The Wisconsin Policy Research Institute

# WPRI REPORT

# Making the University of Wisconsin More Accountable Through Greater Autonomy

*by Christian Schneider*

*Research by Nathaniel Inglis Steinfeld*

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# Wisconsin Policy Research Institute

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## WPRI Mission Statement

*The Wisconsin Policy Research Institute Inc., established in 1987, is a nonpartisan, not-for-profit institute working to engage and energize Wisconsinites and others in discussions and timely action on key public policy issues critical to the state's future, its growth and prosperity. The institute's research and public education activities are directed to identify and promote public policies in Wisconsin that are fair, accountable and cost-effective.*

*Through original research and analysis and through public opinion polling, the institute's work will focus on such issue arenas as state and local government tax policy and spending and related program accountability, consequences and effectiveness. It will also focus on health care policy and service delivery; education; transportation and economic development; welfare and social services; and other issues currently or likely to significantly impact the quality of life and future of the state.*

*The institute is guided by a belief that competitive free markets, limited government, private initiative, and personal responsibility are essential to our democratic way of life.*

# Making the University of Wisconsin More Accountable Through Greater Autonomy

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## President's Notes

State government and the University of Wisconsin have long shared an uncomfortable alliance born of necessity. The Wisconsin Idea – whereby the University actively contributes to our quality of life – is a legendary concept that belies a subsurface tension between state government and the UW. The operational details that define the relationship have been a constant irritant to generations of UW administrators and state political leaders.

At issue is both money and power. Since the inception of the UW system in 1971, the UW has been on an unending drive for more money and more autonomy, both of which must be decided at the State Capitol. Like a bad marriage, neither side in this relationship has been particularly happy.

We asked WPRI Senior Fellow Christian Schneider to tell us if there might be a better way. In this report, with the aid of Nathaniel Inglis Steinfeld, a Lafollette Institute intern, Schneider argues that Wisconsin should follow the lead of Virginia and a handful of other states in setting new ground rules in the relationship. There are two central points to his argument. First, the UW should become less reliant on state tax funds and more reliant on grants, tuition and other university-generated money. This makes senses especially in light of the current outlook for the state budget.

Second, Schneider maintains that state government should greatly increase the UW's ability to manage its own affairs, to cease applying the same controls on the UW that apply to other state agencies. However, he suggests this not be done without nailing down some tangible, meaningful accountability measures.

WPRI has long produced work that suggests a change in the relationship between state government and the UW system would benefit both parties. Most recently, Michael Knetter and Gwen Eudey, in writing for WPRI's *Refocus Wisconsin* project, suggested that changes along the line recommended by Schneider would increase the UW's value to the citizens of Wisconsin.

The last redefinition of the relationship between the UW and state government occurred in 1971 when Governor Lucey merged Wisconsin's two university systems into one. Perhaps in 2011, the fortieth anniversary of that momentous change, the critical relationship between the state and the UW will be renewed.

George Lightbourn

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# Executive Summary

In late 2010, both the Wisconsin and national economies are exhibiting weakness. Despite "stimulus" efforts at both the state and federal level, economic growth remains low, while employment remains high.

As it tries to work its way out of this economic malaise, Wisconsin has a very important tool at its disposal to aid in the recovery: the world-class University of Wisconsin System. Yet it is worth asking: Is Wisconsin's state government making the best use of its crown jewel? Is the UW System properly responding to the state's economic challenges? Does state government grant it the flexibility to do so?

Ironically, just when the state needs the UW to aid in its economic recovery, it can least afford to support it with taxpayer dollars – a problem other states have attempted to rectify with forward-thinking plans agreed to by both universities and state governments.

Faced with perennial budget problems, the Virginia governor and Legislature in 2005 negotiated a deal with their state universities that aided the commonwealth's dire fiscal situation. Under the originally proposed framework, the state would reduce funding to the universities; in exchange, the universities would be given new outcome-based autonomy in their day-to-day operations.[1] The universities would be given more flexibility to set tuition, negotiate faculty contracts, and undergo capital projects, pursuant to meeting a number of accountability goals. As more goals are attained, more autonomy is granted by the state.

Such a model could translate to Wisconsin, which has traditionally had a "high state aid, low tuition" system of financing its university system. Currently, state government appropriates slightly over $1 billion per year to the University of Wisconsin System, which allows it to boast the second-lowest tuition in the Big Ten Conference.

Since the merger of the UW System in the early 1970s, the taxpayer subsidy to the state's public universities, which currently stands at over $1 billion annually, has served to insulate the UW from market forces. Despite being a large draw on the public treasury, neither the UW nor the state appear to be satisfied with the current relationship betweeen the UW and state government.

The UW complains of not receiving enough money and having to work its way through governmental red tape, while state government maintains the UW is too insulated from the real world.

Making the UW System less reliant on taxpayer funding and more reliant on other sources of revenue could make it more responsive to the Wisconsin economy. If students and their parents are more invested in paying for their own education, the UW would need to be much more responsive to their needs and the demands of employers around the state. Freeing up the university from state regulations could provide the UW with the flexibility it needs in meeting the needs of the Wisconsin economy.

A model of UW autonomy could be mutually beneficial to both state government and the UW System, as it has been in Virginia. The state would be able to make headway in getting its dire fiscal situation under control by scaling back its annual appropriation to the UW. The UW System would be able to run its operations with less state interference, free of political considerations and funding competition with other state programs.

Enacting such a system in Wisconsin would not be an easy task. There are over 100 years of friction between the state's universities and elected officials to overcome. Recent history suggests that Wisconsin politicians may be reluctant to relingquish their tight oversight of the system. But as this report demonstrates, doing so could be a boon to both the university system and the state economy.

As discussed in this report, a plan to grant the UW System greater autonomy should include a component that forces the universities to use that autonomy to respond to the state's economic needs. Other goals should include: improving graduate retention, ensuring financial aid for minority and low-income students, and measuring student achievement.

# Introduction

The decade following the robust economy of the late 1990s featured several tumultuous years for state governments. In 2001, a recession hit; then, just as state budgets were beginning to find firm footing, another recession occurred in 2008.

These economic downturns brought serious challenges. States faced large shortfalls as their revenue dropped. Faced with either raising taxes or cutting programs such as Medicaid or K-12 school aids, many governments opted to cut in other areas, including their state university systems.

According to a report by the *Chronicle of Higher Education*, aggregate state spending on public higher education in 2003-04 was reduced by $1.2 billion nationally.[2] The report notes that while in 2001 only four states made cuts to higher education, that number had increased to 27 by 2003.

One of the appeals of cutting state funding of universities is the fact that state colleges have an alternative funding source: tuition. A study by the American Association of State Colleges shows that between 1980 and 2001, tuition as a percentage of public universities' budgets increased from 13.1% to 19.7%.[3] According to the American Council on Education, states in 1980 provided 46% of the operating support for public colleges and universities. By 2005, that amount had fallen to 27%.[4] Much of these shifts occurred even before the large tuition increases brought on by state aid cuts in the 2000s.

In the mid-2000s, the University of Wisconsin System was not immune to this national phenomenon. In his 2003-05 budget, Gov. Jim Doyle, facing a $3.2 billion deficit, cut $250 million from the UW System. Much of that reduction was recouped by a tuition increase of 14.3% in 2003-04 and 13% in 2004-05, thereby shifting responsibility for funding the UW System away from the state and towards students and their parents.

Over the past decade, as has been the case nationwide, tuition has continued to play an increasingly larger role in the UW System. Between 1998 and 2009, tuition revenue has gone from 16.6% of the System budget to 20.7%. This increase occurred at the same time state general fund support decreased as a percentage of the UW budget, shrinking from 33.5% in 1998 to 25.1% in 2009.

Table 1 details tuition and state general purpose funding for the UW System over the past decade:

According to the American Council on Education, states in 1980 provided 46% of the operating support for public colleges and universities. By 2005, that amount had fallen to 27%.

