

State of the University
Remarks as prepared for Faculty Senate meeting
Mon., Oct. 6, 2014, 3:30 p.m.

I. Introduction

- Good afternoon. It's good to see many of you again, and welcome to those of you who are new. I hope you all had a good and productive summer and that the fall semester is well-launched in your departments.

- When we met last year, I was also new. After nearly a year and a half in the job, I can tell you that in many ways I'm more impressed with the University now than when I arrived.

- I've been particularly struck over this past year by the great advantage we have in our geography here at UW. We are one of the few institutions – public or private – that has everything together on one contiguous campus. That includes the medical school and health sciences (pharmacy, nursing, vet med); the ag school and its research institutions; the professional schools (law, business, education, human ecology); the engineering college; and the liberal arts college.

- This co-location helps interdisciplinary collaborations to occur more easily and it provides a breadth of educational opportunities to our students. And that, in turn, helps us recruit top faculty and

students and provide them with a first-rate environment in which to do their work.

- As you all know, a lot of liberal arts colleges attract students and faculty by discussing their close community and claiming that ‘small is beautiful.’ Well, I want to announce that I’m firmly committed to the idea that, when it comes to education and research, ‘bigger is better.’ The scope and breadth of this place is part of what makes it excellent.

II. Making Connections

Let me tell you a little about what I’ve been doing over this past year. One of my top priorities has been to meet people and build relationships both on and off campus.

- We have a lot of folks who are stakeholders in this community:
 - 43,000 students;
 - 22,000 faculty and staff;
 - The rest of the UW System;
 - The governor and 132 elected political leaders in the state Assembly and Senate;
 - The Madison community and its business, political and community leaders;
 - The 5.7 million citizens of this state;
 - And 400,000 alumni around the world.

- It can be a bit daunting in this job when all of those groups have opinions about what we – and particularly what I -- should be doing here on campus. But it's an advantage that so many people feel connected to this place and invested in it.
- As I hope you've noticed, I've spent a lot of time this past year, both on and off campus, getting to know people from all of those stakeholder communities. But this is a large place, and I know that's a job that's never finished.
- As a result of my travel around the state, Vince Sweeney, Vice Chancellor for University Relations, and the Office of University Relations has been working to build a more effective state communication and outreach program for UW. They have been working closely over the past months with our schools and colleges to implement a strategy that not only raises awareness of UW-Madison's many contributions to the state, but that builds sustainable, long-term relationships with diverse constituencies throughout Wisconsin.
- Our goal is to more effectively communicate the positive impact UW-Madison has on the lives of Wisconsin's citizens and the communities in which they live. The key message is that at UW-Madison, we are helping make Wisconsin a better place to live, work and play.

We illustrate this by telling stories in four key areas: Education, Economic Development, Health and Quality of Life.

III. New activities

Let me turn to some of the other new things happening across campus.

- As you know, we've welcomed a number of new people to the leadership team this year; I want to make special note of two.
- Our Provost, Sarah Mangelsdorf, joined us in August. Sarah comes to us from Northwestern, where she was Dean of the College of Arts and Sciences. She succeeds Paul De Luca who I hope is enjoying some well-earned rounds of golf this fall.
- And a name already familiar to many of you – Marsha Mailick is our interim Vice Chancellor for Research and Graduate Education, succeeding Martin Cadwallader, who served for 13 years and has returned to the faculty.
 - Marsha has been Director of the Waisman Center for the past 12 years, so she brings significant experience managing research, education, clinical services and outreach at a large, multidisciplinary center.

- Marsha is working with governance groups and reaching out to faculty, staff and students as she implements the new leadership structure of the Office of the Vice Chancellor for Research and Graduate Education.
- Marsha appointed Wendy Crone in late August to serve as interim Dean of the Graduate School. Wendy had been an associate dean for graduate education and is on the faculty of the Department of Engineering Physics.
- The dean of the graduate school will report to, and work closely with, the VCR. I know this structure is important to many of you who recognize the synergistic relationship between graduate education, teaching, and research on this campus.
- We'll be hiring a permanent dean of the Graduate School this year. That will be a national search; the committee will begin meeting this month and hopes to wrap up in February. We'll also be running a national search for a permanent VCR.
- I should also mention that we have two other newly appointed deans, Guido Podesta, the new dean of International Studies, and Steve Swanson, the new dean of Pharmacy.

