Summary

The UW Budget Committee was chartered in summer of 2016. The charge of this committee is to advise the chancellor, provost, academic planning councils, university committee, and relevant colleges and divisional committees on issues of budgetary impact. The committee also has a role in providing feedback to the chancellor, provost, and vice chancellor for finance and administration on budget planning and analysis, such as those carried out by the Madison budget office.

Over the course of its initial two years, the committee has focused on educating its members about the complex budget operations of UW-Madison, improving awareness and transparency of budget issues and effects on the campus community, and providing input on issues related to the implementation of the UW campus budget model, state biennial budget process, financial impact of UW system mergers, capital planning, performance budgeting, tuition transparency, growth of professional master’s programs and campus enrollment, and long-term strategic planning. Emerging issues that the committee intends to monitor include ongoing plans for integration of UW extension, evaluation and modifications that may be proposed to the UW campus budget model, ensuring shared governance input into the budgetary decision-making process, and raising voices from campus unit leaders of unintended negative effects of campus-level budget decisions on the academic mission.

Recommendations

Our primary recommendation is the UW Budget Committee should continue to educate its members and representative units on the budgetary decision-making process. While our initial charter did place an emphasis on playing an advisory role to the chancellor, provost, University Academic Planning Council, University Committee, our current role has been mostly educational. We expect an advisory role to increase in the following year, and specifically seek guidance from the various governing committees (University Committee, Faculty Senate, Academic Staff Assembly, University Staff Congress, Associated Students of Madison) on how they envision future advice to be handled through this committee.

In particular, the committee has identified a set of key recommendations to improve the effectiveness of UW budget committee:

1. Formalize mechanisms for providing advice to the Vice Chancellor of Finance and Administration (VCFA) staff and Shared Governance communities on, for example, proposals and resolutions that have budgetary impact (e.g., graduate student fees)
2. Strengthen the role of the committee in improving campus understanding of the budget process, including improvements in the transparency of information on tuition and allocation, and having committee members serve as “ambassadors” to campus units on budget issues
3. Seek to identify ways to hear from campus constituencies on consequences (especially adverse consequences to the academic mission) arising from the implementation of the campus budget model and budgetary changes/flexibilities
4. Support the ongoing efforts of the VCFA and the UW-Madison budget office to engage with this committee and develop ways to expand that engagement to administrative units involved in UW system priorities, state and federal budget processes, tuition initiatives, capital budgets and planning, salaries and benefits (including retirement plans), and new revenue-generating activities.

Emerging Issues and Future Plans

This is a time of rapid change in the outlook of the financial picture for campus, including several positive developments. However, these developments must be implemented with caution and deference to protect the academic mission and reputation of UW-Madison. Positive developments have occurred with improvement to
the state’s UW budget allocation and flexibilities, support for maintenance and construction, the chancellor’s initiatives in new revenue-generating programs, and salary adjustments after a long period of stagnation and budget cuts.

At the same time, a number of policy changes that arose out of the last biennial budget are a cause for concern. The development of performance-based funding, while potentially effective in some cases to incentivize behavior, may lead to perverse behavior in response to hitting metrics and discourages intercampus collaboration, as the performance funding is budgeted as a fixed pool that is distributed across UW campuses.

The largest change with budgetary impact has arisen internally from the reorganization of the UW system, including several campus mergers and changes to UW-extension. While some of these changes (to UW-extension, for example) are likely to benefit UW-Madison, it is important to closely monitor how these changes influence our campus, in terms of academic program changes, transfer agreements, flow of funding, etc. There is the potential for units being added to the UW-Madison budget that may not be self-sustaining, or units that may need to be streamlined to avoid duplication with existing campus units. This could have both short- and long-term budget implications. Since so much about the merger is still undetermined, including the division of many extension units among UW System and UW Madison, monitoring the budget implications of the merger will require ongoing attention from leadership and this committee.

Finally, campus has made great strides in improving VCFA communication, with clear visuals, for example, in the Budget in Brief, and openness in presentations on the biennial budget request. However, there is a disconnect between decisions made at the administrative level and the direct effects/behavior changes that occur at the level of individual campus units and departments. The committee hopes to invite unit leaders (e.g., deans, directors, and supervisors) to come discuss how budget decisions affect their allocations and day-to-day decision making. Individual units are making decisions about programs, investments, and fundraising that can have significant long-term consequences based on incomplete information regarding the budget model and expectations for future revenue that may not be consistent with the intent of leadership. We are not able to measure the extent of misunderstanding among faculty and staff, but remain concerned information is not being effectively communicated to decision makers.

