

September 25, 2007

Senator Judy Robson and Speaker Michael Huebsch
Senator Russ Decker and Representative Kitty Rhoades
Senator Bob Jauch and Representative Jeff Fitzgerald
Senator Scott Fitzgerald and Representative Jim Kreuser

Dear Conference Committee Members:

We are deeply concerned by the failure of the state Assembly budget proposal to fully fund cost-to-continue items in the 2007-09 state budget. The cuts reflected in this version of the budget jeopardize our mission and threaten the quality of teaching, research and outreach Wisconsin citizens expect from their flagship university.

The biennial budget request submitted for the UW System included about \$165 million for cost-to-continue items, including standard increases for the utilities appropriation. UW-Madison's share of this biennial amount is \$70 million — \$31 million for this fiscal year.

Cost-to-continue items primarily include pay plan increases implemented in the previous biennium, associated growth in fringe benefit costs, and standard utility increases. We are now incurring costs that reflect the pay plans granted in 2005-07, but we have yet to receive permanent funding to offset these added costs. On the utilities side of the ledger, we are paying current commodity prices — which were not in effect in the previous biennium — but we have not received funding that reflects current prices.

As budget negotiations draw on into the new fiscal year, our concerns grow. Should cost-to-continue funding fall short in the final version of the budget, UW-Madison would be forced to implement a mid-year budget cut. We are now nearly into the fourth month of the fiscal year, and prudent financial management requires that we plan for the possibility of mid-year budget cuts in the event that our cost-to-continue is not fully funded.

As part of that planning process, we have advised every campus unit to prepare plans for a mid-year budget cut representing 6.56 percent of UW-Madison's GPR/fee base. This is the effective percentage cut the campus would experience if no cost-to-continue were allocated, while increased utility and staff costs need to be paid. Units were told the total amounts of these potential GPR lapses. They were asked to respond with a list of actions that would be needed or possible to achieve this cut at this point in the new fiscal year.

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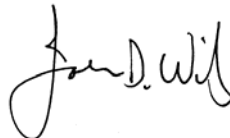
A summary of those actions — which provides a sampling of the negative effects — is attached. As you can see, these actions would have major adverse consequences for the university and the state, both in the short term and over time.

As you may be aware, in most units of the university more than 85 percent of the base budget costs are personnel costs, so base budget cuts will require reducing staff. Further, due to various contractual agreements (faculty tenure, collective bargaining) rapid spending reductions will require disproportionate staff reductions in the most flexible staffing groups, such as lecturers, teaching assistants, limited-term employees and student employees. In addition to the extraordinarily valuable services these staff provide to the university, many of them are students who use the income from their jobs to support their own educations. In cutting these positions, we lose valuable services and many of these individuals lose the opportunity to support their own undergraduate or graduate study.

No part of this campus would be immune to the effects of these damaging cuts. They would be felt directly by our students, who would face pinched access to courses and student services, and would need to take longer to graduate.

We urge you to fully fund cost-to-continue items to maintain the vitality of UW-Madison today, and for the future. Our students, families and economy depend on your support.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Wiley". The signature is fluid and cursive, with the first name "John" being the most prominent.

John D. Wiley
Chancellor

Attachments

cc: Legislature
Governor Jim Doyle
President Kevin Reilly

Sample of the planning results for 6.56 percent (no cost-to-continue) across-the-board base budget cuts:

UW-Madison's academic mission would be compromised

- The **College of Letters and Science** would bear a heavy burden under a lapse of about \$7.9 million. Acknowledging that it is already almost too late to enact most of the cuts in the current fiscal year, the L&S dean estimates the college **would need to cut 2,230 sections**, as nearly half of the teaching assistants (TAs) for spring semester could not be employed. This would impact time-to-degree for all UW-Madison students, as L&S teaches almost all first- and second-year students. Graduate student enrollment would decline since many students would experience difficulty finding alternative funding to support themselves, lengthening their time-to-degree.
 - Cuts to the L&S budget would require **capping enrollment in some majors**, including the top five majors at the university: political science, biology, English, history and psychology.
- The **College of Agricultural and Life Sciences**, faced with a lapse of \$2.8 million, would need to **freeze all open positions and save resources by not offering second semester courses** supported by academic staff. Additionally, approximately 30 FTE staff would be laid off.
 - Additionally, CALS would need to **eliminate one or more of its Agricultural Research Stations**, directly affecting research, the stations' host communities and people throughout Wisconsin.
- The **School of Education** (lapse of about \$1.7 million) will be forced to cut course offerings and, perhaps more importantly, would not be able to address areas with known shortages in Wisconsin, such as school administrators and teachers in special education, language, math and science. Past budget cuts forced trimming the number of students in the elementary education program from 150 to 100.
- The **School of Nursing** would curtail its planned faculty recruitments and forego a planned increase in graduate enrollment in psychiatric/mental health nursing.
- The **College of Engineering** (lapse of \$2.1 million) would reduce faculty size, the number of instructors and the number of TAs, which will result in **reduced class offerings, reduced availability of laboratory classes, and**

increased class sizes. The result would be poorer engineering preparation and increased time-to-degree.