- Finally, to round out the list of new faces, there's one particularly important person for the faculty: Steve Smith was appointed as the Secretary of the Faculty last June, and this is his first Faculty Senate meeting in that role.

Let me briefly mention two other key areas where some new things are happening.

- First: We've made significant progress on a couple of fronts in our effort to encourage technology transfer and entrepreneurship among our faculty, staff and students....which also helps promote economic development in the region and the state.
 - As you all know, last fall we launched, Discovery to Product or D2P, to help bring UW discoveries to market.
 - D2P announced this fall the first group of 17 projects selected for funding and technical assistance, chosen from 170 proposals that came in from across campus.
 - I'm excited about the new things happening at UW that let this university interact effectively with the entrepreneurial, high-tech research and business communities.

- Second: We've launched a Federal policy office in DC for the University. This office has built strong connections with our Federal delegation and is working to make sure that UW is involved in the agency and policy decisions that affect our federal funding and regulatory environment. Ben Miller, our new Federal relations director, has been doing an excellent job.

IV. Budget situation

This brings me to the biggest issue I want to talk about today – the intertwined topics of budget and legislative relations.

- As you know, this is a biennial budget year in Wisconsin and we are spending a lot of time preparing for that. We took some major cuts in the last state budget in spring 2013, and have absorbed those by spending down our fund balances, as the Legislature requested.
- At the end of this fiscal year, our tuition fund balances will have declined from 14% to 8%, and I cannot in good conscience pull them any lower, given the need to keep some funds in hand to deal with the uncertainties we face as a large and complex institution.
- In fact, most of our fund balances are already fully committed to approved programs, but just haven't been spent yet, so we

have little that can be labeled true reserves. That means that we cannot continue to fill budget caps with fund balances, and it means that I have very few discretionary dollars available to meet needs that might arise on campus this year.

- We did not impose the \$24 million cut to UW-Madison that was handed down in the summer of 2013 in the current budget because the state directed us to use our fund balances. But by summer 2015, at the start of the next budget, we will have to implement this cut unless we receive additional funds.
- As we look ahead to the 2015-17 budget, we have a number of challenges. The governor is going to propose another two-year tuition freeze for in-state undergraduates. And surprisingly low state revenue numbers, as well as growing state needs in areas such as Medicaid and transportation, are going to make a large increase for higher education difficult.
- But the Regents are requesting and intend to push for a significant budget increase for UW. They are asking for an additional \$95.2 million over the biennium for President Ray Cross's "Talent Development Initiative," which would strengthen the state's economy by attracting, developing and retaining high-impact talent.

- At UW-Madison, these additional state resources would help expand our educational programs in areas with high worker demand in the state and where we currently have greater student demand than we can accommodate – areas such as Business, Engineering, Nursing and the STEM majors.
- The proposal also would help us address cuts imposed in the 2013-15 biennial budget. If this request is fully funded and if the funds are distributed to campuses in the traditional manner, it would fill much of our budget gap, but probably not all of it; we'd still have a small deficit.
- The outcome of a state budget debate that will be complete eight months from now is very uncertain. We have to be prepared, so I've asked the Deans and directors of administrative units to plan for how they would implement cuts of 2, 4 or 6% in their units.
- As good managers, we have to prepare for the worst, even while we work for a good budget outcome this spring. We won't know until June 2015 what our budget situation will look like for the fiscal year starting July 1, 2015, so we have to be prepared to move fast to implement cuts that assure a responsible budget.