## Table 1

**UW System Funding (in Thousands)**

| | GPR | Tuition |
|---|---|---|
| **1998-99** | $910.6 | $451.4 |
| **1999-00** | $961.1 | $493.7 |
| **2000-01** | $1,034.9 | $522.2 |
| **2001-02** | $1,057.3 | $570.1 |
| **2002-03** | $1,080.5 | $625.0 |
| **2003-04** | $1,002.8 | $714.1 |
| **2004-05** | $992.9 | $807.1 |
| **2005-06** | $991.4 | $860.0 |
| **2006-07** | $1,044.9 | $909.2 |
| **2007-08** | $1,128.4 | $939.5 |
| **2008-09** | $1,189.8 | $981.0 |
| **Increase** | **30.7%** | **117.3%** |

*Source: Wisconsin Legislative Fiscal Bureau*

Yet despite these tuition increases, state general fund support for the UW has remained relatively flat. While a cursory glance at state aid to the UW shows annual GPR increases, many of these increases are swallowed up by nondiscretionary levels of spending such as debt service and fuel costs.

Take, for example, the 2005-06 state budget as passed by the Wisconsin Legislature. While the GPR and tuition increases granted to the UW totaled $51.3 million, much of this increase was consumed by predetermined contractual requirements, such as faculty compensation.[5]

## Table 2

**2005-06 GPR/Tuition Budget Changes (in Millions)**

| | |
|---|---|
| Budget Change | $51.3 |
| Debt Service | -20.2 |
| Utilities | -41.8 |
| Compensation | -37.8 |
| Dedicated funds | - 5.0 |
| Self-supporting Programs | -14.9 |
| Net program funds | -68.4 |

Thus, while the UW System received a $51.3 million increase in 2005-06, that increase wasn't enough to keep up with the built-in cost of doing business for that year. Despite the state government granting an increase in funds, the System still found itself facing a $68.4 million reduction.

Of course, the UW must compete with other programs for state funding. Among others, the state is dedicated to funding health care programs, welfare programs, and public safety programs both at the state and local level. In uncertain economic times, the amount of revenue available at the state level to fund all these programs shrinks considerably, often leaving public universities on the outside looking in when competing for state dollars.

In the past decade, a growing portion of state general fund dollars is being spent on state K-12 education aids. Between 2001 and 2011, annual state aid to K-12 public schools has increased by $711.8 million per year (an increase of 15.6%), versus an annual increase of $99.9 million for the UW System (an increase of 9.7%). During this same period, UW funding as a percentage of the general fund has slipped slightly, from 8.2% to 8%.

In retrospect, cutting state aid to the UW System turned out to be less politically charged. It certainly didn't cause the ruckus that would have occurred had, for instance, school aids or Medicaid funding been cut by $250 million in a single budget.

It should be noted that the backdrop to the relationship between state government and the UW System was somewhat colorful during that period. In the early 2000s, the System was beset by public relations missteps. Among these were:

- The revelation that many UW administrators had "backup jobs," in case they were unable to continue performing the job they currently held. While the UW argued these types of agreements were common within state higher education, their case strained credulity when it was discovered that the housekeeper in the UW president's residence had a "backup job."
- A UW-Madison vice chancellor of student affairs was removed from his $191,749 per year job and given a backup job for $72,000 per year after it was alleged that he sexually harassed female employees and had an inappropriate relationship with a graduate student.
- It was discovered that university chancellors were granted a $700 per month auto stipend, even though many already privately owned their own cars.
- An investigation by one newspaper showed that the Board of Regents split up into small groups and held private conference calls, with the regent president on each call, in advance of 15 of the 19 Board of Regents meetings held between 2001 and 2003, many of which discussed salary

increases – apparently in violation of state open meetings laws.

- A UW-Whitewater dean was accused of using $50,000 in campus money for personal uses.

- It was found that several UW employees had spent time in prison for sexually assaulting young girls and stalking young boys on the Internet. A follow-up report by the Legislative Audit Bureau showed that the UW System employed 40 felons, four of whom were actually incarcerated at the time they were still employed by the UW.[6]

- UW-Whitewater hosted a speech by (subsequently fired) University of Colorado professor Ward Churchill, who had claimed that the victims of the September 11, 2001 attacks on the World Trade Center got what they deserved, referring to them as "Little Eichmanns."

- In 2006, a UW-Madison faculty member became the face of the "9-11 Truth" movement, trying to convince people that the September 11 attacks were planned by the U.S. government.

- A 2004 Legislative Audit Report intended to measure the UW's administrative staff demonstrated that the UW had misclassified 5,825 positions that were administrative in nature. Thus, instead of the 2,212 administrative jobs the UW claimed it had, the audit determined the System had more like 8,037 administrative positions – or more than 25% of its "filled positions" in 2004. The audit also criticized the UW for underreporting its administrative expenditures by $329.5 million, when administrative costs actually made up more than 15% of the total UW budget.[7]

In 2006, in the wake of these public relations embarrassments, a poll was conducted by a Madison polling firm that gauged citizens' attitudes towards the University of Wisconsin. While the majority of respondents agreed that that the UW System provided an excellent education for either themselves or their children, other answers showed deep taxpayer skepticism. For instance:

- 69% of Wisconsin residents agreed that System "campuses have more administrators than they need."

- 50% agreed that System "campuses pay their faculty too much."

- 59% agreed that System "campuses don't think they have to watch their dollars like the rest of us."

- 72% agreed that System "campuses spend too much money on things they don't need instead of concentrating on educating students."

- 74% agreed they couldn't afford to send their child to a System campus without financial aid.

- 65% agreed the System could manage itself more effectively to overcome budget cuts.[8]

This explains, in part, the political cover afforded politicians who support UW budget reductions. As long as it has existed, the UW System has had a frequently adversarial relationship with both lawmakers and many members of the public.

During this period, many legislators looking for positive press introduced legislation increasing the micromanagement of the UW System. In 2005, a legislator actually introduced a budget amendment eliminating the use of general purpose revenue for chancellors' auto stipends (apparently unaware that tuition money could be shifted over to make up for those payments, if the UW really wanted to continue the practice).

In this short period, several bills were introduced in the Legislature lashing out at what was perceived to be UW mismanagement: eliminating teaching assistants' ability to unionize, ordering the UW to come up with a plan to sell property, prohibiting the regents from increasing certain senior executive and administrator position salaries or reducing nonresident tuition levels, barring any UW employee from having a salary greater than the Wisconsin governor, and allowing the UW to fire employees for their arrest or conviction record (which is illegal for private businesses in the state).

Additionally, many of the financial cuts to the UW System were seen as retribution for their various management errors. Even when the 2001 recession ended, the Legislature's funding remained flat – and, as discussed, this means the cost-to-continue kept eating more and more of the UW's budget.

Naturally, the reduction in state aid, coupled with the increase in student tuition, caused many to accuse the Legislature of the dreaded "P" word: privatization. After all, Wisconsin had the proud tradition of the "Wisconsin Idea," in which the public university system played a substantial role in the state's governance, culture, and human capital. Many argued that to retreat from the high-aid, low-tuition model that Wisconsin employed was to tear the very fabric of the state itself.

In 2006, former UW System President Katharine Lyall co-authored a book with Kathleen Sell, warning of what they considered the pitfalls of privatization. "At those [funding] levels, we have to ask what it means to be a public institution," said Lyall, adding, "America is rapidly privatizing its public colleges and universities, whose mission used to be to serve the public good. But if private donors and corporations are providing much of a university's budget, then they will set the agenda, perhaps in ways the public likes and perhaps not. Public control is slipping away."[8]

This leaves the current predicament in which the state finds itself. Legislators want to fund the UW System at lower levels, while maintaining a stronger oversight. They want more control, but less obligation to fund the System.

On the other hand, the UW System is in serious competition with other state programs for funding, especially in a down economy. If what's past is prologue, the UW will not win this competition.

Simply put, there's no pot of gold anywhere near the end of the UW's rainbow. And the Legislature will move to tighten state government's grip on the university's operations.

This situation isn't unique to the University of Wisconsin. Yet university systems in other states have begun to adapt to the funding realities handed to them by their legislatures. In many cases, they have begun to bargain away increased state funding in exchange for more autonomy to run their systems as they see fit. Years ago, states such as Oregon, Colorado, Texas, New Jersey, and South Carolina began the process of trading funding for operational flexibility. And in many cases, the systems that are willing to strike a deal are coming out ahead.

While other states have made marginal gains in restructuring their higher educational systems, Virginia stands alone in the boldness of its ingenuity.

