-level operational issues, with System Administration staff conducting reviews in cases where the Board of Regents may feel it has a special programmatic interest or significant liability. Too often, UW System Administration program reviews, conducted at a distance, yield non-campus-specific recommendations that may not justify the commitment of resources.

The UW System Administration Office of Operations Review and Audit will continue to collect information from UW institutions to ensure that an appropriate level of audit activity is occurring on each campus in six additional core areas: (1) cash handling; (2) payroll/personnel; (3) property control; (4) auxiliary operations; (5) tuition and segregated fee revenues; and (6) major information technology systems. UW System Administration staff will work directly with individual auditors at UW institutions when a possible breach of fiscal integrity is identified. I am asking the Senior Vice President for Administration and Fiscal Affairs to consult with the Board of Regents' Business, Finance, and Audit Committee on this plan and on ensuring balance among the various audit functions and levels.

ECONOMIC DEVELOPMENT

The Advisory Committee urged us to "enhance System Administration and institutional capacities to lead, coordinate, and respond to community economic development opportunities throughout the state." Indeed, through the *Growth Agenda for Wisconsin*, we have made the case that one of the UW System's central "value propositions" for the state and its people is its role as a core economic engine.

To prosper in a 21st-century knowledge economy, states need to call upon their public university systems to help generate, attract, and retain new sustainable industries with high-wage jobs. Certainly, the UW will have to play this role if the Governor is to meet his goal of creating 250,000 new jobs in Wisconsin.

The research, commercialization of new discoveries, and outreach activities of public universities increasingly play a key role in states' economic development strategies. The postsecondary preparation of a broadly educated, highly skilled 21st-century citizenry and workforce is an essential element of robust job growth and higher quality of life.

UW System's colleges, universities, and extension networks across the state offer a wide and deep variety of programs to enhance the business and economic climate of Wisconsin. These range from Small Business Development Centers, to entrepreneurial "boot camps," to support for faculty and staff who bring their intellectual property to market. These also include county economic development agents, customized contract training, high-quality undergraduate and graduate degree programs in business, and industry partnerships that focus on both research and talent development. I could go on and on. But I believe these efforts have not been organized and coordinated strategically enough, in partnership with local and state governments and with the corporate sector.

Both the recent "Be Bold Wisconsin" report and the UW System's "Research to Jobs" Task Force recommended a more targeted approach to the UW's investment in economic development. **Based on those and other recommendations, I initiated conversations with the chief executive of the Wisconsin Economic Development Corporation (WEDC), Paul Jadin, about establishing a position in UW System Administration to coordinate with this new state entity to ensure that all UW System economic development initiatives and offerings produce maximum return on investment for the future of the state. Mr. Jadin has graciously agreed to join with me in co-funding this position.**

President Dan Clancy of the Wisconsin Technical College System is also enthusiastic about working with us on this new mandate to bring the full strength of all Wisconsin's public higher education institutions to bear together with the WEDC on creating a more competitive Wisconsin.

After we reduce UW System Administration's GPR budget by 25%, I pledge, with the Regents' blessing, to reallocate some of the remaining resources to co-fund such a leadership position. Recognizing that this area of the UW System's mission is vital to the prospects of our children and grandchildren, we will help ensure that university and state partners are pushing in unison the boundaries of Wisconsin's competitive energy.

CURRENT AND FUTURE UW SYSTEM ADMINISTRATION STAFFING

Taken together, the Budget Reduction Plan (Attachment 2) and the restructuring of Academic Affairs (above) will produce significant changes in the roles and responsibilities of UW System Administration staff. This is a good start, but it does not adequately reflect the level of change needed in UW System Administration's operational roles and organizational culture.

I will direct my senior staff to undertake a thorough review of all current UW System Administration position descriptions, comparing these assigned duties and performance measures with the new priorities outlined in the Advisory Committee's report. Where individual duties or overall responsibilities no longer align with the "ITMAC" philosophy, the overall directions outlined in the Advisory Committee report, or the changes outlined in this response, those position descriptions will be revised. For Cabinet-level managers, I will undertake this review myself, and those positions will be aligned with new expectations for UW System Administration leaders.

In the future, as UW System Administration departments experience staff turnover, we will scrutinize those new vacancies and the related position descriptions again, to determine if the staffing needs have changed. This analysis will occur with all UW System Administration vacancies and searches, including top-level management positions.

SPECIFIC DELEGATED AUTHORITIES

In expressing its unanimous support for the Wisconsin Idea Partnership, the UW System Board of Regents resolved on March 10, 2011, to "delegate...new flexibilities directly to each UW institution, while ensuring transparency and appropriate levels of board oversight and public accountability."

Since that time, UW System leaders have been working diligently to translate that resolution into action. In that spirit, we will continue working with the Regents, directing UW System Administration staff to aggressively delegate maximum management authority to the UW institutions in a timely, effective manner.

This process has begun in earnest in several areas, including:

- **Block Grants:** Formerly, UW System institutions were not allowed to move state-allocated funds from one account to another. These dollars were provided in "silos," and UW leaders did not have the flexibility to prioritize available funds to address emerging needs. As requested under the Wisconsin Idea Partnership, all UW institutions now receive a "block grant" of state funds through the UW System. This provides the

new ability to use those limited resources for any appropriate university purposes, shifting savings from one area of the budget to support core academic operations. UW System Administration staff have already begun working with Chief Business Officers from each of the 15 UW System institutions to ensure that this new flexibility is implemented appropriately.

- **Personnel Systems**: New state statutes (s. 36.115) direct the UW System to develop new personnel systems that account for the distinctive roles played by university employees, including one new system that aligns with UW-Madison's unique role as the flagship research institution, and another for all other UW System employees. These must be implemented by July 1, 2013. I have already asked Interim UW-Madison Chancellor David Ward and UW-Platteville Chancellor Dennis Shields to co-chair a task force to begin this complex development process, working with fellow Chancellors and UW System Administration staff, with broad input from Regents, Provosts, Chief Business Officers, UW faculty, UW academic staff, and UW classified staff.

These are two current examples of how UW System is working to take full advantage of new flexibilities provided by the 2011-13 biennial budget, delegating maximum leadership responsibility to the individual UW institutions and their Chancellors.

NEW ACCOUNTABILITY INDICATORS

One key role of a higher education system is to collect, analyze, and report performance data from across the state in a manner that provides greater accountability to taxpayers, students, and other stakeholders. Using common benchmarks and apples-to-apples data, UW System Administration can ensure that external stakeholders have the information they need to assess the performance of individual institutions and the System as a whole.

Since 1993, the UW System has produced and distributed formal Accountability Reports designed to enhance transparency and promote continuous quality improvement. The report is presented to the Board of Regents at public meetings, delivered to the Governor and every legislative office, and posted prominently on the UW System website.

The 2011-13 biennial budget introduces new accountability indicators developed by the legislature with input from the UW System. **We will implement these new measures in partnership with the state and the UW institutions.**

Specifically, the 2011-13 biennial budget calls for two accountability reports – one compiled on behalf of the UW System, and one focused solely on the University of Wisconsin-Madison. New reports emphasize educational outcomes and institutional performance, with specific measures

to be included in each of the following broad areas: Performance, Financial Reports, Access and Affordability, Undergraduate Education, Graduate and Professional Education, Faculty, Economic Development, and Collaboration. Each of these measures will enhance and expand our "report card to the people" on the UW *Growth Agenda for Wisconsin*.

Many of the mandated measures have been reflected in our current Accountability Report format. Other new measures will be incorporated using existing resources. Where data required in the new report are not readily available, UW System's Office of Policy Analysis and Research will work with colleagues at each UW institution to explore how to address these requirements.