- The **School of Pharmacy** would **eliminate the bachelor of science in Pharmacology and Toxicology Program** and freeze searches for open positions.
- The **School of Business** (lapse of \$1.1 million) would need to **eliminate 13 course sections** and eight positions. Importantly, these cuts would more than offset the new revenue generated by the differential tuition plan for the undergraduate program, undercutting the promises of improved services made to students who supported the plan.
- The **School of Human Ecology** would need to cut spring semester limited-term lecturers, forcing **cancellation of 30 courses**.
- The **School of Veterinary Medicine** (lapse of more than \$1 million) would need to put a freeze on hiring to fill 12 vacant faculty positions and reduce course offerings. The extensive loss of specialized instructional expertise that the school would be unable to fill because of this lapse **might result in the loss of full accreditation status**.
- The **Division of Continuing Studies** (lapse of \$539,000) would have to reduce campus summer offerings by 30 to 35 classes, which would have significant impact on access to classes needed for degree completion and major prerequisites.
- The **Law School** would eliminate adjunct professors and visiting professors and **19 courses** they teach in the spring semester. **Summer Clinical Programs**, such as the Family Court Assistance Project, would be eliminated.
- The **School of Medicine and Public Health** (lapse of nearly \$3.0 million) would also cut faculty and staff. Additionally, the planned expansion of the school's Master in Public Health Program would be delayed and the size of the **Physician Assistant and Physical Therapy programs would be trimmed**.

Research opportunities would be reduced; outside money could be lost

- While almost all of the research infrastructure is supported by extramural grants and gifts and the overhead collected on those grants, some base funding is used for infrastructure that is shared between research and academic units. The Graduate School would realize a lapse of more than \$1 million, but the impact on UW-Madison and the state of Wisconsin would be

magnified many times over. The scheduled implementation of new grants management and effort reporting system would be delayed due to staff layoffs in **Research and Sponsored Programs**. The delay would cause additional costs of \$350,000 per month, related to the expenses associated with maintaining the existing systems, additional development and consultants.

- The **Graduate School's Office of Research Policy** expects its ability to realize or maintain accreditation in several areas to be compromised with a reduction in state funding – an outcome that could place the campus at risk of not qualifying for research funding.

Other significant effects on students, staff, administration and facilities

- The approximately \$500,000 lapse for the **Division of Enrollment Management** would affect the Office of Admissions, the Office of Student Financial Services and the Office of the Registrar – all major student service providers. To accommodate this lapse, open positions would not be filled, and LTE and student employees would not be renewed. Examples of likely impacts include: **delays in processing admissions applications** from the current three to five weeks to four to 12 weeks; **delay in the time between receipt of financial aid application and award offer** by the Office of Student Financial Services, from the current one week to four to five weeks; and **delay in fulfilling transcript requests**, which affects students applying for scholarships, employment and graduate studies. In addition, the unit's ability to respond quickly to phone and e-mail questions about admissions and financial aid would be severely limited.
- A **lapse of \$5.9 million in administrative areas** would mean, among other factors, that the Division of Facilities, Planning and Management would be forced to **defer maintenance** by at least one additional year, likely adding to costs if repairs are done late; the **UW Police Department would need to freeze all hiring**, as well as eliminating LTE, student employees and project positions; the **Division of Information Technology would reduce support for new teaching, learning and research services**, while help desk support, computing labs, hours and technology classes for students would all be reduced.
- At a time when the demand for counseling and psychological services for troubled students is increasing, **University Health Services** would likely **eliminate one full-time psychologist**.

- **The General Library System** (lapse of \$1.6 million) would reduce the collections and access budget a half million dollars and its personnel budget by approximately \$900,000 – actions which impact on operational hours, research, students, teaching and more.
- Cuts to graduate student positions would have a significant impact on providing **advising services** to many minority/disadvantaged students and may have an adverse impact on undergraduate student retention in general.
- The **Offices of the Dean of Students** would need to make a significant cuts in its workforce, resulting in **student service delays** and **cuts in advocacy services**.

(Via Email Only)

September 13, 2007

MEMORANDUM

To: Selected Deans and Directors

From: Vice Chancellor Darrell Bazzell

Subj: 2007-08 Budget Reduction Planning

The legislative conference committee charged with resolving the various and significantly different proposals for the 2007-09 biennial budget has made little progress to date, and there are no promising signs that the process will be concluded anytime soon. While the various proposals for the budget—Executive, Joint Finance Committee, Senate, and Assembly—provide specific scenarios with respect to funding for the UW System, there is no guarantee that any one of the scenarios will prevail in the final version of the budget. As such, we have no clear indication regarding potential funding reductions or increases for our GPR/fee appropriations.

