Pop quiz question: Which industry is absolutely central to economic growth, but is facing rapid changes in funding, in demand for its product, in new delivery methods, and in public support?

If you said “higher education”, you’d be correct.

I want to depart a little from the usual report on our successes and challenges to focus on 3 major trends that are changing higher ed nationally, ask what those mean for UW-Madison, and tell you how we’re responding. While ‘nimbleness’ is not an attribute frequently associated with large public institutions, being nimble and adapting to change is increasingly critical for those of us who run successful and top-ranked educational institutions.
The trends I want to talk about are:

- A changing revenue picture
- Increasing competition from peer institutions
- Changing public views of higher education
Trend #1:
A Changing Revenue Picture
Over the past 20 years, most states have increased spending on higher education, even with the cuts that happened in the Great Recession. But the Midwestern states are an exception. Wisconsin has had particularly high cuts in higher ed. In the past 20 years, WI’s spending on higher education (inflation adjusted) declined by 28%. Only 3 states had larger declines than Wisconsin over these two decades.

Let me underscore that: This state has had higher levels of disinvestment in higher education over the past two decades than almost any other state in the country. This is a long-term trend, not the result of any specific governor or legislature or political party. And it has created serious problems for quality and sustainability among all of the institutions in the System.
Almost every state made cuts in the Great Recession. But in the last five years – a period of economic expansion – many of the states began to re-invest. However, WI is among 17 states in which state support has continued to decline – only 5 states had greater declines than WI in higher ed spending over the past five years. (All of this data is adjusted for inflation.)

We’ve now had two state budgets with relatively small dollar increases in cash support for higher education. This is helpful, but Wisconsin’s spending increase has been below the rate of inflation, so we’ve continued to fall.
As a result, the share of our revenues from the state continue to fall, as this graph shows.

An alternative calculation would be state spending per student.

In 2018, adjusted for inflation, the state spent $1,800 less per student than it did in 2008.

At UW-Madison that decline is even greater. We receive $3,200 less per student now than in 2008.

We’ve had 20 years of being near the bottom in state funding trends for higher education. That has an effect.

But let me be clear...we used to be a state with higher investment in higher education than the average state. We are now around the average. But if this trend continues, in another 20 years we’ll be well below the average.
Declining state support in WI has been combined with an 8-year tuition freeze. This has added to the budget problems for UW System schools.

UW should be affordable, but we don’t preserve our reputation or maintain quality by making ourselves one of the cheapest schools in the country.

UW-Madison’s Midwest peers – the state flagship universities -- have raised in-state tuition in the past five years.

For instance, our closest neighbor, MN, now charges $4,500 more in tuition and fees than we do. The Univ of Michigan charges $4,800 more; while the Univ of Illinois charges $5,500 more.

It is important that our Wisconsin universities are affordable for low and moderate-income families – but that just means that we need a robust financial aid program that assures affordability. It shouldn’t mean that we freeze in-state tuition for everyone.
But in addition to declining state support and frozen tuition, we have a third revenue problem hitting us in Wisconsin and across the upper Midwest and Northeast: demographic shifts that are leading to a decline in the number of high school students. 10 years ago, WI had almost 70,000 high school graduates; this year, we’ll have a pool of 64,000 high school graduates in WI. By 2030, that will shrink to 61,000.
Thank you to the Board for allowing us to follow an enrollment strategy that responds to these demographic trends. This is a two-part strategy:

- Maintain the number of in-state students at UW-Madison at 5,200
- Where possible, expand enrollment based on our growing out-of-state applicants

Thank you to the Board for allowing us to follow an enrollment strategy that responds to these demographic trends. This is a two-part strategy:

First, maintain the number of new in-state students at UW-Madison at 5200 each year, even in the face of declining high school numbers. This includes all starting students, both transfers and freshmen.

Second, expand enrollment based on our growing out-of-state applicants. We are fortunate that our national reputation for undergraduate education has been rising, so our out-of-state applications have doubled in the last 10 years.

I want to note one clear implication of our enrollment expansion. I have occasionally been told that we should not be growing faculty or staff. Let me be clear: Demand for our product – as measured by out-of-state applications -- has nearly DOUBLED in the past decade. No private sector company in the world would respond to this by reducing their staff and lowering quality of their services.