CONCLUSION

As these examples illustrate, UW System Administration is already shifting its focus *"from the management of institutions to the connection of public higher education to the needs of the state,"* as suggested by the National Center for Higher Education Management Systems report cited in my introduction above. In doing so, we are preserving Wisconsin's longtime commitment to academic excellence and cost efficiency, upholding the UW's reputation as one of the most effective systems of higher education in the United States.

In spite of today's financial challenges, our great institutions are well-positioned to pursue the long-term goals of our *Growth Agenda for Wisconsin* – UW System's vision for a more prosperous state, driven by well-prepared college graduates and job-creating research. Transforming UW System Administration along the lines laid out by the Advisory Committee will strengthen our ability to realize this bold vision.

Internally, we will work with the Board of Regents to review, update, and eliminate outdated policies that inhibit innovative management approaches. As the Advisory Committee recommended, we will "develop a comprehensive communication plan that calls attention not only to the changes in decision making within the System recommended by this report, but also to the changes in culture and attitude required by all members of the university community to make this new model successful."

Externally, we will employ similar communication strategies as part of an intensified long-term campaign to advocate for further statutory changes that benefit all UW institutions and secure additional leadership flexibilities from the state.

To do this, UW System will "increase...capacity to advocate for higher education in Wisconsin and for UW institutions in particular," as the Advisory Committee recommends. This will entail the development and implementation of more sophisticated communication strategies that

focus on the importance of public universities, the increasing value of a college degree, and the UW System's central role in economic growth and job creation.

I will ask Chancellors to report back to me by June 1, 2012, on how the new flexibilities from the state and changes at UW System Administration are affecting their local operations, their ability to provide more effective leadership of their institutions, and their service to their students and communities. I will also ask them to tell me where further flexibilities may be called for, and how UW System Administration might supply additional support or services in achieving them.

Taken together, the flexibilities afforded to UW institutions in the 2011-13 biennial budget, the new ways of operating recommended by the Advisory Committee, and the actions outlined in this response constitute the most significant set of changes to the University of Wisconsin System since it was created some 40 years ago, through the merger of the University of Wisconsin and the Wisconsin State Universities. The challenges of our time call upon us to be as nimble, transformative, and forward-looking as were the founders of the UW System in their time.

Thanks to the hard work of UW System Administration staff and their counterparts at UW institutions who have served students and taxpayers so well over four decades, we have a university system in Wisconsin that is second to none in the world. We will now outfit that wonderful legacy for the 21st century by championing the reforms described above.

Kevin P. Reilly
President, UW System

ATTACHMENT 1: REPORT FROM THE PRESIDENT'S ADVISORY COMMITTEE ON THE ROLES OF UW SYSTEM ADMINISTRATION

UNIVERSITY OF WISCONSIN SYSTEM

Board of Regents

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August 16, 2011

President Kevin P. Reilly
University of Wisconsin System
1720 Van Hise Hall
1220 Linden Drive
Madison WI 53706

Dear President Reilly:

On behalf of all of our members, thank you for the opportunity to serve on the President's Advisory Committee on the Roles of UW System Administration. You assembled an able, dedicated, and representative group of members who readily engaged in candid discussion of what works well in the System and what needs to be changed. It was my pleasure to serve as chair of the committee with these engaged, thoughtful, and at times, outspoken individuals. Every member of this Committee cares deeply about the University of Wisconsin System and I believe that our report reflects that shared commitment and belief.

I draw on the preamble to our recommendations in Section Five of the report for the comments that follow. I believe they capture much of the essence of our advice to you on reshaping the System to better serve the needs of the state.

> "The usefulness of this report and its recommendations rests on finding the right balance between centralization and a distributive model of authority and responsibility. It should be clear, however, we are recommending a decided shift toward the decentralized model compared with current practice. As mentioned earlier the Committee has been guided in its deliberations by attempting to answer three key questions to shape the future of UW System Administration: What does it do? How does it do it? And why does it do it?
>
> In searching for the right balance, we are convinced that certain functions of a centralized UW System, under the leadership of the Board of Regents, remain critical for Wisconsin's future and the future of higher education in our state. These include:
>
> - Advocating to political decision makers and citizens on the need for strong and continued state investment in the UW System and support for overriding higher education goals such as the Growth Agenda for Wisconsin and Inclusive Excellence;

- Ensuring effective transfer of students from one university to another and between UW System and other higher education sectors;
- Ensuring and incentivizing collaboration between institutions within the UW System;
- Ensuring accountability to the people of Wisconsin and their representatives in government by measuring progress on student retention, graduation, and access for Wisconsin residents; and
- Setting final tuition rates to ensure access for Wisconsin students to a high quality UW education. These remain important priorities for any new business model for the UW System.

The following recommendations encourage the President to lead a serious, long-term shift in the orientation and operations of the UW System from the current centralized model to one that includes much greater distribution of authority and responsibility to the UW System institutions. It also requires a major shift in the culture of UW System Administration towards one that serves the institutions in an open, transparent and collaborative manner. While the traditional business model has worked well over the years, it requires a serious and substantial change in light of the constrained resources and the importance of encouraging entrepreneurial institutional leadership to sustain institutions and develop Wisconsin's knowledge-based economy. This model also requires that institutions understand and adhere to all federal, state, and regent policies."

The committee asked me to let you know that we stand ready as a group or individuals to work with you and your staff in communicating, explaining, and implementing our recommendations.

If you have any questions about this report, I know you will feel free to contact me or any member of this committee. Thank you again for the opportunity to serve.

Sincerely,

Charles R. Pruitt
Chair, President's Advisory Committee on the Roles of UW System Administration
Member, University of Wisconsin System Board of Regents

cc: President's Advisory Committee on the Roles of UW System Administration

A New Model for Change within the University of Wisconsin System:

Report of the President's Advisory Committee on the Roles of UW System Administration

Submitted to
Kevin Reilly
University of Wisconsin System President
August 16, 2011

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Executive Summary

This report of the President's Advisory Committee on the Roles of UW System Administration recommends a new model for leadership and administration throughout the UW System. This new model embodies both change and continuity.

The change aspect requires a substantial delegation of authority, responsibility, and accountability to the UW institutions within the System; further empowers the Chancellors to lead their universities with less reliance on System Administration in academic and operational matters; results in a leaner and more focused central administration; and changes the roles of the central administration in that System Administration staff will more often act as advocates, advisors, and sources of best practice for the UW System institutions.

This new approach has been described within the Advisory Committee as the "Entrepreneurial Universities/Effective System" model. The globally competitive environment, the need to prepare more graduates to serve successfully as citizens in a democracy and professionals in a knowledge-based economy, as well as the likelihood of continued limitations in state financial support all contribute to the rationale for this new model. This new model, combining a lean statewide administration and a unified system of institutions with the flexibility to respond rapidly to the state's needs for education and research, represents a distinct competitive advantage for the state of Wisconsin.

The continuity within this proposed new model is as important as the change. In practical terms, the model presents a compass for implementing the Wisconsin Idea Partnership, a key feature of recent statewide budget discussions. The model assumes that Regents will continue to place a high priority on advancing the Growth Agenda for Wisconsin and Inclusive Excellence, albeit with more devolved responsibility and greater opportunity for innovation at the institutions. The historic roles of the Regents, the President, and System Administration—for leadership and advocacy, for ensuring compliance with state and federal law, and for some centralized services—remain as well. Perhaps most important, the commitment of the UW System to exceptionally high academic standards, to the principles of broad access and affordability, and to the progressive aspirations of the Wisconsin Idea are all sustained in this new operating model.