The biennial budget request submitted for the UW System included approximately \$165 million biennially in cost-to-continue items including standard increases for the utilities appropriation. UW-Madison's estimated share of the biennial amount is \$70 million. The cost-to-continue items consist primarily of pay plan increases implemented in the previous biennium and associated growth in fringe benefits costs (\$124 million biennially), and standard utility increases (\$36 million biennially). Like the rest of UW System, we are now incurring costs which reflect the pay plans granted in 2005-07, although we are yet to receive permanent funding in the form of cost-to-continue to offset the additional costs. Similarly, we are now incurring costs at current commodity prices—not prices in effect in the previous biennium—although we are yet to receive funding that reflects current prices.

Given the uncertain status of the biennial budget process at this juncture, there is a legitimate possibility that the cost-to-continue request for the UW System will not be fully funded. Should a portion of the request go unfunded in the final version of the budget, the university would be required to respond to the funding shortfall by implementing a mid-year lapse, or budget cut. A cut would be required because our current 2007-08 "operating budget" implicitly assumes that cost-to-continue will be funded (e.g. employees are being paid according to the pay plans approved in the prior biennium).

Prudent fiscal management requires that we deal with and plan for any potential outcome of the legislative process by conducting a planning exercise that will effectively address the worst case scenario in terms of funding outcomes for the UW System's biennial budget and the corresponding impact on the current 2007-08 operating budget.

At this time, the worst case scenario would appear to consist of a budget resolution which would result in a completely unfunded cost-to-continue request.

The estimated impact of such an outcome for UW-Madison in total and by school/college/administrative unit is shown on the attached schedule. The amount shown for your unit represents the amount that your unit would be required to lapse this year on Fund 101 should the cost-to-continue request go unfunded. In total, the lapse amount represents 6.56% of UW-Madison's Fund 101 GPR/fee base.

To help plan for the possibility of the enormous impact that such a budgetary outcome would have on the UW-Madison campus, we need to compile a list of the various strategies that you would employ to implement the required lapse. Although this is a daunting task given the magnitude of potential cuts, we are certain that you understand the critical importance of the exercise and the necessity to complete the process in a timely fashion, so that we can provide information to key decision-makers as soon as possible. Most if not all of you should be able to capitalize on the internal budget planning efforts you have made over the course of the summer in response to the Assembly biennial budget proposal.

Thus, by September 20th, please provide information which illustrates the strategies you would employ to accommodate the potential reductions. The information does not need to be at a level of detail that, for example, documents specific position reductions or the elimination of specific classes, but it should be quantified if possible within general categories (e.g. number and general types of positions eliminated, number of classes, courses, sections, departments, services, etc eliminated or reduced). The information should include some discussion of the impact of your budget reduction strategies on university constituencies, stakeholders, and the State/community at large.

Please forward your information via email by September 20th to Darrell Bazzell (dbazzell@vc.wisc.edu) with copy to Tim Norris (tdnorris@vc.wisc.edu).

We realize that this is a very limited timeframe for you to deal with such complex issues and appreciate your willingness to invest significant time and resources in responding to a matter of crucial importance.

xc: Chancellor Wiley
Provost Farrell

DB/df

Attachment

12-Sep-07

UW-Madison
2007-08 Estimated Fund 101 Cost-to-Continue Lapse by Unit

<u>Unit Name</u>	<u>Reduction Amount</u> <u>Rounded to Nearest \$1,000</u>
GEA- Univ Admin	\$290,000
General Services	\$842,000
Business Services	\$316,000
Dean of Students	\$193,000
Enrollment Management	\$501,000
Div of Information Technology	\$1,377,000
College of Ag & Life Sciences	\$2,819,000
Div of International Studies	\$133,000
School of Business	\$1,102,000
School of Education	\$1,656,000
College of Engineering	\$2,109,000
School of Human Ecology	\$260,000
Graduate School	\$1,060,000
Inst for Cross-Col Biology Ed	\$55,000
Gaylord Nelson IES	\$143,000
Law School	\$730,000
College of Letters & Science	\$7,869,000
General Library	\$1,600,000
Medical School	\$2,960,000
School of Nursing	\$314,000
Psychiatric Institute	\$23,000
School of Pharmacy	\$508,000
University Health Services	\$58,000
Officer Education	\$13,000
Facilities Planning & Mgmt	\$2,709,000
Univ Police Department	\$366,000
School of Veterinary Medicine	\$1,058,000
Div of Continuing Studies	\$157,000
Div of Continuing Studies - Summer	\$382,000
Total Div Continuing Studies	<u>\$539,000</u>
	\$31,603,000