On April 6, 2005, the Virginia Legislature passed the final Restructured Higher Education Financial and Administrative Operations Act (Restructuring Act). The act gave increased autonomy to the state's public universities and colleges, decreased state funding (27% in the most recent budget) and reaffirmed the state's goals and objectives in higher education policy. The initiative for the act originally arose within the three most prestigious state schools, the University of Virginia (U.Va.), Virginia Polytechnic Institute and State University (Va. Tech), and the College of William and Mary (William and Mary).[9]

Virginia stands alone in the boldness of its ingenuity.

The pressure from the three institutes coincided with a severe state budget shortfall in 2003-2004, which caused legislators and the governor to postpone any changes to the university system.[11]

However, once the budget became manageable, the proposal – originally a suggestion to grant the institutes "chartered" status – was examined. The advocates of entrepreneurial management in the legislature joined with U.Va., Va. Tech, and William and Mary representatives and sought to pass the proposal. They based much of the request on an earlier restructuring of the U.Va. Medical Center, which gave the center more autonomy in capital projects, human resources, and savings investment.

Three more key stakeholders joined the process of discussing the proposal and eventually lent support: the governor; the smaller, public, higher education institutions; and the State Council for Higher Education in Virginia (SCHEV). Gov. Mark R. Warner took interest in the proposal, as his gubernatorial campaign emphasized higher education reform. He looked to improve how university personnel were handled in the state system.

Warner returned the bill to the legislature before it finally passed with suggestions on strengthening the internal management practices. The smaller institutions were lobbied by U.Va., Va. Tech, and William and Mary to provide input and participate in the discussion. They began advocating for the proposal after the concept of multiple "levels" was devised, allowing for the state to provide management assistance beyond what the big three were requesting. Finally, the administrative SCHEV sought to increase their oversight and funding functions for the state. The Restructuring Act proposal required

The differentiation between levels gives each institution the ability to position itself to best meet the goals of higher education.

oversight and coordination from an independent but strong council, such as SCHEV.

The debate over the Restructuring Act was shaped by this context of support from many different stakeholders on the broad goals. The previous budget crisis had led to fluctuations in the funding of universities.

The compromises on the details resulted in two important provisions:

- First, all the state institutions were divided into three levels of universities based on their interest in receiving and ability to handle autonomy.
- Performance measures were created specific to each university, although all the measures were required to produce benefits for the state, reaffirming that the institutions serve the *public* and the *state.*

The key elements of the Restructuring Act were the levels, performance measures, and maintenance of state oversight. As each institution achieved more of their goals, they were allowed to move up a level, gaining more and more autonomy from state government.

The levels created were as follows:

- Level I: Institution's Board of Visitors and Administration adopt a policy consistent with the goals of the Restructuring Act. This is required of all public institutions to receive any funding. Once attaining the level, there are some benefits in small purchases, local development leases, personnel, and capital outlays.
- Level II: Develop a Memorandum of Understanding with the Education Secretary (appointed by the governor) that shows a demonstrable achievement of the policy goals. Institutions in this level gain more autonomy over matters of information technology and/or human resources management, depending on the MOU and Secretary's determinations.
- Level III: The entire institution must meet AA-bond rating and show financial and administrative depth. The Board of Visitors must then produce a "covered" Management Agreement in conjuncture with the Governor (approved by Legislature) and must meet the policy goals. The school then gains the ability to internally manage capital outlays, leases, information technology, procurement, human resources, finances, and accounting. In other words, the Board (through the institution's administration) can set tuition independently, earn

interest on savings, and establish an independent personnel system. The institution must reimburse the state for "any additional costs … in providing health or other group insurance … and in undertaking any risk management."

The differentiation between levels gives each institution the ability to position itself to best meet the goals of higher education. For example, the community colleges can still rely on state support for large contracts and personnel support, thus reducing overhead costs, but quickly and efficiently make small leases to adjust to a changing market. In another example, the Level III institutions can reimburse the state but make long-term plans with their tuition and investment incomes. In addition, the Level II and III agreements require six-year reauthorization from the governor and legislature.

Under the plan, to qualify for additional autonomy and financial incentives, institutions of higher education must commit themselves formally to meeting the following state policy objectives:

- Provide access to higher education, including meeting enrollment demand
- Increase affordability, regardless of income
- Provide a broad range of academic programs
- Maintain high academic standards
- Improve student retention and progress toward timely graduation
- Develop uniform articulation agreements with community colleges
- Stimulate economic development and, for those seeking further autonomy, assume additional responsibility for economic development in distressed areas
- Where appropriate, increase externally funded research and improve technology transfer
- Work actively with K-12 to improve student achievement
- Prepare a six-year financial plan
- Meet financial and administrative management standards.

These broad goals are both a blessing and a curse. On the positive side, the goals articulate the intention of the state education system to produce economic and civic benefits to the state. This maintains the system's historic goals, which originated with Thomas Jefferson, who founded U.Va.

However, the access and affordability goals lack clear guidelines. The MOU and management agreements – written by the universities – define how each university should be judged. There is real concern that rising costs will detract from meeting the goal of higher education (in the Level III institutions) available to low- and middle-income Virginians.

# Should Wisconsin Move Toward a UW Autonomy Plan?

In 1995, a study group known as the SAVE Commission reviewed Wisconsin's long-term vision to look for ways to achieve a vision of a more vibrant, active state university system. The commission completed a report entitled "Citizen, Community, Government, Wisconsin: The 21st Century," which compiled input from over 16,000 citizens, civil servants, public officials, and government administrators.

The 13th Goal of the report focused specifically on higher education. The state was worried about decreasing quality in higher education (similar to WPRI's November 2008 public opinion poll on education, people always seem concerned about falling education standards).

Even in 2009, however, the UW flagship university was ranked 55th worldwide by the *US News and World Reports'* "World's Best Colleges and Universities" (compared to Michigan at 18 and U.Va. at 96). The rankings are based on academic peer review, employer review, student-faculty ratio, citations per faculty, proportion of international faculty, and proportion of international students, which show UW-Madison roughly competitive with the best higher education institutions.

The SAVE Commission's vision was for a first-class UW System that educates and drives the economic development for the state. The economic contribution – like the original Wisconsin Idea – is fundamental to both the UW and the state. To achieve economic growth through educated citizenry, the Commission recommended construction flexibility, budget autonomy, and enhancing UW-Milwaukee and other UW schools.

Many of these recommendations are similar to Virginia's Restructuring Act. Budget autonomy, construction and contract flexibility, and university-specific personnel control are all mentioned in the Commission report, although it stopped short of recommending complete autonomy. Among the SAVE Commission's recommendations:

- Tuition remains under the control of the Legislature;
- The state would continue to have legislative oversight over building contracts (except those built 100% with donations);
- Require faculty to meet performance measures;
- Decentralize Boards of Regents; and
- Increase flexibility, reinforce economic mission of the university.

Beyond the 13th Goal, other goals of the Commission include: creating a high-tech workforce, encouraging lifelong learners, and building a knowledge-based economy through a public-private higher education partnership. That partnership can "sell expert advice on topics such as manufacturing, service, health systems, agriculture and government." The report recommended connecting with UW alums to build Wisconsin's clientele worldwide.

The 10th Goal recommended improving adult learning centers so Wisconsin can adapt quickly to the changing economic environment. This would involve increasing local "ownership" of schools to promote responsibility and investment. The Commission suggested the state merely network and provide operational support (such as rewards) without dictating individualistic education of students. It recommends beginning "restructuring the entire education system, anchored in the parent's responsibility as first teachers and the citizen's responsibility to learn throughout life, using 'seamless' education system."

The specific aims of the report at the time were seen as idealistic. The SAVE Commission advocated that each university "be responsible for its own products and productivity within budget limits and accountable not only to its students, but to all citizens of the state." As in Virginia, the most affordable, quality education is important – and achieving that can be gained, according to the SAVE Commission, through a UW System that "is allowed to manage its own resources." The goal is to create a positive ownership and a sense of historic achievement. To achieve success, citizens of the state must "feel that university campuses are part of their legacy to the next generation, a statewide endowment that citizens can invest in."

The SAVE Commission also emphasized decentralizing the operational control. While the broad goals mentioned above are important, the Commission urges trust for local communities to take responsibility for their educational achievement through decentralized decision-making. This is especially true in urban areas, where the universities have failed their responsibility of community-building and engaging *all* Wisconsinites as equals. To do this, the Commission recommends requiring "faculty, as citizens, serving the state within the context of a public institution, to reexamine their performance and productivity and be the driving force in the university's own efforts to reinvent itself for the benefit of Wisconsin."