The Advisory Committee identifies the essential elements of the new model as leadership, accountability, decision-making, governance, and relationships and culture within UW System.

- Leadership—broadly shared and defined statewide priorities that can be delivered collaboratively.
- Accountability—focused on results, serving Regent, institution and state needs, and shared between institutions and System Administration.
- Decision-making—more distributed to Chancellors and consensus oriented.
- Governance—more transparent and greater participation.
- Relationships and Culture—valuing of distinctive missions and broadly shared decision-making.

The Advisory Committee's report includes 21 recommendations, on pages 14-16, that encourage the President to lead a serious, long-term shift in the orientation and operations of the UW System. These recommendations include the following:

Distribution of Authority, Responsibility, and Accountability

- Continue to implement and expand the Wisconsin Idea Partnership;
- Shift planning and decision-making responsibility and authority to the institutions whenever possible;
- Make changes with attention to different capacities at individual institutions;
- Change the academic program approval process to reduce preparation time for institutions;

Streamlining

- Balance UW System Administration to give greater attention to its service role;
- Shift System Administration resources toward priorities identified in this report;
- Implement a new business model for System Administration that provides leadership and service to UW institutions;
- Consolidate the multiple grant programs within Academic Affairs;
- Reduce and/or transfer System Administration's role in convening and leading constituent groups;
- Transfer responsibility of selected system-wide activities within Academic Affairs to interested institutions;
- Focus on compliance audits and programmatic reviews that are a priority for the Board of Regents;

Setting Priorities

- Encourage the Board of Regents and System Administration to limit and prioritize their initiatives and requirements;
- Emphasize the distinctive role of individual institutions in Inclusive Excellence;
- Review common IT systems to determine needs and priorities;
- Enhance capacities to lead, coordinate, and respond to community economic development opportunities;

Advocacy

- Advance the Growth Agenda for Wisconsin and related initiatives;
- Encourage a broad, deep conversation regarding institutional boards;
- Increase UW System's capacity to advocate for higher education in Wisconsin and for UW institutions;

Transparency

- Further engage the Chancellors in discussions of policy options;
- Work toward a higher level of transparency and open discussions; and
- Review the pros and cons of the pooling of resources.

The final section of the Committee's report identifies a multi-faceted approach for implementing the recommendations and ensuring this new model is effective and successful. This approach includes: Regent oversight; a review of operational policies and procedures; implementation of professional development, education, and training; and the development of a comprehensive communication plan.

Section 1: Introduction

Committee Charge

To enable the University of Wisconsin System to better respond to the changing economic and educational realities in the State of Wisconsin, President Reilly sought advice on two related goals. The first, a short-term goal to reduce System Administration's operating budget, is necessitated by the 2011-13 biennial budget which reduced System Administration's operating budget by $2.4 million. President Reilly's second, longer-term goal is to reshape the working relationship between UW System Administration and the UW System institutions.

In his letter appointing individuals to the President's Advisory Committee on the Roles of UW System Administration, President Reilly called attention to his longer-term goals in the charge letter. He challenged committee members with the following:

> *"We are at a pivotal point in the evolution of the UW System. These changes, when taken individually or in combination, are significant and require careful and strategic consideration if we are to reshape UW System Administration in a manner that preserves what is necessary and effective at System Administration, sheds what is best done elsewhere or not at all, and considers opportunities to better serve core stakeholders—the Board of Regents, UW System institutions, and the people of Wisconsin."*

President Reilly also asked the Committee to sustain the fundamental values of the Growth Agenda for Wisconsin and Inclusive Excellence in its deliberations.

New Model for Change

The new model for change proposed here envisions a System Administration that is more focused on its essential tasks and streamlined in its operations; a decision-making environment wherein greater authority, responsibility, and accountability for performance is vested in the institutions and their leaders; and UW System institutions that enjoy the flexibility to operate in a more entrepreneurial fashion both to secure alternative sources of revenue and to serve the educational needs of the people of Wisconsin.

Within the Advisory Committee, this new model has been described as "Entrepreneurial Universities/Efficient System." This new model, featuring a lean System Administration and a more nimble, market-responsive stance at the institutions, represents a distinct competitive advantage for the state of Wisconsin as it prepares more graduates to perform both as thoughtful citizens in a democracy and professionals in a knowledge-based economy.

There is continuity in the midst of this change. The perennial values of the academy, such as veneration of the liberal arts and sciences and study in the humanities, all need to be sustained even as the institutions and System Administration respond to the realities of the marketplace.

As underscored in this report, continuity must persist in the role of the Regents and System Administration. The fundamental charge to the Regents and System Administration endures—to carry out specific oversight duties, ensure compliance with state and federal law, and provide leadership in representing the needs and interests of UW institutions and the people of Wisconsin. At the same time, there will be greater sharing of the burden of these responsibilities with the institutions than in the past.

Assigning a stronger role in operations and policy making to the institutions will require changes in the mechanics of administration to be sure. These changes will also demand intentional adjustments to the current administrative culture both in System Administration and at the UW System institutions. This shift will move the organization from what has been perceived as an overly controlling role, to one where System Administration staff act more often as advocates, mentors, advisors, and sources of best practice. Simultaneously, institutional leaders will need to take even greater responsibility for the fortunes of their institutions and for compliance with Regent, state, and federal requirements. The remainder of this report recommends in greater detail how the President can lead in striking the right balance between continuity and change in implementing this new model for leadership and service to Wisconsin.

Historical Context: 2011-13 Biennial Budget and the Wisconsin Idea Partnership

The 2011-13 biennial budget process included proposals to change the structure of the UW System. In response, UW System proposed the Wisconsin Idea Partnership, which includes the following goals:

- Obtain needed administrative flexibilities for all UW institutions and use them to help institutions manage budget reductions, and to help grow Wisconsin's economy;
- Preserve the integrity, efficiency, and quality of a unified UW System; and
- Create a stronger, collaborative UW System that is better prepared to tackle the challenges of the 21st century.

The final budget bill passed by the State Legislature and signed into law by the Governor included some of the tenets of the Wisconsin Idea Partnership, including the preservation of a unified UW System that includes UW-Madison, and administrative flexibilities for all UW System institutions. The final bill also included provisions that will create additional challenges and opportunities for UW System. The bill:

- Reduces UW System's annual GPR (General Purpose Revenue) base budget by $125 million, which includes a $2.4 million annual base budget reduction for System Administration;
- Requires the Board of Regents to submit a plan to the Secretary of the Department of Administration and to the Joint Committee on Finance by September 1, 2011, specifying how it intends to allocate the funding reduction to System Administration;
- Reduces the number of GPR full-time equivalent positions authorized for System Administration by 51.17;

- Creates a Special Task Force on Restructuring and Operational Flexibilities charged with addressing six specific issues, with reports due to the Senate and Assembly standing committees on higher education and the Joint Committee on Finance not later than January 1, 2012.

However, the Advisory Committee's charge went far beyond considering the monetary reductions noted above. In responding to the President's charge, the Committee reviewed the flexibilities included in the Wisconsin Idea Partnership along with other responsibilities and policies of System Administration and the Board of Regents. The Committee's work resulted in proposals for major organizational change within the UW System, with greater emphasis on distributing authority, responsibility, and accountability to the UW System institutions.

Advisory Committee Process

The Committee asked itself three questions when discussing how to shape the future of UW System Administration: What does System Administration do? How does it do it? And why does it do it?

