Beyond the Ivory Tower

How to Get the UW System More Involved in Ground-Level Economic Development

By Charles Sorensen Ph.D, with Michael Flaherty
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President's Notes

Despite high state and local per capita government spending on its various four-year, two-year and technical college systems (ninth in the country\(^1\)), Wisconsin trails much of the rest of the nation in key economic indicators such as new job creation.\(^2\)

Simply put, the state's mediocre economic growth doesn't reflect its outsized investment in higher education — a fact that begs a pivotal question at a critical time:

How can Wisconsin's publicly funded universities, particularly those four-year schools outside Milwaukee and Madison, more effectively fulfill their mission to help grow the state's regional economies, foster job and business growth, and increase prosperity throughout the Badger State?

While most of the white-hot political debate about the University of Wisconsin System focuses on funding levels right now (as it often does in budget years), we hope legislators, regents and UW System leaders will consider this more fundamental and, we believe, important issue as they decide how to move Wisconsin into the decades ahead.

Recently retired UW-Stout Chancellor Chuck Sorensen, the author of this report, is uniquely qualified to help show the way. Sorensen spent 26 years at Stout, Wisconsin's "Polytechnic University." The system's longest-serving chancellor at the time of his retirement last year, he has more direct experience in how the interaction between academia and business actually happens — and why it often doesn't — than perhaps anyone else in Wisconsin. Sorensen launched manufacturing, plastics and computer engineering programs. He pushed an applied-learning approach that focuses on career training. He was instrumental in opening the Stout Technology and Business Park, which has had an estimated $232 million economic impact.\(^3\) He launched the Discovery Center, which uses faculty, staff and students to help business and industry solve problems and create jobs. And he started the Cooperative Education program, which gives students applied learning opportunities.

UW-Stout is unique. Not every campus can, or should, be a replica. But among the 11 smaller four-year campuses, Stout is furthest along in “tech-transfer” and “second-stage” business development. It is the logical starting point for any effort to better understand how these campuses can succeed and why they too often fail.

The former chancellor has argued for fundamental reform once before. Almost 20 years ago, in 1996, he proposed transforming UW-Stout into a charter university with greater flexibility to raise and spend money, hire faculty and set tuition. In exchange, the campus — as part of a proposed 10-year test — would have been held accountable for student performance, faculty retention and cost to taxpayers. His request fell on deaf ears. Strident faculty opposition resulted in the idea being shelved, and Sorensen came very close to losing his job.

Even so, he is no stranger to places where public universities are successfully and largely independently managed. Early in his career, he was a dean at Grand Valley State University in Allendale, Mich., which is managed by its own board of directors and has considerably more latitude over programs, investment in new education and teaching technologies — as well as responsibility at the campus level for education and economic outcomes — than any of the UW System schools. Both the structure in Michigan and a new higher education model in Oregon, where bipartisan reforms initially pushed by Democratic lawmakers and supported by the state's business leaders are now being implemented, are worth emulating in key ways.\(^4\)

This paper has a relatively narrow focus. It does not attempt to analyze the role of the UW-Extension or Wisconsin's technical colleges in economic development. Nor does it examine overlap between the state's higher education systems and the extent to which that is responsible for Wisconsin's much-higher-than-average higher education spending — important topics for another day in the near future. Beyond the Ivory Tower is, in essence, a case study focused on the four-year campuses, on what works at the grass-roots level and what doesn't, and not just at UW-Stout.

This is more than Sorensen's perspective. As part of the report, Mike Flaherty — a veteran writer involved in Wisconsin public policy and communications for decades — interviewed at least a dozen chancellors, regents and UW System and business leaders who, while they often declined to be quoted directly, largely echoed Sorensen's key findings.

The crux of the report is simple and borne of common sense. Regional economic growth can effectively occur only through university interaction with the private sector that stems from management and revenue flexibility as well as accountability at the campus level. Sorensen and Flaherty provide a blueprint for how legislators, regents and UW System leaders can, should and — if Wisconsin is to make the most of its enormous investment in higher education and truly move forward — must make that possible.

Mike Nichols, WPRI President
# Table of Contents

- Executive Summary ................................................................................................. 2
- The UW System ........................................................................................................ 4
- UW-Stout .................................................................................................................. 5
- Oregon — A New Model .......................................................................................... 6
- Nuts and Bolts of University Involvement in Economic Development in Wisconsin... 7
- The Role of the UW System and Regents ................................................................. 14
- Conclusion ............................................................................................................... 16
- Endnotes .................................................................................................................... 17
- About the Authors .................................................................................................... 18
Executive Summary

An enormous political controversy is swirling around how the University of Wisconsin System and its 26 campuses are funded and managed. Will the system in any way be allowed to operate independently of the Legislature and the executive branch? At what level should taxpayers fund the system, with its 180,000 students and almost 6,900 faculty members?!

But there’s a broader issue that is, by most measures, far more important to Wisconsin’s future: how to expand the campuses’ role in helping build the state’s economy.