The specific recommendations:

- Increase system management flexibility (without giving tuition powers);
- Increase building construction flexibility while meeting system needs (buildings funded 100% by gifts would be completely autonomous);
- Delegate and manage efficiently (decentralize Boards of Regents);
- Establish UW-Milwaukee as Wisconsin's Land Grant mission-driven urban university;
- Improve inter-campus credit transfer; and,
- Document faculty performance (enforce a post-tenure review of policies and accountability).

In 2001, WPRI researchers James H. Miller and Frank Cipriani issued a report echoing the SAVE Commission's recommendations and urging charter status for the state's flagship university, the UW-Madison.

Charter colleges are publicly owned institutions managed independent of most procedural controls imposed by state bureaucracies and higher education systems. They are subject to applicable local, state, and federal laws and are required to follow standard financial accounting and reporting procedures. Their own boards of trustees govern such institutions, although their charters are granted by, and they are evaluated by, the state's coordinating board or governing agency. Charter colleges enjoy almost complete discretion in managing their administrative affairs, often including, for example, authority to contract for services, finance and oversee capital projects, set salaries and titles for non-represented employees, set tuition rates, build and hold reserves for multiple years, and establish foundations for the receipt of private gifts. In some instances, charter colleges negotiate employee contracts with bargaining units or manage under a flexible sidebar to master agreements. Thus, charter colleges are free of much state regulation.

Miller and Capriani argued the state of Wisconsin should:

"Give the university its freedom to determine its future - free of encumbering state regulation and beholden to only the goals and objectives in its newly created 'charter.' The state would continue to fund the university at some predetermined level, while UW-Madison would have the independence to raise additional funding through any increase in research funding, start more auxiliary enterprises, or license more intellectual property. UW-Madison would be responsible for generating the revenue it needs to succeed. It would also make all expenditure decisions."

"In return for a charter and its independence, UW-Madison would accept a series of targets that it must attain. The charter would, for example, state what proportion of students would graduate in four years, how many students could attend, how many students would be from minority groups, what national ranking the university would achieve, and other similar ends that the UW System would determine are necessary for UW-Madison to be given its freedom."

Citing a 2000 report by R.O. Berdahl and T.J. MacTaggart of the Pioneer Institute for Public Policy Research, Miller and Cipriani lay out the advantages of giving a university operational flexibility (or charter status). They believe a charter university can:

• Better promote academic freedom because universities can better serve their traditional role of the pursuit of truth if they are more insulated from political, ideological, and bureaucratic intrusion.

• Attract and develop more effective leaders who can prosper when they are given greater independence to achieve intended results.

• Be more responsive to consumer needs, as the university can move more quickly to develop new academic programs, price the programs appropriately, and cross service area boundaries.

• Create more distinctive institutions with greater quality to meet the more specialized needs that are developing.

Of course, with any new plan there are concerns as well. Critics of deregulation have decried the tuition increases that they believe would likely result from increased university autonomy. Tuition increases, they would argue, disproportionately hurt low-income, minority students. Furthermore, they believe giving universities more flexibility will make them less accountable, and therefore more wasteful than they are with state oversight.

While the Virginia model of deregulation is the most prominent example of a flexibility plan, very little study has been done as to the effects – mostly because many schools are just now being granted the highest level of autonomy through their system. Yet optimism among the universities remains high. University of Virginia JohnT.

Casteen III still strongly supports the plan, saying that "within this new framework, we will carry Jefferson's early vision of the university forward while preserving the character and quality that make this institution unique among its peers."

Virginia Tech continues to sing the program's praises, saying on its restructuring website:

"While the changeover to this new system is not complete — developing a new human resources system for Tech is expected to take up to two years — we sincerely believe this arrangement will result in better education for students and greater progress for the institution without changing our devotion to the commonwealth."

But what of the concerns with tuition and university management? In 2000, R.O. Berdahl and T.J. MacTaggart examined what they believed to the most salient example of a charter university in America, St. Mary's College in Maryland. In 1992, the Maryland Legislature made St. Mary's a "Public Honors College," granting the school a lump-sum budget and exemption from most normal state controls (e.g., over procurement, personnel, and some capital development processes) in exchange for an institutional agreement to cap state tax support at a mutually agreed 1992 level (plus future growth to cover inflation).[12]

The authors describe the conversion to charter status for St. Mary's thus:

The case study found that key opinion at both the campus and the state capital held that the changed status had been good for all parties, including, in particular, the notion of the public interest. St. Mary's College had been able, through its newly given procedural freedoms, to save $2.3 million on a $4.7 million construction project; to cut 25% of the costs for ordering 179 multimedia computers; and to institute a performance-based, merit personnel system, instead of having to use the rigid state Cost of Living Adjustment (COLA) system for employee remuneration.

Perhaps more important than these significant savings were other, largely unanticipated results, for example, the extent to which the power and the responsibility for self-government would bring more vitality to the college governing processes. It was easier to attract outstanding persons to serve on the Board of Trustees when the nominees were made to understand that they would be no "figureheads": the decisions that they would help make would actually shape the college and demonstrate its general accountability to the people of Maryland.

Also included in St. Mary's agreement was a plan to take much of the new tuition revenue it generated to create a new means-based financial aid plan to target low-income students.

Furthermore, as discussed, one of the primary goals of the Virginia plan was to maintain "affordability." So while more autonomy generally frees up universities to raise and spend tuition, they are also generally only granted that authority if they have an affordability plan in place. In most cases, flexibility is granted as a condition of having plans in place to maintain affordability for low-income students. In fact, many of the concerns about granting the UW System more autonomy can be addressed in the accountability guidelines the state sets forth in granting higher levels of flexibility.

What most studies of autonomy plans do not study, however, is the positive effect such plans could have on other areas of state budgets. While it is important to gauge how the university would change, it is also important to recognize how other state programs would be affected by a flexibility plan.

In some cases, state government would be able to shift funds previously directed to the university system towards other programs. For instance, in December 2009, it was reported that Wisconsin is currently running a $1 billion deficit in its Medicaid program.[13]

On the other hand, if the UW and state government could agree on a plan to either freeze or reduce funding in exchange for greater flexibility, it could allow the state to begin to balance its books in a more fiscally sound way.

# Could a Flexibility Plan Work in Wisconsin?

Early returns in Virginia give their flexibility plan rave reviews. But does that mean such a plan could work in Wisconsin?

The Virginia and Wisconsin systems share some similarities. Both Wisconsin and Virginia's public education institutions have roots in their state's early history. In Virginia, Thomas Jefferson attended the College of William and Mary and then founded the University of Virginia. U. Va. was intended to provide access to education for all citizens of the state. Comparably, the University of Wisconsin started as soon as the United States admitted the state to the Union in 1848. The original mandate to the university expanded until, in the early 20th century, the concept of the "Wisconsin Idea" formalized the university's commitment to producing educated citizens, practical research, and economic development for the state.

However, the administrative structures of the two states' higher education are quite different: Virginia's system is a collection of individual schools and includes all of the community colleges, whereas Wisconsin has a centralized administration overseeing the whole university structure, which includes four-year universities, feeder schools and county extension offices. The Virginia system has three very independent, prestigious universities, as well as several smaller institutions that are difficult to categorize (for example, University of Virginia-College at Wise is U.Va.'s campus in Wise; Virginia State University is a historically black university; and the Virginia Military Academy is a state military college).

As Table 3 shows, Virginia has a much larger system in terms of total number of students. The numeric comparison seems to show that Wisconsin has more campuses (26 plus extension offices) and has higher funding for the institutions. The other item of interest in the general comparison is the higher percent of out-of-state students in Wisconsin (likely due to the reciprocity agreement with Minnesota) and the higher percent of students of color in Virginia.