The President's Advisory Committee met four times between May and August, 2011, to discuss:

- Current functions and services provided by UW System Administration;
- How the roles of UW System Administration and institutions will need to change with the implementation of the Wisconsin Idea Partnership and recently provided administrative flexibilities;
- Input provided by UW System employees and constituency groups;
- Reshaping UW System Administration in such a way that serves core clients—the Board of Regents and UW System institutions—while preserving functions that are necessary, effective, and add value;
- A more streamlined organization that encourages and allows Chancellors and other leaders greater responsibility for decision making and operation of their institution; and
- Issues related to changing the culture of the UW System in a way that recognizes and supports institutional leadership.

The committee received substantial input from the UW System community on all aspects of System Administration operations. The committee appreciates this thoughtful input. Many of the ideas suggested are included in this report.

Guiding Principles for Delivering on the Wisconsin Idea Partnership

The Advisory Committee's specific charge was to develop recommendations to guide President Reilly in how to change the structure and function within UW System Administration in light of pending budget cuts. However, members acknowledge the importance of reshaping the working relationships between System Administration and the UW System institutions.

The goal of the Committee was to provide recommendations that lead to:

- a greater distribution of authority and responsibility;
- a more streamlined System Administration;
- a sharper focus on System Administration's role as service provider to institutions and its leadership role as an advocate for public higher education in Wisconsin; and
- a more nimble and responsive decision-making culture that positions the UW System and all its institutions to contribute more fully and efficiently to the needs of the State.

The Committee sought a model that enables the institutions to operate more as entrepreneurial enterprises coupled with a lean, focused, and effective System Administration. Through the process of our Committee deliberations, all of us—System administrators, university leaders and representatives, Regents, and students—came to a deeper understanding of how to work more effectively together.

The Committee's recommendations were developed with an appreciation for the importance of the following principles:

- The fundamental responsibility of the Board of Regents and all UW institutions—Universities, Colleges, Extension, and System Administration itself—to serve the people of Wisconsin through exceptionally high quality educational, research, and service programs.

- Sustaining the Regents', President's, and Chancellors' responsibility for leadership, oversight, and accountability.

- Supporting essential UW System functions and services that underpin the UW System's educational, research, and service missions.

- Delegating planning and decision-making authority to UW System institutions, unless there is a paramount need for setting broad common priorities, coordination, and consistency; devolution results in excessive cost or unnecessary duplication of effort; System Administration provides a unique service that cannot be replicated at an institution; or Regent policy directives, responsibilities, accountability, governance and leadership, or state or federal statutes or regulations require central administration of the function or service.

- Strengthening the UW System's position in the State as a highly effective force for improving the educational, economic, and cultural vitality of Wisconsin through its educational, research, and outreach programs.

- Recognizing the importance of UW System's statewide initiatives, such as the Growth Agenda for Wisconsin and Inclusive Excellence, and institutions' ability to implement initiatives.

- Recognizing and supporting the capacity of the UW System institutions for entrepreneurial growth and institution-based decision making.

- Initiating effective and efficient delivery of services which may include consortial, collaborative, and other means.

- Taking advantage of technology to reduce cost and improve effectiveness.

- Avoiding any inappropriate shifting of costs from UW System Administration to institutions within the UW System.

- Fostering the changes in culture and working relationships that support greater efficiency, transparency, and collaboration in policy and decision making within the UW System, as well as greater respect and appreciation of our interdependency.

Section 2: The Growth Agenda for Wisconsin and Inclusive Excellence

In recent years, educational and economic changes have altered the environment in which UW System operates. For example, the recovery from the recession that began in 2008 will be much slower than past economic downturns. Limitations in state support will continue for the foreseeable future. To prepare UW System institutions to produce more, highly prepared graduates in high demand fields, we must adjust the relationships between the institutions and System Administration to enable the institutions to be more fully in charge of and responsible for their own affairs. While this report argues for a new relationship between the Board of Regents, System Administration, and the UW institutions, strategic efforts such as the Growth Agenda for Wisconsin and Inclusive Excellence, need to remain overarching goals of the UW System.

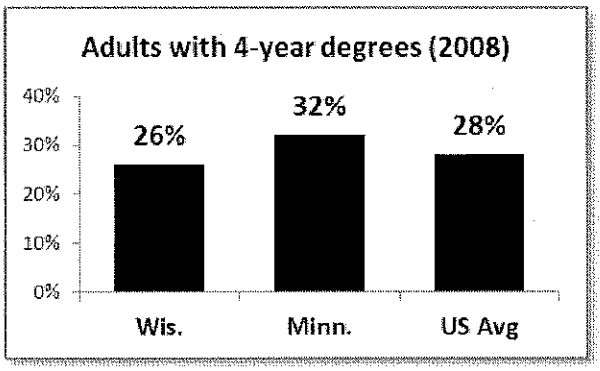
Just as procedural and cultural changes within System Administration need to be led by the President of UW System, there also needs to be transformation of procedures and attitudes at the institutions as well. It will become a major responsibility of individual Chancellors to lead their colleagues through this change process, being attentive to the mechanics of change but also the impact on faculty, staff, and students. The new realities described here represent an important part of the rationale for the Growth Agenda for Wisconsin and Inclusive Excellence.

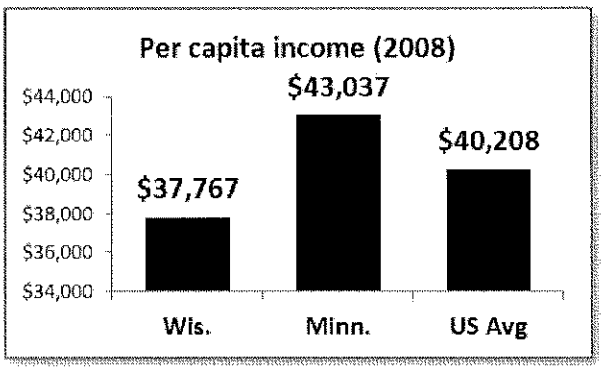
Growth Agenda for Wisconsin

In 2007, the UW System engaged in a comprehensive planning process called Advantage Wisconsin. The Growth Agenda for Wisconsin, endorsed by the Board of Regents in 2008, grew out of this planning process. This strategic framework establishes goals to increase the percentage of Wisconsin residents with a college degree, stimulate the creation of well-paying jobs, and build stronger communities.

As the data below show, Wisconsin lags behind the national average in the percentage of its citizens with a college education, and even further behind neighboring Minnesota. The economic impact of this disparity can be seen in comparisons of per capita income. In 2008,

Wisconsin's per capita income was approximately $2,500 below the national average and more than $5,000 behind neighboring Minnesota.





As the data suggest, higher education plays a key role in the emerging knowledge economy, and the UW System needs to increase the number of graduates in order to accelerate Wisconsin's economic development. The challenge is to advance the Growth Agenda and increase the number of highly prepared graduates while operating with limited state support.

State funding for the UW System has decreased in eight of the eleven most recent fiscal years. As shown below, reductions to UW System's budget since 2001-02 total nearly $450 million.

Cuts to UW System Funding 2001-02 through 2011-12	
Fiscal Year	State Funding Reductions
2001-02	($ 21,670,600)
2002-03	(28,039,400)
2003-04	(110,000,000)
2004-05	(30,000,000)
2005-06	(35,634,400)
2006-07	0
2007-08	0
2008-09	0
2009-10	(59,724,800)
2010-11	(35,000,000)
2011-12	(125,125,000)
Total	($445,194,200)

With state revenues struggling to rebound from the recent recession and increasing competition from other sectors for scarce resources, the UW System must look to reshape how it operates to meet the state's needs for more, highly prepared graduates while it continues to press for a much needed reinvestment in public higher education.