- The uncertainty around state budgets and the prospect of a potentially large cut in University programs is one reason why I plan to discuss with the Regents tuition increases for our out-of-state undergraduate students and for our professional schools this coming June. If we want any new money to invest in new educational initiatives or faculty and staff salaries, we need to find alternative sources of revenue. And of course, if we do not receive additional dollars from the state, an out-of-state tuition increase would simply lessen the cuts rather than add any new money.
- We are near or at the bottom of our peer schools in tuition rates in these areas. This makes no sense given the quality of the education we provide. Indeed, many of the out-of-state undergraduate applicants who turn us down end up accepting an offer at far more expensive schools.
- I want to emphasize, as I've said in other settings, that any tuition increase has to go along with an increase in financial aid, so that we can continue to attract students from all socio-economic groups.
- We're also working hard to make our case for increased state funding. Over this past year, I've met with 110 of the state's 132 legislators as well as other state and local leaders about the needs of this campus and where we are financially,

particularly in light of the base budget cut and the tuition freeze in the last budget.

- I look forward to making a strong case to the Governor and the Legislature to support our budget request, although for obvious reasons no one is paying much attention until after the November election.
- The Governor's budget is usually introduced in mid-February, and the Legislature will finish up its deliberations by about the end of June. Among other things, I think it's crucial for us to ask our friends around the state – our alumni, and particularly business leaders who benefit from our education and research programs – to help us carry the message about how important it is that state support for UW remain strong. We need your help with that.
- I also want to acknowledge all the hard work we did this year to reach a clear agreement on handling our fund balances. We have worked closely with the Board of Regents and Legislature to establish new reporting requirements for balances, and as I mentioned we've spent down our tuition balances to below the levels set by the new policies. Going forward, we will continue to manage our balances in a manner that is responsible and transparent.

- As you know, one of the results of the legislative blow-up over fund balances in the last budget debate was that the Legislature put on hold a proposal that would have allowed us substantially greater flexibility and control over our Human Resources system.
- That hold was lifted last spring and we'll be able to implement the new HR system starting in July 2015. Vice Chancellor Darrell Bazzell, Human Resources Director Bob Lavigna (la-VIN-ya) and their team are working hard to make that happen.

V. Compensation

- A related issue that I know is of interest to all of you is compensation. After three years without a state pay plan, we now have had back-to-back years with one-percent raises.
- For the past two years, we've been able to internally fund some targeted compensation increases for equity reasons through programs like the Critical Compensation Fund. In each of the last two years, we've put almost \$10 million into these targeted salary increases.
- We've talked a lot about whether we can do this again, but the fiscal reality is that we are not in a position to fund a Critical Compensation Fund this year. I am deeply sorry about this, and I

pledge that we will come back to this in the following year if we have any additional revenues.

- We will continue to have funds to retain and recruit faculty and staff who compete in high-demand national markets. This is part of our core mission and we must continue to respond to outside offers and hire top people.
- The irony is, we are at a moment when the degrees we grant have never been more valuable to our graduates and the research we do has never been more important in helping to solve complex problems. Yet the public support for our work is not as certain as it once was, with recent reductions in Federal research dollars and a long-term decline in the share of our budget coming from state tax dollars. So when the world needs our university most, its traditional funding mechanisms are less reliable.

VI. Fundraising Campaign

- We're working to deepen other revenue streams by preparing to launch a major alumni fundraising campaign – the fourth such campaign in UW's history.

- As you know, philanthropy is more important than ever – no major university, public or private, can survive in today’s environment without raising gifts from its alumni and friends.
- We have been working closely all year with the UW Foundation and Alumni Association to set the groundwork for this campaign.
- You'll be hearing more as we move closer to a public launch (probably fall 2015). A multi-year fundraising campaign is not a sprint; it’s a marathon, and we will need to be focused and in sync as we move forward with the public phase.
- All of the deans have been developing campaign-funding plans for their units. These plans will roll up into four larger University-level priorities: student support, faculty support, support to improve the educational experience at UW, both inside and outside the classroom, and support for expanding knowledge through research.

VII. New Budget Model

- I also want to say a few words about what we’re doing to utilize our existing revenue more effectively.
 - As I think you all know, we are designing a new budget model.