**Table 3**

| | **Virginia** | **Wisconsin** |
|---|---|---|
| Number of full time students ('07) | 284,276 | 147,954 |
| Headcount of students ('07) | 370,749 | 173,393 |
| Undergraduates ('07) | 319,455 | 148,844 |
| Graduates ('07) | 51,294 | 24,549 |
| Out-of-state students | 14.6% | 19.8% |
| Students of color | 27.4% | 9.8% |
| Degrees granted ('07) | 82,776 | 71,914 |
| Degrees to non-white | 33.5% | 14.9% |
| Flagship school budget | $2.099 billion ($0.983 billion from state)* | $2.284 billion ($0.461 billion from state) |
| Number of 4-year schools | 15 | 13 |
| Graduate-level schools | (10)** | (2) |
| Number of 2-year schools | 1 | 13 |

* *This is the general and non-general funds appropriated by the Virginia Legislature to U.Va. for 2007 operating budget. However, U.Va.'s budget (including the Medical Center, which is appropriated another $0.98 billion non-general funds) shows the state funds only 9% of its $2.099 billion operating expenditures for the year.*

** *Includes all universitites that give master's degrees.*

## Table 4

| | Virginia | Wisconsin |
|---|---|---|
| Total population* | 7,636,644 | 5,571,593 |
| Non-white | 29.2% | 12.5% |
| Non-English speaking | 13.0% | 8.1% |
| Median household income | $58,378 | $50,309 |
| Families in poverty | 7.1% | 7.1% |
| High school education | 85.3% | 88.5% |
| Bachelor's or higher | 32.9% | 25.1% |

**Information from U.S. Census Bureau Fact Sheets, 2007 data in 2007 dollars.*

Perhaps the largest obstacle to implementing a flexibility plan in Wisconsin is managing the way in which the system is governed. As noted, the Virginia system is decentralized; each school has its own board of directors, and each campus functions virtually on its own.

By contrast, Wisconsin has a number of governing bodies that overlap each other. The UW System has a centralized office, home of the system president, that oversees all 26 of its campuses. The system is also governed by the UW Board of Regents, primarily appointed by the governor. Each institution has its own chancellor, who is responsible for managing his or her own campus. Finally, each campus adheres to a system of "shared governance," by which faculty, academic staff, and students all take a stake in their own self-governance.

It is clear that getting all these governing bodies to agree on anything is like getting cats in the bathtub. But WPRI researchers Miller and Cipriani, in 2001, and Fletemeyer, in 2007, argue that granting charter status to universities has the effect of changing the culture on campus. Under the current system, where campuses are highly dependent on state aid, there is no incentive for governing groups to work together – they are content to fight for control over increasingly scarce state funding. Yet under a flexibility plan, those campuses would need to generate much of their own revenue, which could have the effect of forcing a market-driven discipline on the various interested parties.

As a 2007 article in the *Wall Street Journal* put it (as reprinted by Fletemeyer):

"Should you create more autonomy for the individual parts of a company in order to create more initiative, more motivation, more accountability and, ultimately, more individual performance, or centralize activity into common functions. . .

A company to some extent is only as good as its individual parts. But the individual parts can be good or bad depending on what they are gaining from being part of the whole."[14]

Thus, any program implementing flexibility would need to push governance further down the chain to the individual campuses. Each campus would have to sink or swim based on whether it can move more quickly to address the marketplace and whether it can adequately innovate to attract students.

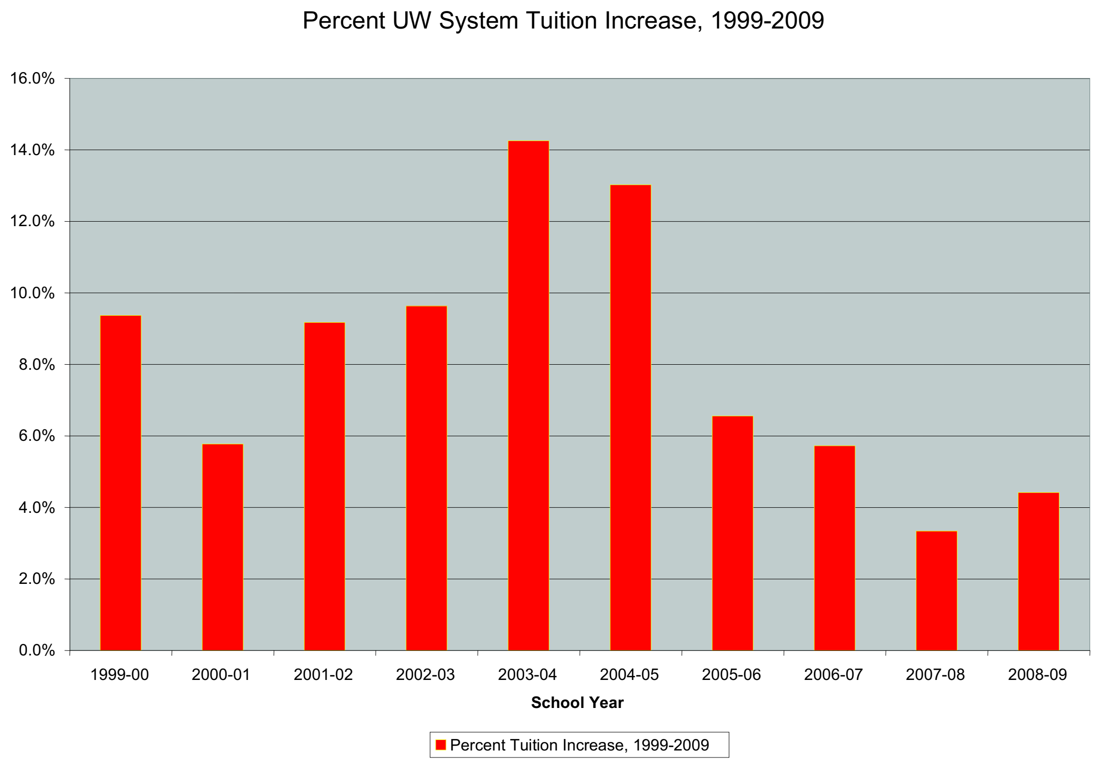
Assuming all the stakeholders in the system accept a flexibility plan, there are still large issues as to whether a university autonomy plan could work. Specifically, there are three main areas in which the system would gain autonomy: tuition authority, building autonomy, and staff contracts.

# Tuition Authority

Under current law, UW tuition is set by the Board of Regents. In practice, however, tuition is set by the Wisconsin Legislature during budget deliberations. In the budget, the governor and the Legislature determine how much funding will be appropriated to the UW. Thus, through the appropriation process the spending of tuition revenue is capped. This cap effectively determines tuition levels.

This was most evident in the 2003-05 budget, when Gov. Doyle proposed reducing state funding to the UW by $125 million for two consecutive years. Consequently, tuition increased by 14.3% in the first year of that biennium, and 13% in the second year. This allowed the UW more spending capacity to offset most of the cut to state funding. Over the past decade, tuition has increased by an average of 8.1% per year (see Chart 1).

## Chart 1



During this period, annual tuition at the UW-Madison more than doubled, from $3,001 in 1998-99 to $6,678 in 2008-09.

Yet despite these increases, tuition in the UW System remains low when compared to other Midwestern university systems. For the 2008-09 academic year, tuition at the UW-Madison remained the second lowest among Big Ten universities; only the University of Iowa had lower resident tuition:

## Table 5

**Annual Tuition at Midwestern Public Big Ten Universities (Including Segregated Fees)**

| | |
|---|---|
| Illinois | $12,240 |
| Michigan | $11,745 |
| Michigan State | $10,740 |
| Minnesota | $10,273 |
| Ohio State | $ 8,679 |
| Indiana | $ 8,231 |
| Purdue | $ 7,750 |
| UW-Madison | $ 7,564 |
| Iowa | $ 6,544 |

This is primarily the result of the current Wisconsin system, whereby state taxpayers provide generous subsidies in order to keep the tuition cost to students and parents down. However, as other state programs begin to demand more taxpayer funding, this system is proving to be unsustainable.

It seems appropriate to mention here that a high-subsidy, low-tuition system such as the UW's often subsidizes students who would have the ability to pay more if necessary. A 2006 study by UW researchers estimated the median income of UW-Madison students' families to be $75,086 per year – meaning half the students at the UW-Madison had family incomes north of that figure.[15] The current system subsidizes each student equally – if a student's family makes $1 million per year, taxpayers pay for that student's education just as much as for a student whose family makes $30,000 per year.