**Activities**

The following section is divided into subsections spanning multiple meeting agendas, and focuses on core discussion topics that were addressed during the reporting years.

**Budget education and awareness**

The committee has had a steep learning curve. Early meetings focused on information sharing. As we became more informed, the committee realized its members were gaining access to a significant flow of information about budget processes on campus that are often misrepresented or misunderstood across campus. Informally, many committee members found themselves correcting their own units about the nature of the campus budget model, performance budgeting, salary increases, tuition changes, etc. Over the past two years, committee members attended forums (e.g., PROFS budget forum) and informed others on budget issues at other campus committee meetings. It is clear an important role exists for the committee to serve as “ambassadors” of budget focused on issues more relevant to members’ respective communities, thereby extending the reach of brochures and presentations made by VCFA. Thus, we endorse continuing this role, and in particular, encourage identifying and adding committee members who can serve effectively in this role and address budget issues with broader audiences.

**State biennial budget process**

In the state’s biennial budget processes, the Wisconsin legislature prepares and passes a budget every two years for the following two year period. From the University’s perspective, this process starts well in advance of that, with agencies’ budgets due in the fall of the legislative year that the budget is to be discussed. Thus, planning occurs almost immediately after the current biennial budget is put into place (i.e., previous summer).
These requests along with the governor’s agenda are sent to the Department of Administration State Budget Office to develop a budget, which is then presented by the governor to the legislature, usually in January or February. Over the next month, the Legislative Fiscal Bureau then prepares a comprehensive analysis of the bill for the Joint Finance Committee (JFC). In spring, the JFC holds hearings for each agency, including testimony from select agency heads, along with public hearings across the state, that are supposed to wrap up in April. Modifications from this process go into the governor’s bill as an amendment and sent to legislature for vote in each house, for amendment and finally signature by governor. The governor also has a strong (word-level) veto power prior to signing into law.

The UW System budget incorporates budgets from each campus, which is then reviewed by the Board of Regents. As a member of the UW System, UW-Madison follows a similar process and timeline and becomes, in whole or in part, part of the request from UW System as a whole.

The committee learned about various aspects of this process during the last biennium, during which both positive developments (increased funding for UW system, raises for UW staff) and ones that will require careful monitoring (external audits, performance funding, state proposed research centers) arose. Several other areas of concern, such as those involving the retirement system, self-insurance of health benefits, and non-fiscal items affecting academic affairs (“free” speech policy as one example) were removed after successful appeal.

**Performance Metrics and Funding**

The inclusion of performance-based funding in the 2017-2019 state budget created not only a new option for increased funding to UW, but also changes to incentive structures that could have both positive and negative effects on the allocation of resources among UW campuses. The budget committee has reviewed the current metrics and requests, which, in the short-run, are likely to have minimal effects on the academic mission of UW-Madison. However, future changes or restrictions to performance funding options, or shifts of general revenue toward this model, will require careful evaluation of its effect on UW-Madison’s scholarly mission and autonomy and on relationships across all campuses systemwide.

**Campus Budget Model**

The committee reviewed the existing campus budget model enacted several years ago. It is important to note the budget model does not directly affect the state’s biennial budget process or allocation of funds to UW Madison. Instead, it redirects a portion of the funds made available to colleges based on research and teaching metrics. Internally, specific colleges may have their own budget models and “shadow systems” that further divide these funds to individual departments or centers; however, this is beyond the scope of campus budgeting. Still, the committee believes it is worthwhile to hear from campus units about how college-level decisions on campus budget allocations influence the academic mission. At the moment, there has been no proposals floated to either increase this portion of funds subject to the campus budget model or plans to change the model. Should either be proposed, the budget committee expects to be involved formally in providing recommendations.

**Capital Budget and Planning**

In addition to the operating budget, the University maintains a separate capital budget and planning process that includes building renovations, new buildings, major repairs and maintenance to physical plant and infrastructure (e.g., parking lots). The committee seeks to engage in talks with the UW shared governance Campus Planning committee, which helps prioritize campus building projects. In particular, we are concerned about long-term under-investment in maintenance from the state and the growing need for new instructional buildings.