This is not a new or partisan concern. University involvement in the state’s economic well-being is a founding principle of the Wisconsin Idea — a term coined in the late 19th and early 20th century. The system’s mission explicitly includes extending “knowledge and its application beyond the boundaries of its campuses.”

The largest campuses in Milwaukee and Madison, the two that award virtually all of the UW System’s doctoral degrees, traditionally have been the most focused on this. But the other 11 four-year campuses are also specifically charged with supporting “activities designed to promote the economic development of the state” — an oft-overlooked fact.

Composed of 13 four-year universities, 13 two-year campuses and the statewide UW-Extension, the UW System has an annual all-funds budget of more $6.1 billion — including over $1.2 billion from state taxpayers.

Including private and federal research dollars as well as tech college spending, Wisconsin ranks ninth in total higher education spending per capita — an enormous investment for a state that is lagging in job creation and below average in both the percentage of the population with bachelor’s degrees and per capita income.

The tools that the UW campuses require to better fulfill their mission to foster economic growth are dramatic in scope and simple in principle.

Economic development is inherently a local and regional challenge. The 13 four-year campuses serve every community in the state. Chancellors know their faculties’ strengths; they know their regions’ businesses and industries; they know their regions’ economic development needs. To succeed, chancellors require managerial flexibility to build campus efforts and facilities to meet those needs. That means creating classroom and internship experiences that their local markets demand, providing the applied research to help solve problems and develop new products and systems, and deploying faculty and resources for the professional outreach and economic assistance their regions require.

Success in economic development statewide means thousands of ideas, partnerships and cooperative efforts, none of which can be created or managed very well from Madison.

The cultural and managerial changes this would require are enormous. Currently, the UW System is run as a top-down system with key managerial and leadership decisions made in Madison by the UW System, the UW Board of Regents, the state Department of Administration and elected officials. The system’s managerial culture is bureaucratic, risk-averse and very slow. That discourages creative problem-solving and innovative thinking on campuses. It hinders the development of business-faculty partnerships and facilities to address and solve problems and create new products and businesses. In some areas, it hails creative thinking altogether, as the system’s bureaucratic weight is simply too burdensome to overcome.

Ironically, none of the options recently batted about — including the creation of a public authority — addresses the problems with that top-down culture. The solution is not to replace one central authority with another one. What is truly needed is a localized form of oversight — local boards of directors — overseeing each campus.

The regents and the system must remain important partners. They must play the critical roles of hiring chancellors, laying out goals and expectations for success and, most importantly, holding chancellors accountable. Regents and the system should provide centralized management systems, such as payroll and information technology, and they should retain a partnership stake in ensuring basic coordination of missions among the campuses. (The state doesn’t need four medical schools, for example.) They should help campuses form clusters of excellence in which specialized faculty from several campuses can pool their resources and expertise.

But if the regents, the system and the Legislature truly value entrepreneurial management of the campuses, it can be done only if individual chancellors are allowed to manage entrepreneurially. In sum, they need more flexibility in how they manage and raise revenue and must also be held accountable for outcomes — i.e., specific successes or failures. They should be given the latitude to function more as chief executive officers and less like provosts.
More specifically, in order to help the UW System better fulfill its mission to help produce economic development, elected officials and regents should:

- Appoint a local board of directors for each campus. This would be done by regents, the governor and local leaders. Boards would include local business leaders.

- Ensure that local boards are holding chancellors accountable for success by providing campuses with systemwide standards to set goals and measure performance.

- Decentralize control over key management areas, including capital projects — especially those built with private funds or cooperatively funded projects such as laboratories. This in turn would provide campuses more authority over their fee-funded projects to improve the efficiency of the construction process.

- Give individual campuses more latitude to create and expand popular programs that engage students and professors in tech-transfer and second-stage economic development. Similarly, give them the authority to eliminate programs with little market demand or academic value.

- Reform shared governance. More precisely, define the academic role of faculty management and the role of chancellors, deans and the system in managing the campuses.

- Expand criteria for granting tenure and compensation and further study how and when tenure is used. Review faculty tenure every 10 years to ensure that faculty members are still pursuing their research, academic and, where appropriate, tech-transfer and business missions.

- Protect basic research.

- Give chancellors (with oversight) broader authority over faculty, hiring and compensation on their campuses.

- Establish a formula under which each campus contributes a part of its tuition dollars to the system for equalization purposes and to fund programs requiring special subsidies. But allow chancellors the ability to set the price of their campus’ tuition — including tuition for high-cost/high-value programs.

- Give local campuses expanded latitude to attract private investment and convince local businesses and investment of the potential return on that investment.

- Set up firm, objective metrics that can be used to measure the economic impact of each campus and to hold chancellors accountable.