Allowing tuition flexibility for the UW System would shift the equation significantly. Presumably, tuition would increase to a level that the market could bear. Much of that new revenue could be used to subsidize tuition for lower-income students. (As discussed, this is exactly what happened at St. Mary's University in Maryland.) In order to make sure this happens, the Legislature could mandate affordability as one of the goals UW campuses have to meet in order to gain further flexibility (more on this later).

Furthermore, increased tuition has not been universally resisted by students. In early 2009, new UW-Madison Chancellor Biddy Martin won approval for a plan to increase tuition by $1,000 over the next four years. In December 2009, the Associated Students of Madison testified to the UW regents that the plan was, in fact, working well. They lauded the tuition increase plan, saying the $250 increase was paying for additional faculty to teach in-demand courses in subjects ranging from chemistry to political science.

The group testified that the money would also improve academic advising by creating an electronic database to store meeting notes, expand services for struggling chemistry and physics students and create an international internship program.[16]

This highlights one of the primary benefits of shifting the university to a more market-based system and away from a system that emphasizes state aid. When students and their parents are footing the bill, the university will have to be more cognizant of their needs, and will need to move with more alacrity to address them. Otherwise, students may simply take their dollars and talents elsewhere. Under the current system, in which taxpayers subsidize students' education, the UW System has less incentive to cater to their needs, as a large chunk of their money comes automatically.

As an agency of the state of Wisconsin, the UW System capital building process is governed by state statutes, which stipulate that all university projects be managed by the state Department of Administration. According to the statutes, the Department of Administration will hire architectural and engineering consultants for services related to state facilities and the Department of Administration's Division of State Facilities is responsible for the supervision and management of all state projects.

Once a project is enumerated, it must pass through the State Building Commission, which has oversight over most state building projects.

The UW System has taken action over the past year to try to gain more flexibility in the area of building projects. For instance, many of the laws pertaining to university capital projects were written in the 1970s, such as the requirement that all projects over $150,000 be approved by the Building Commission, and projects over $500,000 must be approved by the full Legislature. In March 2009, the Board of Regents passed a request that these low thresholds be increased, allowing smaller projects to get off the ground more quickly, saving money and time.

In a document presented to the regents, the UW amplified:

*The current statutory thresholds are out of date and cause unnecessary delays in the design, bidding, and construction process. Each month of delay causes unnecessary inflationary spending that can be avoided by moving the project into construction earlier. For example, a $3,000,000 non-state-funded project that requires enumeration may add one to two years to the project, costing up to $300,000 in inflation alone.*

*Agencies are increasingly using gifts, grants and program revenue funding to construct and rehabilitate facilities. The State's enumeration process is lengthy, impacting all projects over $500,000 and adding up to three years to the process. State agencies should have the flexibility to request State Building Commission approval any time adequate gift/grant or other non-GPR cash funding becomes available.*[17]

Additionally, the UW requested allowing more single construction bids, rather than having to bid the components of the projects separately. A simplified bidding process would prevent the UW from handing out multiple contracts (often up to four) for a single project, which would get projects moving more quickly, and again, they argue, save money.

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However, even these small changes were unacceptable to the Legislature, which removed these items from the 2009-11 budget bill, citing them as "non-fiscal policy items." One factor driving the legislative reluctance is that governmental bodies are generally loath to relinquish authority.

The UW System is treated like all state agencies, even though many of the university's building projects are funded almost entirely by the university itself through user fees. Dormitories are the best example of these types of projects – the university is granted bonding authority, and the debt service is paid back by the fees students pay to live in the dorms. There is little compelling reason for the state to be involved in these types of projects, other than the fact that the university is legally tied to the state of Wisconsin.

As can be seen in Table 6, only 26.4% of the university's 2009-11 capital budget uses general fund-supported bonds:

## Table 6

**Funding Sources for the University of Wisconsin 2009-11 Enumerated Capital Projects**

| | |
|---|---|
| **General Purpose Revenue** | $245,632,000 |
| **Program Revenue** | $494,014,100 |
| **Existing** | $3,205,000 |
| **Agency** | $9,063,000 |
| **Gifts** | $179,117,500 |
| **Total** | $931,031,600 |

*Source: Legislative Fiscal Bureau*

Just as granting more tuition authority to the UW System could allow it to be more responsive to the needs of its students, allowing the system more authority over building projects could also allow the universities to address student needs. Rather than ensnaring approval of new dorms and dining halls in political battles, these projects may be better dealt with by university administration.

Under current law, the UW System is a creature of state statute. If the UW moved toward charter status, it could cease to be an arm of state government; instead, it would be a partner with the state of Wisconsin.

Consequently, charter status would change the way the university deals with its faculty, who would cease to be state employees. For example, in the University of Michigan system, which enjoys significant autonomy from state government, employees are university employees, not state employees, as they are in Wisconsin.

Yet despite their status as state employees, nonrepresented university faculty and administrative staff salaries aren't directly set by the state. Instead, the state controls the university "pay plan" funds, which it releases to the universities pursuant to a request by the Board of Regents. (Occasionally, the Legislature will add additional funds for "faculty retention" or "recruitment.")

Often, the state will authorize smaller state pay increases, but allow the university system flexibility to pay more out of its own funds (generally tuition). In four of the five years between 2003 and 2008, faculty salary increases at the UW-Madison were greater than the pay plan increase granted by the state (see Table 7). It is then up to the campuses to set their employee salaries based on the amount given them by the state.

**Table 7**

**UW-Madison Faculty Pay Increases vs. Pay Plan**

| | Actual Faculty Increase | Pay Plan Increase |
|---|---|---|
| **2003-04** | 1.4% | 0.0% |
| **2004-05** | 2.6% | 1.1% |
| **2005-06** | 3.6% | 2.0% |
| **2006-07** | 3.9% | 4.3% |
| **2007-08** | 3.0% | 2.0% |

A university autonomy plan would alter this arrangement. Rather than having state elected officials determine pay increases, the university system would be on its own to deal with its employees. University employees would no longer be state employees – they would be University of Wisconsin employees. (This wouldn't necessarily mean they would be cast out of the state retirement and health benefit plans – they could conceivably take part in those programs, much as local teachers and government employees do.)

An autonomy plan would shift the funding focus away from the political considerations of the Legislature and into the hands of the Board of Regents, who would be able to decide how to manage their own workforce. Just as charter status would move tuition to a market-based system, so too would it move salaries to be set on the basis of market conditions. Furthermore, it would be the regents who determine how much funding would need to be raised in order to maintain the quality of its workforce.

# What Should an Autonomy Plan in Wisconsin Look Like?

While expanded autonomy for the UW System could aid the system and provide more fiscal flexibility for the state, that autonomy would have to be linked to accountability.

As discussed, the Virginia plan granted state universities more autonomy as they met defined goals. In essence, Virginia state government was providing more autonomy for the universities in return for more accountability. Yet many of the Virginia accountability measures were not only vague, they were set by the universities themselves. For instance, some of the goals to be met were "access," "affordability," "high academic standards," and "campus safety."

A plan for Wisconsin should be more rigorous, and provide more concrete accountability measures set by the Legislature. These accountability thresholds should not be so restrictive as to offset the autonomy granted to the universities, but should implement quantifiable benchmarks for the university to reach before more freedom is granted.

Some suggestions:

***In-Demand Degrees***

The job marketplace in Wisconsin is in constant flux. It needs a university system that can pivot quickly and provide the types of graduates required to keep the state's economy on solid footing.

For instance, Wisconsin seems to regularly experience a nursing shortage. Manufacturing jobs are disappearing, while positions in biotechnology and the service and technology industries are increasing. The UW System should be able to change more quickly to address trends in the marketplace in order to benefit the state economy. The governor and Legislature could require, as a condition of autonomy, that the university system meet a standard by graduating a certain number of in-demand professionals per year.

***Student Retention***

One of Wisconsin's most pressing educational issues is "brain drain" – the propensity of college graduates to leave Wisconsin.

In 2007, WPRI researchers George Lightbourn and Sammis White authored a study with recommendations on how to turn Milwaukee's economy around. They demonstrated that Milwaukee has an undersupply of college-educated workers, due in large part to the region's inability to attract its share of graduates from the UW System.

Lightbourn and White suggest not only increasing the number of graduates the UW System produces each year, but also motivating the UW to get more involved in keeping those graduates here in Wisconsin.