**Professional Master’s Programs**

Growing “131” Professional Master’s programs is a priority for the Chancellor, as a way to attract new students to campus and for generating new and additional revenue for campus. These programs also grow important academic staff positions on campus, while driving innovation and extending the Wisconsin Idea to
new areas of problem solving. The Budget Committee recognizes the Division of Continuing Studies (DCS) plays a vital role in supporting the Professional Master’s programs through funding, program design, and technical support. As campus continues to grow these programs, it will be important to address the areas where these programs place stress on other campus units. For example, these programs increase the number of applications that the Graduate School needs to process, thereby increasing the already demanding workload of the Graduate School admissions office. The Budget Committee will monitor and provide campus guidance on the many benefits and the potential effects of these Professional Master’s programs as they continue to grow across campus.

Academic staff issues
Leadership in Academic Staff are pleased with the 4% pay increase plan approved in the recent biennium budget. Moving forward, one area where Academic Staff leadership will pay close attention is the UW-Madison/UW-Extension merger, to understand the potential implications for academic staff that result from the merger. Additional issues on bridge funding for academic research scientists in an era of more volatile federal research funding were also discussed as emerging issues.

Extension merger
As mentioned earlier, one of the largest changes to the UW-Madison budget will be the proposed merger of components (though not all) of UW Extension. Planning for this is underway starting in summer 2018, though many aspects and specific unit transfers are to be determined. The budget committee met with Casey Nagy, who is shepherding the committee on the merger at UW System. If done properly, the upsides to this in terms of the reach of campus, restoring its mission embedded within the Wisconsin Idea, and opportunities for fiscal efficiencies are many. The committee intends to follow developments here closely at the start of the next academic year.

Tuition transparency
The committee recognizes the need for individuals to have continued access to, and more transparent, data on how UW-Madison operates its budget. Tuition is the most obvious form of income for the university, and its payers are the most important reason for the existence of the university. Therefore, the committee feels it is necessary to have more transparency around the 101 fund that houses tuition. With help from the budget office, we now have access to data that details actual 2016 expenditures in full for the 101 fund. This information is crucial in helping students better understand where their money goes and will be made public online on the Associated Students of Madison (ASM) website. Goals to make this data accessible on other university sites is a continuing goal in progress.

Student fees budget
The student segregated fee is paid by all enrolled students. This fee currently exceeds $600 per semester and is one of the largest for graduate students across the Big Ten. The fees include both allocable and non-allocable components. The non-allocable portion is 85% of the total, contributing to the Wisconsin Union, Rec Sports, University Health Services, and servicing building projects. The remaining allocable portion funds the student bus pass, grants for student organizations, WSUM student radio, and the ASM operating budget. It also supports the General Student Service Fund, which provides funding for student organizations offering services not otherwise available at UW-Madison. Last year, the Joint Finance Committee in the Legislature eventually removed a budget proposal to allow students to opt out of the allocable portion of the fee. More recently, the Board of Regents approved recommendations from a Segregated Fee Committee which developed uniform standards for allocable and non-allocable fees across System. In spring 2018, the Teaching Assistant’s Association (TAA) passed a resolution seek full remissions of fees for all graduate workers. Further, the resolution seeks alterations to lump-sum nature of payment in advance of first monthly paycheck for graduate assistants. A circulating petition gathered over 1,000 signatures, which is more than one-third of all graduate employees. The budget committee has had limited discussion on this topic but seeks to take a more active role in provide advice on budget implications of any proposals or resolutions on fees, to improve decision making. The committee
believes it should be the home for analysis of resolutions with budgetary impact proposed by governance bodies.

**Financial performance and challenges for growth**
The UW-Madison Chancellor expressed strong interest in growing UW-Madison’s campus, through increased enrollment in a number of sectors, including out-of-state and international students (partly driven by changes in the allocation of in-state students from a percentage to a fixed number), the Badger Promise program to support more diverse and low-income students, growth in online and extension options, and development of professional master’s degrees. At the same time, long-term commitments of state funding of UW system in an era of flat tuition revenue and volatile federal research funding, provide a more mixed outlook, especially when compared to recession recoveries of public universities among our peers. Clearly, innovation that grows revenue while protecting and enhancing the academic mission are needed. However, challenges due to uncertainty about long-term funding from the state, costs that arise out of rapid growth, attrition and loss of high-quality faculty to other institutions owing to salary compression, and changes in academic freedom policies all place large risks on maintaining a world-class institution.