Inclusive Excellence

Inclusive Excellence is a key component of the Growth Agenda for Wisconsin. It calls for a series of efforts that will educate a wider and deeper cut of Wisconsin's population for life and work in the 21st-century global society. To succeed in the 21st century, students need certain knowledge, skills, and multicultural perspectives, including the ability to empathically put themselves in another's shoes. Inclusive Excellence is designed to help UW institutions establish a set of comprehensive, well-coordinated strategic actions that foster greater diversity, equity, inclusion, and accountability at every level of institutional life and close the achievement gap. In the future, greater responsibility for achieving the goals of Inclusive Excellence will rest with the institutions as part of the greater distribution of authority recommended in this report.

In addition to continuing activities in support of the Growth Agenda for Wisconsin and Inclusive Excellence, UW System Administration needs to recognize and support its institutions to:

- Continue to provide outstanding educational opportunities;
- Continue to seek ways to serve the people of Wisconsin through exceptionally high quality educational, research, and service programs;
- Operate within an environment of maximum flexibility; and
- Develop more entrepreneurial opportunities at the institutional level.

Section 3: Entrepreneurial Universities and an Effective System Represent Wisconsin's Competitive Advantage

As the country and Wisconsin attempt to recover from the global and national recession, there is an increasing awareness that innovation, creativity, and high tech solutions, combined with a highly skilled work force, are key factors in driving sustained, long-term job creation and economic growth. Public higher education, working in concert with the private sector and economic development entities, are important components in this equation. The UW System is a premier developer of human capital and knowledge and is regarded as one of the best systems of higher education in the country. Being a system with statewide reach, including a presence by UW-Extension in all 72 counties, provides Wisconsin with a competitive economic advantage over other states. The challenge we face is how to further develop and utilize this advantage we have as a premier system of entrepreneurial universities, colleges, and a statewide extension. This is the basis for the Growth Agenda for Wisconsin and an expanded role for UW activities directly related to economic development.

In order to meet the UW System Growth Agenda's strategic goals of contributing to the number of highly prepared college graduates, growing more well-paying jobs, and growing stronger communities, while managing in an environment of very tight state resources, the UW System needs to look internally and reshape how it operates. Specifically, the UW System needs to enable its institutions to operate with greater flexibility and responsiveness, to develop innovations that lower cost and raise new revenues, and to take advantage of opportunities for growth in the marketplace for education, research, and other university activities.

In the midst of this environment of greater independence and entrepreneurship, the UW System and its institutions must continue to emphasize social and academic values that make it worth preserving in the first place. The UW System institutions enjoy a long history of exceptional academic performance in a range of disciplines. In the humanities, arts and sciences, artistic study and performance, the universities contribute to and perpetuate the highest cultural values of our civilization. The tripartite mission of the modern university—teaching, research, and public service—are not only legacy aspects of UW System's mission but also continue as vital components of the university's work now and into the future. In specific terms, the values that we all must preserve, even as we put our shoulder to the wheel of economic development, include:

- Providing rigorous, high quality academic programs;
- Maintaining a high level of access and affordability;
- Extending diversity in enrollment, staffing, and intellectual discourse;
- Ensuring stewardship for public resources; and
- Asserting leadership in education research and policy making for Wisconsin as a whole.

Finding the Right Balance

In matters such as the statutory role of the Board of Regents or compliance with state and federal regulations, UW institutions will need to continue to meet common requirements. In other matters, by moving from a system-centric approach to an institution-centric approach, the UW institutions will be freed to better serve the needs of their key constituencies—students, their region, and the state.

In light of the new compact for flexibility for UW System institutions, some critical principles for finding this right balance include:

- The value of each institution is expressed in the distinctiveness of the institution, and its service and benefits to students and the state. Institutions will meet strategic goals through an expression of their distinct missions and cultures.
- Careful judgment is exercised by System Administration and the Board of Regents in requiring that all institutions participate in specific initiatives. Across-the-board compliance is appropriate in connection with integrity issues and state/federal regulations. Across-the-board compliance may not be appropriate for all UW institutions to advance strategic directions.
- Recognition is given that the UW System is a multi-institution system, not a multi-campus university, and each UW institution is afforded with appropriate autonomy and accountability.

UW System Administration must be redefined in a way that supports entrepreneurial universities and the higher educational needs of the state. For UW System Administration, this means an organization that is focused, streamlined, and adds value in the services it provides to the Board of Regents, UW System institutions, and the state of Wisconsin.

Advantages of a Higher Education System

This report recommends substantive change in the way the UW System operates. However, it also confirms the importance of a system to serve the state and its institutions. Since this report may be read by a large number of individuals outside of higher education, it is worth pointing out the many advantages of a central administration within a university system. Policymakers often seek "one voice" in response to regulations, laws, and requests for information. UW System Administration operates in a highly regulated environment with the Governor, Legislature, Department of Administration, the federal government, and the Board of Regents requiring information, reports, and accountability related to budgeting and expenditures, human resources, capital planning, and information technology. Another important benefit is the support of policies and initiatives of the Board of Regents, such as the Growth Agenda for Wisconsin and Inclusive Excellence, which require coordinated planning and centralized reporting and oversight. The challenge is to retain the essential features and scale economies of central administration, while at the same time moving to a more streamlined and less costly model that provides greater sharing of responsibility and authority with institutional leaders.

Distributed Authority and Responsibility

While the UW System remains highly revered and intact, the way it operates must change. The relationship between UW System Administration and the UW System institutions must move toward leadership that is more distributed and shared among institutions. The following table lists the attributes of a new orientation for UW System Administration and the UW System as a whole.

Elements of the New Model	
Leadership	• Broadly shared with UW System institutions • Shared responsibility for advocacy and communication with the System's many stakeholders • Affirming and occasionally adjusting the mission of the System and the institutions • Defining those statewide priorities that can only be delivered by the collaborative efforts of all the institutions
Accountability	• Focused on results, not process • Selective reporting; use sampling to measure compliance • Serving Regent, institution, and State needs • Accountability tailored to well-defined need • Shared accountability between institutions and System Administration • Greater participation in budget and finance policy
Decision-making	• More distributed to Chancellors • Consensus-oriented when possible • More upstream discussions precede planning and decisions

Governance	• A higher level of transparency • Emphasize institutions' roles • Greater participation overall
Relationships/Culture	• Continued valuing of distinctive missions • Increase two-way communication • Maximize voluntary collaboration • Broadly shared decision-making

It is important to emphasize that these changes will occur along a continuum and not as movements from one extreme to another.

Section 4: Essential Roles and Responsibilities

In a classic itemization of essential system functions, Bruce Johnstone, former head of the State University of New York (SUNY) System, former President of the State University College at Buffalo, and Professor at SUNY-Buffalo, one of the state's four major research universities, offers the following:

1. To determine, reaffirm, and occasionally to alter the mission of the system and of its constituent campuses.

2. To appoint, nurture, evaluate, and if necessary remove the chief executive officer (chancellor or president) of the system and of the constituent campuses or institutions.

3. To advocate to the legislature, governor, and other key opinion leaders and patrons the needs of the system.

4. To advocate to the constituent campuses the needs of the state.

5. To allocate operating and capital resources and missions to the respective constituent institutions and missions.

6. To provide liaison between the executive and legislative offices of state government and the member campuses.

7. To mediate disputes over programs and missions among constituent institutions.

8. To foster cooperation among campuses that can both cut costs and enlarge options for students.

9. To audit and otherwise assess the stewardship of resources, including the assessment of academic programs.

10. To foster consolidation of those activities that can be done more cost-effectively on a system-wide or consolidated basis.

This list from Johnstone shows why systems continue to be important in higher education. States increasingly recognize the need for leadership and the benefits of coordination between state universities and other institutions. State governors and legislatures find it beneficial to deal with one body advocating on behalf of all higher education institutions through one budget presentation. In addition, many states have found it beneficial to have a system coordinating academic programming across the state and fostering cooperation among institutions. Finally, various services can be provided more effectively and efficiently from a central office than trying to replicate this service at each university or institution.