For instance, they suggest:[18]

• Linking businesses in the Milwaukee area with UW-Madison and Milwaukee graduates through expanded use of internships, scholarships, and active recruitment.

• Increasing the number of foreign-born, college-educated workers, who are much more likely to stay in Wisconsin, rather than returning to their native country.

• Taking steps to attract "boomerang" students, who may have left after college, but who are now looking for a place to settle down and raise their families.

These are all measurable actions the UW System can take to aid the state's economy, and should be a part of any accountability measures the state expects of the university in exchange for expanded autonomy.

***Minority and Low-Income Students***

Even without accountability measures in place, the university system runs myriad programs to encourage low-income and minority students to attend its campuses. There's no reason to believe these programs wouldn't continue if the UW System were granted more operational flexibility.

Yet if the UW were granted autonomy in setting tuition, it could very well have the effect of limiting access to lower-income and minority students. Thus, it is important that with rising tuition, the university also has a responsibility to direct a portion of that new revenue back to ensuring slots for those at the lower end of the economic spectrum.

As previously discussed, this is what happened at St. Mary's College in Maryland – increased tuition was used to subsidize students that needed it the most. An accountability plan for the UW should mandate the same type of framework.

***Student Achievement***

Testing college students' knowledge seems to be a fool's errand. After all, how do you measure what a third-year art student has learned in college versus a fourth-year economics student?

Yet some groups are actually working on various indices to measure how much college students learn while they are in school. Led by the American Council on Education (chaired by former UW-Madison Chancellor David Ward), projects such as the Assessment of Higher Education Learning Outcomes (AHELO), the Council for Higher Education Accreditation (CHEA) Initiative, the National Institute for Learning Outcomes Assessment (NILOA), and the New Leadership Alliance for Student Learning and Accountability all seek to measure whether college students are actually learning at our universities. According to the American Council on Education, these projects "define, measure, or report on the outcomes of higher education."

For instance, the stated goal of the AHELO project is as follows:

*"The object of the study is to determine whether an international assessment is scientifically and practically possible. The assessment will be done at an institutional level. It is expected that the assessment will be based on a written test of the competences of students who are almost at the end of a bachelor's degree program.*

*"The AHELO feasibility study will consist of four strands: generic skills; discipline-specific strands in engineering and economics; and a value-added strand."*

If there were an accepted way to measure whether university students were learning, it could make sense to tie the UW System's autonomy to how effective it actually taught undergraduates. This would be the ultimate in university accountability – granting more responsibility as performance improved. While a commonly accepted test is still in development, it could make sense to assess UW-Madison students to see if the school truly lived up to its world-class reputation.

These are all substantive, measurable accountability guidelines the governor and Legislature could require of the UW system in exchange for greater operational flexibility. Students and parents would need these assurances to know that while the university is no longer an arm of state government, it still has a basic level of accountability to the state's citizens.

# How Does It Pass in Wisconsin?

With so much mistrust of the UW System in the Wisconsin Legislature, how does a vast restructuring program make it through a sharply divided Senate and Assembly?

Much of the answer can be found in Virginia, where a group known as the Virginia Business Higher Education Council formed in order to lobby the Legislature on the universities' behalf.

## History - Virginia Business Higher Education Council

Virginia Business Higher Education Council executive director Donald Finley considers the formation of the council as a means to fill the vacuum of leadership in Virginia's higher education.[19] In the early 1990s, the State Council of Higher Education of Virginia (SCHEV) oversaw the universities and community colleges, reviewing their Board of Visitors' budget requests and capital programs and passing on those numbers to the legislature. The oversight function fell into disarray and lost credibility, according to Mr. Finley, during the mid-'90s, leaving the legislature and governor without a clear means of reviewing the total higher education program.

In 1993 the leading universities approached business leaders to create a joint council aimed at promoting higher education. The business leaders, many of them alumni of the top institutions, agreed. Together, the business leaders and presidents sought to:

1. Educate the public on higher education and its usefulness for the state;
2. Restructure universities to promote efficiency; and,
3. Encourage "adequate" funding.

The business community convinced the presidents to coordinate the total message to these goals. The small community colleges and top universities must compromise to create a single plan and message to reach legislators and the governor.

The campaign to educate the public was, in a sense, a lobbying campaign circumventing the legislators and going to their political bases. The council conducted an organized campaign, first conducting public polling on higher education and organizing focus groups. They primed the audience, for example, by asking whether the public "likes" higher education, whether it is "too expensive" or suffers from "not enough funding." The council then conducted studies comparing Virginia institutions to others around the country – especially arch-rival North Carolina. Most important, it publicized all the results in newspapers, radio, and television. Not all the publicity cost money; editorials, public events, and attendance at political rallies were other arenas where the council pushed the agenda of higher education.

Defining efficiency is no easy task. Education research scholars struggle with this issue. Huisman and Currie[20] examined international institutions and found striking diversity in concepts of accountability, efficiency, and quality for higher education. In Virginia, the private sector's model of outsourcing nonessential functions served to increase efficiency. Tangential services (catering, security, landscaping) were privatized, saving money, as did making small changes in tenure contracts.

The largest efficiency, however, was improving the universities' accounting systems.[21] Modern accounting helped demonstrate to stakeholders that investments in higher education were being managed as well as possible. Again, communication and information proved to be the primary purpose of the campaign. Reducing the inefficiencies of tenure, for example, involved explaining away the many misconceptions of the program, which reduced resistance to higher-education funding.

The council produced many reports, pamphlets, and advertisements encouraging returning state funding to higher education. During previous budget shortfalls, higher education repeatedly took cuts, reducing the level of funding to comparatively low levels. The council advocated for the state to fulfill its responsibility to fund education *and* for the universities to increase revenue through more research grants and projects. Historically, research in Virginia was a minor aspect of funding, so both actors had much improvement to do.

Finley emphasized that collaboration was key to engaging higher education in Virginia. The coalition that came together for the council included large colleges and universities, community colleges, private institutions, K-12 groups, health care organizations, retirees, city and county organizations, environmental groups, public safety and transportation groups, and business leaders. The "big tent" philosophy brought together many parties to highlight the benefits of education. When attending political town hall meetings, for example, not only did teachers unions and staff speak up in favor of increased funding, but so did police, sheriffs, and environmentalists. This strengthened the persuasiveness of the argument.

## Debate and Role of Council

Beginning in 2003, the Virginia Business Higher Education Council pursued a media campaign to support growth in higher education. In February 2004, Heywood Fralin, chairman of the council and CEO of Medical Facilities of America, wrote an editorial in the *Richmond Times Dispatch* in support of higher education. He claimed that an educated workforce is *the* primary issue for Virginia's economic wellbeing. Taxes are lower in other states; transportation is better elsewhere; the state's advantages are not completely unique; but, he argued:

*Our Nation is driven by a knowledge-based economy, and the quality of our higher education system is an essential part of what businesses need to survive and succeed. State funding for colleges now represents a fraction of the real costs of operation. How could we have taken them so much for granted? This underfunding has caused higher tuition, an exodus of faculty, and concern that our children and grandchildren won't have an opportunity to attend a Virginia college or university.*

The original charter proposal failed to gain widespread support. The proposal of giving increased autonomy to just the top three schools drew skepticism from other schools. Gov. Mark R. Warner held a series of meetings around the state to float the idea and hear the doubts. At a Virginia Commonwealth University meeting "some spoke more strongly against the charter proposal, arguing that it might diminish the role and influence of the state's other two- and four-year colleges. 'We need to look at the big picture before we go the other way to a two-tier education system,' said Helen P. Warriner-Burke, a member of Longwood University's governing board."[22]

Despite the opposition, the *Richmond Times Dispatch* hinted that the proposals were still being debated and not in their final form. The governor wavered on the extent of the support, and few spoke out "strongly" for the proposal, but the "potential crisis" in higher education needed increased autonomy (Hardy, 2004). Delegates, college presidents, members of the Board of Visitors, and the governor all were concerned about the lack of funding and political consensus, and the bureaucratic hoops. The challenge was to clarify performance measures and ease doubts about the "two-tier education system."