We are taking more students in our entering classes. That means that we will need more faculty, more advisors, and more student life staff. It also means we’ll need more
classrooms and more dorm rooms for first year students. This is not ‘bloat’ or ‘administrative inefficiency.’ These staff and these facilities are needed to serve our larger classes. This is a case I will make repeatedly in various public settings in the coming years.
The trends in higher education financing and in demographics have meant that the traditional model of financing public higher education has fall apart for most schools. We are not the only institution or state facing these issues. So, with the financial headwinds against us, how do we find the dollars for investments and expansion?

First, let me be clear that we need the state. If we are going to offer a world-quality education at in-state tuition levels for a substantial share of our students – and particularly if that in-state tuition is much lower than in other nearby states -- then the state has to provide support. I will work with others in the System to continue to argue for reasonable levels of state funding.

But as you’ve heard me say before, we have had to become much more entrepreneurial on our campus, looking for ways to increase revenue and garner resources for the investments that we need. We can neither maintain nor grow our excellence without dollars that allow us to maintain a top-ranked faculty, strong educational programming, and the facilities students and faculty require to do good work.

You’ve heard me talk about these different strategies in previous talks. In addition to enrollment changes, they include:
Expanding summer session enrollment
Expanding our professional masters programs
Running a major alumni fundraising campaign
And making sure that our out-of-state tuition is set at the appropriate level.
Let me talk about one of these strategies: Our fundraising campaign, known as the *All Ways Forward* campaign. We’ve had some very good news this fall.

In Oct, with 1 year to go in the campaign, we met our $3.2B goal. We’ve kept going, focusing on areas of high need. We’ll close this campaign off at the end of 2020.

Among the real victories in this campaign:

- A record 220,000 individual donors participating.
- More than 3,800 new scholarships
- Over 350 new funded faculty chairs
- Substantial private funding that reduces state dollars needed for building projects

**New Morgridge Match!**

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Among the real victories in this campaign:

A record 220,000 individual donors participating.
More than 3,800 new scholarships
Over 350 new funded and named faculty chairs or professorships. This helps us attract and retain top faculty.
Substantial private funding that reduces state dollars needed for building projects.
And there’s particularly good news for the last year of our campaign.

In December, WFAA announced a new $70 million matching fund made possible by John and Tashia Morgridge.

This new Morgridge Match will be similar to the original Morgridge Match launched in 2014. It’s a 1:1 match designed to help us create new named professorships and chairs.
These named faculty positions are our best tool for attracting and retaining top faculty into Wisconsin.

While these strategies have helped us deal with the changing revenue picture facing all public universities, we need to continue to be creative as we look forward, finding new strategies.

We recently convened a committee with campus/community members to explore alternative strategies for bringing in new dollars to support our education, research, and outreach missions. This includes looking at options that a number of our peer schools have implemented, such as public/private development opportunities.

When we’ve developed the best ideas more fully, we’ll share them with you and with our campus. We expect to have a robust discussion about how best to move forward.
Trend #2: Increasing Competition from Peer Institutions
In the last 10 years, universities outside the U.S. have become better and better. Among the top 100 world universities, a majority are now outside the U.S. That means more global competition.
And in the U.S., top schools are more competitive than ever.

Over the last 13 years (2006 is as far back as you can get consistent data) you can see that our peers have experienced average revenue growth of 4.2%. We’ve grown at 3%. Anyone who’s run a business can tell you that you’re losing out when your competitors have consistently higher revenue growth. They are investing more than we are in their programs, their staff & faculty, and their quality. It’s why I keep talking about the need to create more revenue opportunities and more investment dollars at UW. We are behind.

I know many people think UW-Madison is in fine shape. It may look good relative to the challenges facing some other System schools.

But the right question is: How do we stack up against our peers? Compared to our peers, we have lost ground.
Let’s look at this pattern most closely. There are three periods here.

Through the recession, we grew as fast as anybody…in fact, we received slightly lower cuts in those years from the state than some other schools did. But after the recession we went through a period where we actually lost money. If you look at our peers, no other university for which we have comparative data experienced revenue declines like this. That left us behind and in need of making up lost ground — in investments in new programs, in faculty compensation, and in all the other things our peers were investing in.

We’ve worked hard to expand our revenues, as I talked about earlier. And we’ve recovered in the short term ... We’re almost back at the same growth rate as our peers. But we didn’t make up any lost ground. And a lot of this higher recent growth is due to increases in out-of-state tuition and some growth in our student body. We are now where we should be on out-of-state tuition and we we’re hitting limits on our student body size.