The VCFA has engaged in a strategic planning process, meeting with various units and colleges, and identifying key areas to maintain a healthy budget. The budget committee supports this revamped process, in addition to new benefits from improved technology for budget planning. The budget committee seeks to be a partner in this process, as a place where units, planning councils, and senates can express ideas, concerns, and proposals.

**Summary of Agendas**

**Academic Year 2016-2017**

Sept 7, 2016:
- First meeting. The Committee identified a broad charge, & recognized a two-way goal involving creating shared governance expertise coupled with dissemination of information out to other committees & campus units.
- Budget cards & the “Budget in Brief” document was provided to the committee along with an overview on common language & foundational concepts related to the budget: “Budget 101.”

Sept 14 2016:
- Wisconsin State Budget Forum was held.

Oct 5, 2016:
- Desai met with Heller & Norris to discuss structure of committee, upcoming agenda planning, & meeting facilitation.

Oct 19, 2016:
- Campus financial structure was covered along with follow up questions from Sept. 7, 2016 meeting
- Overview of WI State budget process & UW System provided
- Overview & background provided for the new UW-Madison budget model

Nov 29, 2016:
- Updated Committee on current budget issues, & news
- Recap & conclusion of campus financial structure & budget
- Overview of WI State budget process & UW System provided
- Overview of tuition planning

Feb 22, 2017:
- Addressed & discussed Governor’s budget proposal
- A pre- & post-comparison of UW-Madison’s new budget model provided by T. Norris, Budget Office
- Discussed the ASM Budget Transparency Resolution

Mar 16, 2017:
- PROFS Budget Forum, Desai attended
Apr 28, 2017:
- State budget update provided by VCFA Heller & Budget Office, Norris
- Discussion related to re-investing in UW-Madison presented by VCFA Heller

**Academic Year 2017-2018**

**Sept 20, 2017:**
- Discussed nominations for & selection of the 2017-18 Committee Chair
- An update was provided on the biennial operating & capital budget
- Reported on priorities from the Academic Leadership Summit
- Case studies update related to how budgetary matters affect units
- Discussed items for this year & long-term planning

**Oct 25, 2017:**
- Presentation on Professional Masters Programs at Nelson Institute for Environmental Studies
- Reviewed & discussed segregated fees

**Nov 29, 2017:**
- Presentation by Casey Nagy (guest), Consultant of General Education Administration on UW Extension merger
- VCFA updates
- Discussion related to encouraging innovation on campus & innovation sub-committee
- Discussed annual report/letter to Administration

**Feb 28, 2018:**
- Provided with Budget in Brief (2017-2018)
- Capital budget & planning presentation provided by D. Darling (guest), Assoc. Vice Chanc of FP&M
- Update on financial performance & investments
- Discussed annual report/letter to Administration
- Discussed performance metrics presented by Jocelyn Milner (guest), Assoc. Vice Chanc of General Educational Administration

**Apr 4, 2018:**
- The Budget Committee used this time as a working session for drafting the Annual Report

**Apr 25, 2018:**
- Meeting was canceled

**May 10, 2018:**
- Discussed progress & next steps of the Budget Committee’s Annual Report
- Discussed potential of nominating a Co-Chair before September 2018
- Updates by VCFA Heller
  - Presented the Finance & Administration Strategic Plan & involvement from Budget Cmmt
  - Changes to new budget system - modern cloud-based system
- Discussed potential work beginning in the Fall 2018

**Members and Visitors**

The Budget Committee membership consists of the following members, to serve staggered terms of four years, except that student terms shall be two years and initial terms of all members shall range from one to four years to create a staggered rotation.

1. Four Faculty members,
2. Two Academic Staff members,
3. Two University Staff members,
4. Two Students, to include both graduate and undergraduate students,

Ex Officio, non-voting members: Campus Budget Director, Chancellor or designee, Provost or designee, and Vice Chancellor for Finance and Administration or designee.
### BUDGET COMMITTEE MEMBERS

#### 2016-17

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**VISITORS**

- David Darling -> Facilities planning, Capital budget
- Jocelyn Milner -> Performance metrics
- Casey Nagy -> Extension merger

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**UW-Madison Fac Doc 2798 — 4 February 2019**