In 2005, the Business of Higher Education Council's Heywood Fralin was selected to head the board of the University of Virginia for two years. Fralin is from Roanoke, Va., and challenged a board member and former congressman for the rector position. Fralin won. He is also the father of state Delegate William H. Fralin Jr. The position carries responsibility as well as historical weight; the first two rectors of U.Va. were Thomas Jefferson (1819-1826) and James Madison (1826-1834). According to the *Roanoke Times*, July 7, 2005, Fralin is a "businessman well known in higher education circles as a vocal advocate for Virginia's public colleges."[23]

This example demonstrates a regular exchange between the business world and higher education policy boards. Fralin graduated from U. Va. in 1962 and went into the business world but returned to higher-education advocacy with the council. Serving as chairman of the council, he was "a frequent face among the halls of government in Richmond during the General Assembly session…. Fralin helped build public and lawmaker support for the 2002 bond referendum for public college campuses as well as the package of tax increases in 2004 that enabled $275 million in additional investment in Virginia's cash-strapped public universities."[24] He also worked closely on creating and passing the Restructuring Act in 2005. The exchange goes the other way, too. Donald Finley, the president of the VBHE, was the state's secretary of education in the late '90s.

Below the top administration officials, the financial officers of the universities were instrumental in building professional rapport in Richmond. The U.Va. and Va. Tech financial officers were referred to as "the 'deans' of higher education finance because of their institutional knowledge and influence."[25] These financial officers gave great legitimacy to the charter initiative through their positive reputations with lawmakers.

In the past, explained Ralph Byers, Va. Tech's legislative liaison, "If you could talk to about a half-dozen people and get them to agree with something, you pretty much knew it was going to happen.".[26] The business leaders and university presidents then turned to students and faculty to address the new political order. The businesses funded

Virginia 21, a student lobbying group that gathered signatures, organized bus trips to Richmond, and attended legislative meetings to advocate for more higher-education funding.

The VBHE made a coordinated effort to publicize the risks to higher education, as Finley told WISCAPE in 2005. The outreach produced several strong newspaper articles that had a pro-education tilt: "Schools question state support: We have a denial of reality," *Roanoke Times* (May 12, 2002); "Presidents warn that cuts threaten access to higher ed," *Associated Press* (Dec. 16, 2002); "Faculty numbers shrinking: Access to education gravely threatened," *Richmond Times Dispatch* (Dec. 17, 2002); and "Many students, educators fear budget cuts will slash quality," *Roanoke Times* (Jan. 4, 2003). The "Schools question state support" article used regional rivalries to encourage state support; the North Carolina emphasis threatened Virginia's reputation as having the best public education in the area.

# Conclusion

The University of Wisconsin System faces pressing challenges in the near future. While the most recent (2010-11) biennial budget passed without steep cuts to education funding, the structural deficits will keep pressure on higher education's operations. This pressure may push tuition higher, which could threaten the state's commitment to keeping higher education accessible to all those who wish to pursue education. From an economic standpoint, this threatens the future tax base by limiting employees' ability to meet future technological demands.

These broad goals focus on both academic and administrative improvements for all campuses. The administrative functions of investment, operations management, and specific tuition levels can often be handled directly by the individual campuses. These reforms reduce uncertainty and allow financial planners the ability to predict future revenue and expenses. The state offices, the regents, and elected officials can then focus on broad goals such as increasing the number of students or meeting new state needs, while universities can individually manage the smaller details.

The academic improvements empower local communities to feel more ownership of their state university system. Encouraging dialogue between universities and their constituents in business, industry, agriculture, and general citizenry can focus the educational process on needs. These reforms permit decisions to be made outside of the state Capitol and the top UW administration. Professors would have incentive to bring real-world experience into classrooms and research, improving both the academic environment and the business environment. As their research becomes focused on improving the lives of local Wisconsin residents, students would have opportunities to gain ties to those communities.

In addition, without retention, the education system would not adequately stimulate the state economy. Student's networks and ties to the local community would decrease the incentive for many students to leave the state for work. Instead, local employers would know the students and respect the educations they recieved-which makes the difference between moving and staying more costly.

The reforms respect the Wisconsin tradition of promoting communities and civic involvement. While the UW System already has regional focuses and communication between citizens and their universities, these reforms institutionalize that commitment on a statewide level. Flexibility is built into local control, expanding local reporting, and enhancing transparency to eliminate waste and build ownership for the citizen-state-university alliance.

Two key areas for reform are the most important for Wisconsin to undertake: academics and administration. On the academic side, the University of Wisconsin has developed a world-class flagship university in Madison, has individual, comprehensive institutions across the state, extension and two-year colleges providing alternative learning environments, and decent statewide reporting and data collection. With this base, Wisconsin has all of the necessary ingredients to provide statewide higher education to all residents. However, access to these educational opportunities is not equal for all. Minorities and low-income students continue to face barriers, demonstrated through small enrollment numbers and decreased retention rates. In addition, the state needs to improve its economic base, its human capital, to get through the difficult economic slump and the state's shrinking manufacturing sector.

The administrative structure of the UW System requires significant improvement. Incentives for better, lower-cost administration of all institutions can help Wisconsin's higher-education efficiency, which can keep down tuition and state expenditures while maintaining quality. The incentives include flexibility in personnel review, and cutting other costs. Like any large organization, bureaucratic barriers can obstruct adapting to new conditions and using technology efficiently. Allowing the individual schools to organize in ways they, and the local community (including faculty, staff, students, and local residents), find effective can increase ownership and responsibility of the scarce resources. This flexibility can reduce administrative costs and permit resources to flow to each institution's specialty in a way that benefits local communities.

Incentives for better, lower-cost administration of the universities can help Wisconsin's higher-education efficiency, which can keep down tuition and state expenditures while maintaining educational quality. This in turn can (should, and must) improve access for middle- to low-income families and minority students, a critical factor if Wisconsin is to produce a diverse and culturally sensitive educated workforce for the global economy of the 21st century.

The cross-comparison of Wisconsin and Virginia shows a number of similarities between the states. While Virginia has 2 million more people, a much larger community-college system, and a more diverse economy, both states value public education as fundamental to the their history, economy, and future development. Both states have very diverse higher education structures.

Virginia's Restructuring Act specified three levels of autonomy, depending on the needs of each type of school. The levels are chosen by each institution but have increasingly difficult requirements (such as having high credit ratings and successful capital management). As the institutions achieve higher levels, less state oversight eases management. The act emphasizes management and financial flexibility, but academic goals of access, affordability, and retention are also an important aspect.

The political success of Virginia's restructuring of higher education came from strong business support of the diverse contributions of state schools to the economy. To apply in Wisconsin, strong support from business, industry, and agriculture would be necessary to get the public to support economic development through higher education. Wisconsin businesses already have high respect for university graduates.

These reforms resemble Virginia's Restructuring Act, but go farther in instilling civic responsibility for the campuses – and educational responsibility for the campuses' communities. United in this dedication towards higher education, the state can build the educational achievement of its citizens. As residents are educated to address the needs of today's new economy – and as they decide to stay in state – the economic fuel of a world-class workforce will drive the state's growth into the future.

# Endnotes

[1]When the final negotiations were settled and a bill was passed, there was no set dollar amount by which the state government agreed to reduce funding to the university system. Yet state funds to the universities have dropped by 27% since passage of the bill, according to the State Council of Higher Education for Virginia (SCHEV)

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[5]This calculation originally appeared in the WPRI report "Renewing the University of Wisconsin System: Creating the Capacity to Manage and Compete," Thomas L. Fletemeyer, Volume 20, Number 7, 2007.

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[10]Lara K. Couturier, "Checks and Balances at Work: The Restructuring of Virginia's Public Higher Education System," National Center for Public Policy and Higher Education, June 2006.

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[13]Marley, Patrick, and Boulton, Guy, "Medicaid Faces Major Cuts: Wisconsin May be Forced to Cut $1 Billion From Health Care Plans," *Milwaukee Journal Sentinel*, December 15, 2009.

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[19]Donald Finley, "Recovering Revenue: The Campaign for Higher Education in Virginia," WISCAPE Forum, April 19, 2005.

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[21]Finley, 2005

[22]Michael Hardy, "Leaders Contest Charter Proposal at a VCU Forum, They Debate the Idea of Giving State Flagship Schools More Flexibility, Freedom," Richmond Times-Dispatch, October 26, 2004.

[23]Kevin Miller, "New Vice Rector of U.Va. Known for Advocating Public Colleges," *Times Roanoke*, July 7, 2005.

[24]Ibid.

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[26]Ibid.