So, as noted before, we need to be looking at new ways to generate the investment dollars that will allow us to maintain the same level of revenue growth as our peers.
How Do We Stay Competitive?

3 Things Are Needed

- Top faculty
- Outstanding educational programs
- High quality, modern facilities
To attract and retain top faculty takes:

- Competitive pay
  - UW-Madison continues to be challenged
- Opportunities to do world-changing work
  - Cluster Hire Program
- A diverse and inclusive community
  - Targets of Opportunity (TOP) Program

To attract and retain top faculty takes:

**Competitive pay** – UW-Madison continues to be challenged. We remain near the bottom (11th of 12 – only Indiana pays less). First time in 17 years we’ve not been at the very bottom.

Full professors on average make 7% less at UW than at peer institutions

**Opportunities to do world-changing work with outstanding colleagues** – **Cluster Hire program**

A way to be strategic about hiring in areas of research where a group hire of new faculty can help us move forward.

In first 18 months, we’ve approved 15 new research clusters of three faculty each in a critical scientific area. We’ve already hired 16 new faculty members as part of these clusters, with multiple other hiring efforts underway to fill remaining positions.

Another round selecting 5 additional clusters is happening this year.
A diverse and inclusive community – Targets-of-Opportunity Program (TOP)

Created TOP 18 months ago to give departments new tools to go after people from groups not well-represented within discipline. Want to encourage multiple forms of diversity.

Last year, we authorized 42 hires, had 17 accepted offers with 5 still pending.

Competing for these faculty is hard. One recent TOP hire – an expert in biostatistics – had excellent offers from 3 other major universities.
2. Outstanding Education (1)

Great educational outcomes

- Time to degree 3.96 years
- 8th in graduation rates among public universities
- Strong career outcomes. Undergrad alums increase earnings by 50% in first 5 years after graduation
- 55% graduate with zero debt

Great educational outcomes:
Time to degree at 3.96 years
Ranked 8th in graduation rates among public universities
Strong career outcomes. Undergrad alums increased earnings by 50% between yr1 and yr5 post-graduation
55% graduate with zero debt
We need to maintain and build on these great educational outcomes. But we also have to be looking ahead to new programs and opportunities.
New and exciting initiatives:
Next fall, we will launch our first fully online undergraduate degree – Personal Finance. Aimed at students with some college credit. ‘Hot’ degree nationally – it has value for many people, not just those in the finance industry -- and we have the #2 ranked program in the country.

Housed in School of Human Ecology with faculty from L&S and WI School of Business. Builds on our growing online presence – we had more than 12,000 students enrolled in online courses last year.

Largely summer courses for our undergrad students, and professional Masters programs.

We want to grow our online presence in a way that advances our public mission to remove barriers to a college degree for more Wisconsin students.
New and exciting initiatives: Expanding our footprint in Computer and Data Sciences

We opened School of Computer, Data and Information Sciences (CDIS) this fall.
Brings together the departments of Computer Science, Statistics, and iSchool.
Major demand for trained workers in this area
Growing demand that all students have some of the computer and data skills

Extraordinary growth in student demand
2,200 undergrad majors across all fields in CDIS and 800 graduate students
We expect this growth to continue. Launching data science major this fall.

Plus need to serve students in other majors who want some courses/certification in these areas.

Also launched the American Family Insurance Data Science Institute, to bring faculty together from across the university who are interested in applying advanced computing and data science techniques in their own fields.
We want a broad group of students at UW Madison, to take advantage of these programs. That means affordability is a key part of our educational efforts.

Currently we have 1,910 students in Bucky’s Tuition Promise or in Badger Promise, all with their tuition and fees covered. One out of every 5 of our incoming Wisconsin undergraduates qualifies for one of these programs.

This map shows the high schools of this year’s new cohort of Bucky’s Tuition Promise recipients.

Side note: I talked about the fact that our tuition and fees are $5,000 below many of our peers. What we should do is begin moving our in-state tuition somewhat closer to our peers and then make sure that students from low and middle-income families are held harmless through expansion of student financial aid.