Let me be clear: This does NOT have any direct relationship to the budget cuts we might be facing this year. Regardless of our overall budget picture, we need to create a more transparent budget allocation process from Bascom to the Schools and Colleges

- The governance groups appointed a committee of faculty, staff and students last fall to review UW-Madison's budget model and provide a framework for thinking about alternatives. That committee reported back last December, concluding that the time is right to transition to a new model – one that is more transparent, and in which resources move over time as activities change.
- Building on that recommendation, in consultation with the UC, I appointed a committee of faculty, staff and students to advise Darrell Bazzell and me on developing a new budget model. That committee conducted a thorough review of the existing model, examined models at peer institutions, and reached consensus.
- The committee has recommended a model that would establish transparent, objective metrics to drive decisions about allocating some share of our resources for both instruction and research.

- At the same time, we can't allocate everything based on a formula. We need to have some flexibility, so that campus leadership can invest in strategic initiatives or address important campus needs.
- This new model addresses allocation of resources *to* schools and colleges, but not *within* schools and colleges, leaving those decisions to the deans.
- These changes are critical to keeping this institution operating effectively, and I look forward to a robust campus discussion of the new model. The working group paper can be found on Vice Chancellor Darrell Bazzell's web page at www.vc.wisc.edu. We are planning a series of campus forums to which all faculty and staff will be invited to learn more about, and discuss, this new budget model. I'm looking forward to moving forward with this initiative.

VIII. Diversity Initiatives

I want to close with updates on two more critical issues we've been working on over the past year with the help of governance groups and campus partners.

- The first is creating a more diverse and inclusive campus.

- We've looked through the 30 recommendations the ad hoc Diversity Planning Committee made in May, and we are ready to launch the next steps, which will move from general recommendations to specific implementation plans.
- In consultation with the governance groups, we are convening six working committees of faculty, staff and students this fall, charged with developing implementation plans to meet specific recommendations in the Diversity report. These teams will be asked to finish their work no later than early next year.
- I know that many of you have long been working hard on these issues in your own departments, schools and colleges. I appreciate all that you are doing, and I trust that any additional efforts that we take on will advance and complement existing programs.

IX. Campus Safety

- The second issue is campus safety.
 - We are in the middle of a public conversation about how college campuses deal with sexual assault, and the close connection between sexual assault and excessive drinking. The media are rightly focused on how colleges around the

country are responding, and the White House and Congress are both involved.

- As a result, I suspect that two questions are on the minds of both students and parents even more than usual: “Is this place safe? And: Will this university care for my son or daughter?” We have an obligation to students and their families as they join our community.
- That’s why we are focusing a great deal of time and energy on educating the students about the strong correlation between alcohol use and sexual assault and other crimes.
- We’ve instituted a series of programs to educate new students, including AlcoholEDU and an online program called Tonight that addresses sexual assault, dating violence, and consent.
- We also are working hard to encourage a climate where sexual assault survivors feel comfortable coming forward, and know they’ll have access to physical and emotional support. We’ve recently hired in the Dean of Students Office a person with extensive training on investigating sexual assault reports, and University Health Services has also hired a campus-based victim advocate.
- And of course, we all continue to pursue prevention strategies.

- Everybody has a role to play in understanding campus expectations, supporting consequences for those who commit crimes, and creating a safer campus community by being active observers and friends. I look forward to working with all of you on these important issues.

X. Conclusions

- In closing...we face many challenges as we attempt to define what it means to be a great public university at a time when state financial support is more limited and when the public conversation about higher education is often more critical than supportive. But UW has a history of excellence that we can draw upon to face these challenges.
- I am committed to making sure that UW finds ways to not just continue what it's been doing, but to grow and change, to invest in education and research where there are opportunities to do more. I look forward to your help and guidance—and I want to thank you for your hard work and willingness to address the challenges we face. Your dedication helps to keep UW a strong and thriving institution. I am honored to work with you. I'll be happy to take your questions.