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Madison, Wisconsin 53706

**Remarks to the Joint Committee on Finance
of the Wisconsin State Legislature
University of Wisconsin System President Ray Cross**

March 3, 2015

Good morning. I appreciate the opportunity today to share some thoughts about the Governor's proposed UW System budget.

I come before you just two weeks after the one-year anniversary of my selection as president of the UW System.

It has been a busy year and, in many ways, a very positive year.

I appeared before you last spring to address some of the changes we made and are making in our financial reporting and management procedures. We initiated strategic planning so we are getting our stakeholders to think long-term. In November, I announced a series of specific plans to redesign, re-engineer and reform the administrative and business practices of the UW System so we can better align the resources of the University with the needs of the state.

The reforms we are pursuing are the result of experiences I gained while working in Michigan, Minnesota and New York. Wherever I have worked in higher education, I have seen similar, frustrating barriers to achieving efficiency and effectiveness. Some of the questions I've encountered include:

1.) ... *"Why does it take so long to purchase supplies and equipment,... and can't we better leverage local suppliers when it will save money?"*

2.) ... *"Why does it take so long and cost so much to plan and construct buildings?"*

The lack of flexibilities creates a tremendous burden on all of us, including taxpayers.

This budget would change that.

This budget moves Wisconsin from one of the top-four most regulated states in higher education to one that is more autonomous but no less accountable to the public.

The Governor's budget gives us the tools to help us reach that future. We need to take them and continue our important reform efforts.

First, I recognize the proposed budget requires every state agency, including the UW System, to make difficult decisions about what it will look like in the future and how it will get there.

As you know, the Governor's budget includes an immediate and significant budget reduction. I will ask Chancellor Schmidt to speak to how the budget will impact his campus in a few minutes.

This proposed cut is serious. And I know from your public comments and our conversations that you agree. Thank you for your willingness to listen to our concerns.

We are partners in this challenge. We are committed to working with you to ensure we are making the right reforms and that we have the resources needed to support our students and taxpayers. I know that is a goal we all share.

Equally important, we are asking you to join us in looking to the future and are pleased that this budget proposes the creation of a UW System Authority.

I believe that combining all the flexibilities we have been requesting for years into a single proposal gives us the means to build a more stable, predictable and sustainable future UW System.

These tools will help us achieve the common-sense reforms I unveiled in November. We will move from being among the most regulated systems of higher education in the United States to being stronger and more competitive with those state systems around us. And we will be no less public.

- In the budget proposal, our autonomy does not sacrifice legislative accountability. We will remain accountable to you.
- How?:
 - Public accountability reporting: The continued delivery of a set of outcome-focused reports to the legislature.
 - Public ownership of our buildings.
 - Public employees: UW System Authority employees remain participants in WRS and ETF and will continue to receive health insurance benefits through the State.

- And, critically important, we will benefit from public revenue: A dedicated, GPR funding stream for our future. The taxpayers of Wisconsin will remain our largest stakeholder.

We will be public. And, yes, the UW System Authority will save some money.

If we can save students, taxpayers and the state money and preserve quality, why shouldn't we do it? With packaged flexibilities, we will be in a better position to reduce the cost of building projects, to improve financial management, to reward meritorious employees and to modernize purchasing processes throughout the system.

The savings from these reforms won't be instantaneous nor as significant as some might have expected. However, we must stay focused on the future and how these flexibilities will help us create a more nimble, agile, yet stable UW System.

Another major component of the proposed budget is the creation of a dedicated funding stream.

A dedicated funding stream will effectively allow the UW System Authority to better model future revenue expectations and more precisely forecast pricing into the future.

Ultimately, we will make the cost of public higher education in Wisconsin predictable and stable for families, taxpayers and decision-makers.

We will be able to forecast. Anyone will be able to look five or six years ahead and know with some level of accuracy what our tuition will be. No surprises.

Right now, our institutions are focused on the immediate, proposed budget reductions.

As I mentioned earlier, we are committed to working with you to find the appropriate, reasonable level of funding now and for the UW System of the future, and; again, we appreciate that many of you in this room have already acknowledged the need to reduce the proposed budget cut.

We know we have an obligation to help our state with the significant fiscal challenge it faces.

Later this week, I will be meeting with Chancellors and our Board of Regents to examine how the budget reductions impact each of our institutions differently.

On the other side of this change, we will be a different, more efficient, more effective system. With your help, we will keep moving forward, and we will achieve a new level of partnership with you.

In summary, I have three requests of the Joint Finance Committee:

- Approve the UW System Authority;
- Approve the dedicated and stable funding stream; and,
- Reduce this budget cut.

Now, I'd like to share the floor with UW-Eau Claire Chancellor Jim Schmidt. He will offer more about the budget-reduction challenges and the hard decisions his campus community faces.

Thank you.