Bucky’s Tuition Promise already guarantees that for students in the bottom half of Wisconsin’s income distribution. I am very willing to talk about expanding our support for middle-income students as well, so that they are less affected by any increase.
2. Outstanding Education (5)

Great programs attract great students

- Increasing applications
  - Nearly 46,000 applications for fall 2020 (+4.5%)
- Increasing quality for applicants and matriculants
  - # of WI freshmen with ACT 31+ up nearly 40%
- This year: Marshall Scholar; 3 Goldwater Scholars; 3 Rhodes finalists

Great programs attract students
Increasing applications
2020 applications: nearly 46,000 (45,916) -- up 4.5% over 2019
Out of state apps are up 7.4%
In-state apps (WI + MN) are down 2.8%
Apps from all students of color are up 13%
Apps from UR students of color are up 6.7%

Increasing quality in applications and in enrollees
Number of new WI freshmen with 31+ (top 5%) on the ACT is up nearly 40% in the last 5 years (1,133 in 2019)

Students are standouts in some of the most prestigious scholarship competitions in the U.S. This year alone:
Marshall Scholar
Three Goldwater Scholars
Three Rhodes finalists – you will meet one of them – Kevin Crosby -- tomorrow
But those people and programs won’t get us very far if we don’t have up-to-date facilities for education and research. 296 of our 405 buildings are more than 50 years old. And we have a deferred maintenance backlog = $1.5 billion.

3. High-quality, Modern Facilities

- 296 of our 405 buildings are more than 50 years old
- Deferred maintenance backlog = $1.5 billion
The state used to fund our academic buildings. But in recent years, these facilities have relied increasingly on the campus and donor funding.

This slide shows about $500M ($485M) in current projects. Of that $500M, $240M is paid by the state, while $245M is gift and grant funded.

For non-academic buildings like a dining hall, the state pays nothing. These are funded with student fees, operating revenues, and gifts. But the state still controls the entire approval and construction process (except in projects that are funded 100% with gifts/grants).

We need a better and more flexible process:
Only univ system in the country w/o bonding authority

Responsible for raising $$ but have historically had very limited involvement in the bidding or construction oversight process. We do not hold the contracts with the contractors – the state oversees this. These projects have faced a number of cost overruns, in part because we don’t have the incentives right. And this makes it harder to raise private money for these projects.
We have 2 academic buildings that are top priorities for this campus as we go into the next state budget. One for the College of Letters and Science, and one for Engineering.

**L&S Academic Building:**

The Mosse Humanities Building is one of the largest classroom and office buildings on campus. Over 70,000 credits were taught in its classrooms last academic year, not just in the humanities but by faculty from 60 different departments all over campus.

As you can see the building is in terrible shape. This photo shows the crumbling concrete around one of the supporting beams. It’s increasingly expensive to maintain and does not meet the needs of our students or the programs it houses.

We have built almost no classroom space for students who are not in professional schools on this campus since Vilas Hall was completed in 1972. That’s almost 50 years ago. It’s time to build some additional classrooms and move toward replacing this crumbling building.

We are therefore proposing to build a new L&S Academic Building.
The new building would provide modern classroom spaces set up for active learning that will enhance student engagement. It will also allow us to serve the increasing number of students needing to take L&S courses due to our enrollment growth over the last few years - about half of our undergrads are in the College of Letters and Science and almost two-thirds of the credit hours in class are taught in L&S.

The building would also house several departments within L&S including our top-ranked History department which is currently in very bad space. This will help promote collaboration among those departments, allowing us to better leverage grant funding.

This is the second of a series of projects over 6 years that will enable us to tear down the Humanities building and use that land for modern facilities that are more flexible and will support our enrollment growth.

**Computer-Aided Engineering Center, 1410 Engr Dr:**

The proposed engineering facility would replace the current Computer-Aided Engineering building, which is actually 2 small buildings stuck together. They take up a lot of land, but don’t actually provide much space.

As you can see, this facility is also deteriorating. It floods so regularly that the staff have put tubes on the floor to help drain water. This is what the wiring in the basement looks like.

The new building would be the first phase of a 2-phase project.

It will allow us to do a few things:

Better accommodate major growth at the College of Engineering. This new building will open up 1,000 additional spots in the College, allowing it to grow from 4,500 undergraduates to 5,500. We currently turn away a substantial number of qualified applicants to Engineering, at a time when the state needs more workers with these skills.

Provide a modern teaching and research facility – key to attracting and retaining top faculty, staff, and students, which we need to do if we’re going to meet the demands of Wisconsin industry.

To summarize: If we are to maintain our reputation in an increasingly competitive
higher ed environment, we need to be doing all this and more.
The third and final trend shaping our environment is a changing view of higher education. Support for higher education has always been high in this country...and support for big public institutions has typically been bipartisan.
Pew Research Center has conducted regular polls on this issue

Only half of U.S. adults think colleges/universities “are having a positive effect on the way things are going in the country these days”

38% think they’re having a negative impact – up from 26% in 2012
And fewer Americans believe college is very important.