It is important to acknowledge that within higher education systems, there is often tension between the central administration and the system institutions. It is not uncommon for system institutions to resist control by system offices. System offices serve as a buffer between state government and governing boards on the one hand and system institutions on the other. System offices need to represent the needs of the universities and other institutions, while also relaying the decisions, policies, and concerns of state government and boards back to the universities and other institutions.

Section 5: Recommendations—Striking the Right Balance

The usefulness of this report and its recommendations rests on finding the right balance between centralization and a distributive model of authority and responsibility. It should be clear, however, that we are recommending a decided shift toward the decentralized model compared with current practice. As mentioned earlier, the Committee has been guided in its deliberations by attempting to answer three key questions to shape the future of UW System Administration: What does it do? How does it do it? And why does it do it?

In searching for the right balance, we are convinced that certain functions of a centralized UW System, under the leadership of the Board of Regents, remain critical for Wisconsin's future and the future of higher education in our state. These include:

- Advocating to political decision makers and citizens on the need for strong and continued state investment in the UW System and support for overriding higher education goals such as the Growth Agenda for Wisconsin and Inclusive Excellence;
- Ensuring effective transfer of students from one university to another and between UW System and other higher education sectors;
- Ensuring and incentivizing collaboration between institutions within the UW System;
- Ensuring accountability to the people of Wisconsin and their representatives in government by measuring progress on student retention, graduation, and access for Wisconsin residents; and
- Setting final tuition rates to ensure access for Wisconsin students to a high quality UW education.

These remain important priorities for any new business model for the UW System.

The following recommendations encourage the President to lead a serious, long-term shift in the orientation and operations of the UW System from the current centralized model to one that includes much greater distribution of authority and responsibility to the UW System institutions. The new model also requires a major shift in the culture of UW System Administration towards one that serves the institutions in an open, transparent, and collaborative manner. While the traditional business model has worked well over the years, it requires a serious and substantial change in light of the constrained resources and the importance of encouraging entrepreneurial institutional leadership to sustain institutions and develop Wisconsin's knowledge-based economy. This model also requires that institutions understand and adhere to all federal, state, and regent policies.

The Committee's recommendations are organized under the following headings: Distribution of Authority, Responsibility, and Accountability; Streamlining; Setting Priorities; Advocacy; and Transparency. The recommendations are offered in no particular order and with the acknowledgement of some overlap among them.

Distribution of Authority, Responsibility, and Accountability

1. Continue to implement and expand the Wisconsin Idea Partnership with its dual emphasis on seeking greater independence from unnecessary and costly state regulations and shifting authority and responsibility from System Administration to UW System institutions.

2. Shift planning and decision-making responsibility and authority to the institutions whenever possible, unless there is a paramount need for system-wide visioning and prioritization, coordination, and consistency; devolution results in excessive cost or unnecessary duplication of effort; System Administration provides a unique service that cannot be replicated at an institution; or Regent policy, state or federal statutes, or regulations require central administration of the function or service.

3. Make changes in administration of the UW System with attention to different capacities at individual institutions for operating with various levels of System support. For example, some institutions may have the capacity to provide administrative and other services themselves, while others may require greater assistance and support.

4. Change the academic program approval process in ways that will reduce preparation time for institutions, increase flexibility in the development of the Universities and Colleges program array, shorten timelines for program approval, and reduce staffing requirements within the Office of Academic Affairs.

Streamlining

5. Balance UW System Administration priorities, staffing, and organizational units to focus on their service role to UW System institutions.

6. As System Administration moves forward with implementing the budgetary reductions required by 2011 Wisconsin Act 32, continue to evaluate staffing and programs with an eye to shifting resources toward priorities identified in this report.

7. Implement a new business model for System Administration, such as ITMAC or a similar approach, providing leadership and service to UW System institutions by emphasizing the following: **I**nterpreting, **T**raining, **M**onitoring, **A**dvocating, and **C**onsulting. Implementation of a new business model should include an emphasis on best practices for university staff especially when this information is requested by institutions and it is more efficient and effective to provide it centrally. Implementation should also emphasize a reduction in System Administration's role in day-to-day transactional activities.

8. Consolidate the multiple grant programs within Academic Affairs in an effort to reduce or streamline administrative and application processes, identify priorities for use of limited resources, increase flexibility of existing grant programs, and make larger grant awards.

9. Reduce System Administration's role in convening and leading constituent groups and consider transferring or sharing leadership responsibility with institutional staff, or eliminating constituent group meetings.

10. Transfer to a college or university responsibility for operation of selected system-wide activities within the Academic Affairs unit. Transferring responsibility for these activities will reduce administrative oversight by the Office of Academic Affairs, as well as ensure institutional ownership for a system-wide agenda and/or strategic initiatives.

11. Prioritize audits conducted by System Administration to focus on compliance audits and programmatic reviews that are a priority for the Board of Regents.

Setting Priorities

12. Encourage the Board of Regents and System Administration to limit and prioritize their initiatives and requirements to ensure that top priorities receive top attention and scarce resources are well deployed.

13. Emphasize the distinctive role of individual institutions contributing to the goals of Inclusive Excellence.

14. Review common IT systems to determine needs and priorities.

15. Enhance System Administration and institutional capacities to lead, coordinate, and respond to community and economic development opportunities throughout the state.

Advocacy

16. In advancing the Growth Agenda for Wisconsin and related initiatives, continue the attention to quality and educational effectiveness embodied in the goal of producing more highly prepared graduates.

17. Encourage a thoughtful and broad statewide conversation on the benefits and drawbacks of establishing campus-based institutional boards, recognizing that in our multi-institution system, one size does not fit all.

18. Increase UW System's capacity to advocate for higher education in Wisconsin and for UW institutions in particular. In the long-term, one of UW System's most important priorities should be to make the case to Wisconsin citizens and legislators of the critical need to reinvest in their public university system.

Transparency

19. Further engage the Chancellors in upstream discussions of policy options well before System Administration makes recommendations for Regent approval, or System Administration implements new policies.

20. Work toward a higher level of transparency and open discussions between System Administration and the UW System stakeholders regarding budgets and rationales for allocations and other financial matters.

21. Review the pros and cons of the pooling of resources, and related benefits and consequences for institutions, and ensure greater transparency in the allocation of resources.

Section 6: Next Steps—From Idea to Reality

Redefining the roles of UW System Administration in a way that supports the devolution of authority and responsibility to the institutions and further enables them to engage in entrepreneurial activities will require significant organizational changes. A multi-faceted approach should be considered to ensure this new model is effective and successful:

- **Regent Oversight**
  At least twice a year, the Board of Regents meeting agenda should include an opportunity for Chancellors, Provosts, and Chief Business Officers to share the progress, successes, and setbacks related to this initiative. Similarly, Chancellors, Provosts, Chief Business Officers, and other constituency groups should discuss the progress of this initiative at their meetings. The Regents may well consider additional ways to secure input from these groups.

Essential to implementing the recommendations of this report will be a schedule of activities and reporting requirements. Therefore, it is important that the President ask System Administration staff to develop a two-year schedule of activities along with projected milestones to record achievement and indicators of progress.

- **Operational Policies and Procedures**
  Similar to the comprehensive review of Regent Policy Documents initiated by the Board of Regents in early 2011, System Administration in consultation with Chancellors or their designees, should review, reevaluate, and change its operational policies and procedures to reflect the devolution of responsibility to UW System institutions. The institutions will also need to review and change operational policies and procedures in accordance with new responsibilities and authority.