**Gallup Poll in June 2019:**

Only half in U.S. now consider college “very important” – down from more than two-thirds in 2013.

The biggest declines were among young adults – ages 18-29. Only 41% of them consider college very important.

Furthermore, and very concerning, is the gap that has opened up in perception by political affiliation. Those who identify as Republicans are far more likely to say college is not worthwhile than are those who identify as Democrats. This is a serious problem for higher education...these big public institutions have historically received strong bipartisan support.
These national trends are also present in WI. Statewide poll of 1,000 WI-resident adults in Nov 2019-- 48% said UW-Madison is not worth the cost.

But we’re viewed much better inside WI than our peers...a much higher share of people in a national poll say attending one of America’s leading research universities is not worth the cost versus those in Wisconsin who say attending UW-Madison is not worth the cost.

These opinions are not well grounded. Many people hold misconceptions about the cost of college and/or don’t understand its financial advantages. College educated persons are the only group that has consistently seen improvements in earnings over the past 20 years. And college educated people experience better health, more civic engagement, and indicate they are more satisfied with their life on average.
One of the factors driving these negative views of college is the admissions scandal that broke one year ago (March 2019).

The so-called Varsity Blues scandal prompted a national discussion about privilege, college access and the admissions process.

In a recent national poll, two-thirds of respondents indicated that they “agree” or “strongly agree” that college admissions are rigged.

I’m happy to say, “not at UW.” We have the same admissions process for everyone, and our students are admitted on the basis of their own records. We do not do legacy admissions.
That has helped us to maintain a level of trust with the people in this state.

In the poll of Wisconsin residents from last November:
44% said they believe UW-Madison’s admissions process is very or somewhat fair while 14% say it is not fair (the remaining 42% had no opinion.) This compares to just 28% of people in a national poll who believe that about admissions at other top research universities.

We need to keep communicating the facts and reinforcing our message that students who attend UW-Madison make it there on their own merits.
How do we combat these negative views on higher ed?

I can’t change the national views, but at UW-Madison we can work to tell the people of Wisconsin that their state flagship university is working for them.

We’ve developed a three-part strategy that tells the story of our statewide impact not only at budget time but year round with:

Ongoing media messages

Targeted outreach – I and other UW-Madison leaders spend time doing visits around the state.

And special outreach to publicly elected officials

All of these efforts use the theme “UW Changes Lives.” We talk about our life-changing research ... our top-notch academic programs ... our service to the state ... and our commitment to driving economic growth in Wisconsin.
Nothing confirms the value of UW-Madison more than a recent Brookings Institution study on the best way to create economic opportunity in the U.S.

The report concludes that this country needs to do more to seed self-sustaining growth centers for innovation that will benefit entire regions of the country.

Brookings developed a list of 35 metro areas that have the right mix of assets to become significant growth centers.

Places like Tucson, Salt Lake City, and St. Louis.

But the #1 area with the most potential for innovative growth on the list was Madison, WI. Pushing us to the top was the % of residents with a college degree and the % of residents with a doctoral degree in a STEM field.

If you look at the list of metro areas, they have one thing in common. Every one of them is home to a major research university (most of them public).
Higher education is in a time of great change and some ferment.

At UW-Madison we need to be actively thinking about the trends that are impacting our industry. And we need to be nimble in our response. This means:

- Finding innovative ways to fund our public mission
- Expanding access to a UW-Madison education
- Investing in outstanding faculty
- Investing in educational programs that will attract top students
- Being strategic about how we talk about our value

A Nimble Response

We are not just a center for education and research. We are a powerful engine of economic growth and opportunity.

Fortunately, we are building on a strong foundation.

We are located in a great community that is growing rapidly and in a state that has supported us for 172 years.
We have a strong interdisciplinary culture that drives discovery and attracts top faculty.

We have a great group of students who do amazing things.
And of course, we have the traditions that bring us together:
   From the Terrace...
   To student traditions...
   To Camp Randall and all our teams.
   And by the way, the Rose Bowl was fantastic, even if it didn’t come out the way we’d hoped.

We face challenges as does all of higher education. But we are working to keep the legacy of UW-Madison in the state of Wisconsin moving forward.
Thank you.