- **Professional Development, Education, and Training**
  Institutional managers and employees will need education and training to effectively implement new administrative flexibilities related to budgeting, financial management, procurement, human resources, and capital planning. System Administration managers and employees will need education and training to effectively carryout new or changed responsibilities. System Administration leadership should consider implementing an organizational development program within System Administration to support employees and managers as they adapt to the new business model.

- **Communications**
  The System President, in concert with Regents and Chancellors, is encouraged to develop a comprehensive communication plan that calls attention not only to the changes in decision making within the System recommended by this report, but also to the changes in culture and attitude required by all members of the university community to make this new model successful. The communication plan should reach audiences within the university community and the general public, and should emphasize the new model described in this report.

Appendix 1: Members of the President's Advisory Committee on the Roles of UW System Administration

Charles Pruitt, Regent and Committee Chair
Jeff Bartell, Regent
Darrell Bazzell, Vice Chancellor for Administration, UW-Madison
Christy Brown, Vice Chancellor for Finance and Administrative Affairs, UW-Milwaukee
Andrea Cool, Academic Staff Representative, UW-Platteville
Judy Crain, Regent
Debbie Ford, Chancellor, UW-Parkside
Tom Harden, Chancellor, UW-Green Bay
Gregg Heinselman, Associate Vice Chancellor for Student Affairs, UW-River Falls
Pat Kleine, Provost, UW-Eau Claire
Beverly Kopper, Provost, UW-Whitewater
Jason Krug, Student, UW-La Crosse
Rebecca Martin, Sr. Vice President for Academic Affairs, UW System Administration
Michael Morgan, Sr. Vice President for Administration and Fiscal Affairs, UW System Administration
Mark Nook, Provost, UW-Stevens Point
Nick Sloboda, Faculty Representative, UW-Superior
Brent Smith, Regent
Jay Smith, Regent Emeritus
Tom Stafford, General Counsel, UW System Administration
Rick Wells, Chancellor, UW-Oshkosh
Steve Wildeck, Vice Chancellor for Administration, UW Colleges/Extension

Staff
Terry MacTaggart, Committee Facilitator
Bob Jokisch, Office of Academic Affairs, UW System Administration
Jess Lathrop, UW System Board of Regents Office

Appendix 2: Flexibilities Extended to UW Institutions

New Flexibilities Provided in the 2011-13 Biennial Budget

The budget provides a number of significant new administrative flexibilities for all UW System institutions. Implementation of these flexibilities over the next several months will be the focus of legislative, Board of Regent, UW System, and UW institutional leadership.

Budgeting: Two GPR appropriations are created for the UW System, including a block grant for general program operations and a debt service appropriation. The Board of Regents is directed to allocate funds to UW System institutions in the form of block grants. Separate appropriations must be maintained for UW System Administration, the State Lab of Hygiene, and the Veterinary Diagnostic Lab. All other GPR appropriations for the UW System were deleted.

Tuition: Current law's language limiting increases in resident undergraduate tuition are deleted, and the issue of future tuition flexibility will be studied by a Special Task Force to be convened by legislative leadership and the Governor. Undergraduate resident tuition increases are capped at 5.5% annually during the 2011-13 biennium. Differential tuition plans approved prior to June 1, 2011, are exempt from this limit, but no new differential tuitions may be added during this biennium.

Financial Management: A separate fund will be established that would contain all program revenues received by the UW System. Four new appropriations are created within this fund, including general program operations, self-amortizing debt service, gifts and grants, and inter-agency transfers. Interest earnings will be provided to UW System institutions based on the revenues generated and deposited in another fund. Institutions are required to use segregated student fees for the purpose for which they were generated.

Personnel Systems: The Chancellor of UW-Madison is authorized to develop a new personnel system for employees of UW-Madison, while the Board of Regents is authorized to establish a new, separate personnel system for all other UW System institutions. Both of these systems must be approved by the Joint Committee on Employment Relations (JCOER). The language retains existing employee protections for current employees, and permits current represented classified employees to continue to have collective bargaining rights similar to other state employees. Current position creation authority for GPR funds will continue.

Supplemental Pay Plans: For the 2011-13 biennium, the Board of Regents is permitted to provide supplemental pay plans for classified and unclassified staff, subject to approval by the Joint Committee on Employment Relations (JCOER). UW-Madison is also provided this same option separately. These supplemental pay plans are in addition to any pay plans approved by JCOER and must be self-funded.

Employee Benefits and Position Control: UW System employees will continue to participate in state group health insurance plans and the Wisconsin Retirement System. Although positions

created using the GPR block grant funds will continue to be determined by the Legislature, the Board of Regents will have the authority to create and abolish positions funded from all other fund sources. Quarterly position reports are still required.

Dual Employment: Compensation received by full-time employees of a UW System institution for work in addition to their normal duties at that institution or at another UW institution will no longer be limited by statute. This eliminates a $12,000 statutory cap.

Construction: UW System projects costing less than $500,000, which are entirely funded with gifts and grants, will no longer require approval by the State Building Commission. The Board is required to establish policies for competitive bidding, which must be approved by the State Building Commission and the Joint Committee on Finance. UW System institutions will not be charged the 4% fee for project management unless the UW System chooses to use Division of State Facilities' services.

Purchasing and Procurement: The Department of Administration (DOA) is required to delegate to the Board of Regents and to UW-Madison the authority to enter into contracts for materials, supplies, equipment, or services that relate to higher education and which agencies other than the UW System do not commonly purchase. The threshold that requires official sealed bids is increased from $25,000 to $50,000. The UW will continue to award contracts competitively, but the time to seek and review vendor bids will be reduced by weeks. The UW System and UW-Madison are also exempted from several other DOA purchasing requirements.

New Flexibilities Extended to Institutions by the UW System Board of Regents and System Administration Consistent with the Wisconsin Idea Partnership

Institutions are no longer required to:

- Obtain UW System Administration's approval to designate a position as limited.
- Obtain UW System Administration's approval to use Director Unspecified titles, Administrative Officer titles, or Special Assistant titles, or to create a new Dean (academic) position.
- Submit their pay plan distribution plans to UW System Administration for approval.

UW Chancellors are granted the authority to:

- Approve named professorships.
- Grant an unclassified staff member an extension of a non-medical leave of absence beyond five years.
- Approve Provost/Vice Chancellor pay plan and base adjustments within the Board of Regents approved salary range.
- Recruit, appoint, and set the salary within the Board of Regents approved salary range for new and interim Provosts/Vice Chancellors.
- Approve the faculty salary when an administrator returns to a faculty position.
- Use a modified chancellor title and assign the position to a UW System salary range.
- Approve extraordinary salary ranges for unclassified staff.
- Establish institution-specific peer institutions for market salary comparisons.

- Establish institutional guidelines for the use of the academic staff distinguished prefix.

The Chancellor of UW Colleges and Extension is granted the authority to:

- Appoint and set the salary of UW Colleges Interim Deans and the State Geologist.
- Appoint and set the salary for the UW Colleges Deans.

The Chancellor of UW-Madison is granted the authority to appoint and set salary of the Director of the State Laboratory of Hygiene, the Director of the Psychiatric Institute, and the State Cartographer.

ATTACHMENT 2: UW SYSTEM ADMINISTRATION 2011-13 BUDGET REDUCTION PLAN

University of Wisconsin – System Administration
2011-13 Budget Reduction Plan

Wisconsin Act 32, the 2011-13 Biennial Budget for the State of Wisconsin, requires the UW System Board of Regents to submit a plan to the Secretary of the Department of Administration (DOA) and to the legislature's Joint Finance Committee specifying the allocation of the funding reduction to UW System Administration. The reduction amount is $2,460,100, which is the difference between the total amounts shown in schedule 20.005(3) for appropriation 20.285 (3)(a) for fiscal years 2009-10 and 2010-11, and the amounts shown in the schedule for that appropriation for fiscal years 2011-12 and 2012-13.

Also contained in Act 32 is a provision that UW System Administration eliminate 51.17 FTE positions as part of that $2.4 million reduction. The plan is to be submitted in September for a 14-day passive review by the Joint Finance Committee.

While Wisconsin Act 32 included significant budget reductions to the UW System and to UW System Administration, it also provided many of the major management flexibilities outlined in the Wisconsin Idea Partnership. In view of these changes, University of Wisconsin System President Kevin Reilly appointed and charged a 19-member advisory committee with providing advice on the best ways to reshape the relationship between UW System Administration and the System's universities, colleges and extension networks. The President's Advisory Committee on the Roles of the University of Wisconsin System Administration was asked to provide advice on how to consider, carefully and strategically, ways to reshape UW System Administration in a manner that "preserves what is necessary and effective at System Administration, sheds what is best done elsewhere or not at all, and considers opportunities to better serve core stakeholders – the Board of Regents and UW System institutions – and the people of Wisconsin."

The Advisory Committee included four members of the Board of Regents, one former Regent, three Chancellors, two Provosts, three Chief Business Officers, a Chief Student Affairs Officer, a Faculty Representative, an Academic Staff Representative and a UW Student, as well as three representatives from UW System Administration. The meetings were facilitated by Terry MacTaggart, an experienced higher education leader and scholar who has served as the Chancellor at the Minnesota State University System, at the University of Maine System, and at UW-Superior.

After a four-month process of gathering input and information from constituency groups across the UW System, the Advisory Committee submitted a report to President Reilly containing 21 recommendations. Based on the input/suggestions emerging from these conversations, UW System Administration developed a plan, in accordance with Act 32, that addresses many of the Advisory Committee's recommendations while reducing annual funding by $2,460,100.

Based on the recommendations included in the President's Advisory Committee report to: (1) balance UW System Administration priorities, staffing, and organizational units to focus on their service role to UW System institutions; and, (2) continue to implement and expand the Wisconsin Idea Partnership with its dual emphasis on seeking greater independence from

unnecessary and costly state regulations, and shifting authority and responsibility from System Administration to UW System institutions, this plan makes the following reductions:

a) Reorganize Academic Affairs to eliminate an Associate Vice President position and others, recognizing changing priorities for service and moving to a more distributed leadership approach. This reorganization will involve streamlining the academic program review process, and strategically restructuring some institutes and consortia currently overseen by the Academic Affairs office. These changes overall will result in savings of **7.54 FTE and $953,446** ($650,550 in salaries and $302,896 in fringe benefits).
b) Delegate greater responsibility for leadership in Human Resources areas to institutions and reduce staffing in areas such as faculty and academic staff collective bargaining. These changes will result in savings of **4 FTE and $481,879** ($328,793 in salaries and $153,086 in fringe benefits).
c) Reduce staffing in Budget and Planning to recognize the efficiencies inherent in the Block Grant process. This will result in savings of **1.0 FTE and $79,305** ($54,111 in salaries and $25,194 in fringe benefits).
d) Down-size the staffing devoted to IT support for UWSA employees by decreasing services related to a legacy computer application, outsourcing support of applications until they are replaced, and taking advantage of technology changes to reconfigure data services and system development areas while refocusing efforts to support and provide web services as needed by UWSA staff. This restructuring will result in savings of **6.5 FTE and $566,654** ($386,636 in salaries and $180,018 in fringe benefits). These savings will not impact service to the UW Colleges, Universities or Extension and will occur based primarily on technology changes resulting from a change in platform and support provided for Help Desk, and a flattening of the IT organizational structure.
e) More effectively manage administrative support services across multiple departments within UW System Administration by taking advantage of new tools that provide greater independence in travel arrangements, document preparation, etc., and by seeking efficiencies that may occur through greater centralization of certain support services. Reduction of program assistant support will result in savings of **2.0 FTE and $141,609** ($96,622 in salaries and $44,987 in fringe benefits).
f) Cut executive level positions within the President's office to save **.5 FTE and $131,904** ($90,000 in salaries and $41,904 in fringe benefits).
g) Included in the reduction of 51.17 FTE positions are more than 29 long-term vacant positions that resulted from previous reductions where the funding was removed but the position authority remained in the hopes that in better times the system might be able to restore the functions if they were deemed to be a priority. Some examples of positions that were previously reduced include the only civil engineer position within UW System Administration, the Market Research unit, a director of Budget and Planning, accountant and auditor positions, and positions related to utilities management.
h) Decrease overall support for supplies and expense in UW System Administration by **$105,303.**

These changes result in overall savings of **$2,460,100**. The table below shows the distribution of the reduction by class.

2011-13 Budget Reduction by Class

Class	Amount
Salaries	$1,606,712
Fringe Benefits at 46.56%	748,085
Supplies and Expense	105,303
Total Reduction	$2,460,100

Conclusion

The University of Wisconsin System is one of the most highly regarded systems of higher education in the country. It is a key driver of economic, knowledge, and community development in Wisconsin. Distinct, individual UW Universities, Colleges, and a statewide Extension, led and served by an efficient central office, can play ever more important roles in ensuring broad access to high-quality educational opportunities, advancing cutting-edge research, and extending life-enhancing outreach programs.

The $250-million reduction this biennium to the UW System as a whole, including these reductions to the central administration, continues a trend of shrinking the capacity of the University of Wisconsin to support the needs of Wisconsin, at a time when the economic development, educational, and research opportunities that the UW System provides are most needed to create and sustain jobs in the state.

Thirty years ago, the UW received more than 12 cents of every tax dollar spent by the state. During this biennium, the UW will receive about 6 cents on each such dollar. This long-term disinvestment in higher education will need to be reversed if Wisconsin is to be a more competitive state in our 21st century knowledge economy--if our children and grandchildren are to receive the kind of education and have the kind of job opportunities they will need to prosper here.

Cutting such a significant share of any organization's budget means it has to forgo some activities and refocus on those that are top priority, while limiting as much as possible the liability resulting from the reductions. UW System Administration staff strives to lead and serve higher education institutions that are enrolling record numbers of students, and implementing budget cuts and staffing reductions of their own. The System Administration will be leaner, but is moving forward and will continue to deliver value to UW Universities, Colleges, and Extension.

With these cautionary notes in mind, UW System Administration is making an aggressive effort to re-invent itself, reshaping what it does and how it does it. This is largely a byproduct of the Wisconsin Idea Partnership and broad public support for new operational flexibilities provided to UW institutions during the 2011-13 biennial budget process. The objective is to unleash the potential of the UW System through reduced central management oversight and more

opportunities for entrepreneurial and innovative thinking and actions at each UW institution. Yet more flexibility from the state will be needed to complete this transition.

Endorsement of Response
to the President's Advisory Committee
on the Roles of UW System Administration

BOARD OF REGENTS

Resolution I.1.f.:

That the Board of Regents endorses President Reilly's response to the report of the President's Advisory Committee on the Roles of UW System Administration and expresses strong support for the policy changes and actions outlined in the response.

Approval of University of Wisconsin
System Administration 2011-13
Budget Reduction Plan

BOARD OF REGENTS

Resolution I.2.f.:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the University of Wisconsin System Administration 2011-13 Budget Reduction Plan and the President's submission of the plan to the Secretary of the Department of Administration and to the Joint Finance Committee of the Wisconsin Legislature on or before September 15, 2011.