- Invest in regional communications efforts to help build relationships with local business leaders, taxpayers, critics and others.
The UW System

The idea that our universities should play a key role in economic development is, essentially, a cornerstone of the culture and history of UW-Madison. The campus was created in 1848 and, under the Morrill Act of 1862, became Wisconsin’s federal “Land Grant” university with a mission to help farmers, small businesses, homemakers and cooperative industries grow from a near-subsistence agrarian economy into today’s modern economic force and food production system. In fact, some historians still view the creation of the Land Grant system as one of the most successful economic development models in world history.

UW-Madison is still an enormous engine of economic growth and development. It is heavily engaged in basic research, applied research and interactions with industry and business. UW-Milwaukee is much smaller in its economic development efforts but is rapidly growing. The two research universities and UW-Extension are home to thousands of basic and applied research efforts. Both campuses also feature dozens of campuswide, collegewide, departmental and program efforts to spur entrepreneurship among students, train future business leaders and help researchers create new businesses or advance their ideas from the lab bench to the marketplace. Those efforts include quasi-university efforts such as UW-Madison’s University Research Park, UW-Milwaukee’s Innovation Campus research park, UWM’s Milwaukee’s Great Lakes WATER Institute, dozens of federal/state laboratories and, last but not least, the Wisconsin Alumni Research Foundation — a UW-Madison-created organization with assets now topping $2 billion.

In short, the Wisconsin Idea is already tightly stitched into the fabric of UW-Madison, the Extension and, increasingly, UW-Milwaukee.

The challenge for the system is to broaden that foundational culture to all its campuses — Eau Claire, Parkside, Green Bay, Stevens Point, La Crosse, Oshkosh, Stout, Superior, Platteville, River Falls and Whitewater. When the Wisconsin Idea was formulated, the 11 non-research campuses were, for the most part, normal schools created to train teachers. Today, they’ve grown into comprehensive institutions with scopes and missions similar to many of the nation’s top universities offering letters, sciences and arts curricula.

All told, the system employs nearly 7,000 Ph.D.-holding professors, associate and assistant professors who are worldwide experts in fields ranging from chemistry and physics, to foreign languages and literature, to environmental and water resource studies, to industrial and business processes and management. More than half of these professors work at the 11 four-year campuses outside Milwaukee and Madison.

That talent and those intellectual assets on those 11 campuses are badly underutilized. The campuses and their faculties could be much more involved in their local and regional economies — working with local businesses, industries and economic development specialists in technology transfer, second-stage economic development, industrial process applied research and development, and business consulting, especially in new product development, market research, export assistance and business management. The campuses are perfectly positioned geographically and intellectually to work with businesses and industries in every community around the state.

The reasons they are not more involved are historic and cultural. The management structure of the system combined with the faculty cultures at these institutions are in many cases rooted in their teaching and academic research mission, not the third leg of the Wisconsin Idea: working to improve Wisconsin’s economy and society.

To be clear, all of the 11 four-year campuses are engaged in some forms of economic development outreach, and there are strong examples around the state of important economic and industry successes. Almost every campus has — or is building — a regional economic outreach and partnership effort, and many of the campuses have several. But with the exception of UW-Stout, the economic development mission is generally not valued as part of the academic culture. In general, faculties at those campuses face substantial obstacles and disincentives if they devote too much time to serving as industry specialists, business consultants or strong players in regional economic development. In some cases, even at UW-Stout, those obstacles are firmly rooted in the faculty culture itself. In others, the obstacles are systemwide — and they’re onerous.

Expanding the economic development function of the 11 campuses is not a new idea. The regents have formed at least two committees devoted to expansion of local campus involvement in their local economies. The relatively new UW System president, Ray Cross, is former chancellor of UW-Extension and is committed to greater engagement of faculty in economic development. But while local campus managerial freedoms have been discussed, the control of system administrators who manage these campuses from Madison has not noticeably changed and in some ways has only grown stronger and tighter.

A fundamental management and cultural shift is required to allow those campuses to more effectively assist Wisconsin in its quest for social improvement and economic success.
UW-Stout is arguably unique because it was founded to offer education and training in highly specific management and technology areas required by business, while at the same time providing students with a four-year, comprehensive university education. The campus, in Menomonie, is heavily focused on tech-transfer and second-stage business development for growing companies. Stout generates economic value by assisting existing companies in adapting new technologies; developing new products; conducting market research; and improving production and processing systems.

This is essential because new jobs often are created by businesses that are growing and expanding, not startups. At any rate, because the 11 campuses do not have the research resources that Madison and Milwaukee have, they always will be less able to translate new research into brand new businesses. The best bang for the buck for university economic assistance at those smaller four-year campuses isn’t in helping create new companies but in leveraging university expertise and research to help existing area businesses and industries compete, grow and expand.

The tools UW-Stout created to further that mission are instructive. The Stout Technology Park was launched in 1990 to help directly involve faculty and students with businesses. The Discovery Center, with a budget of $18 million, helps faculty members apply for federal grants from, for example, the National Institutes of Health and the National Institute of Science. It also serves as one-stop shopping for businesses and industries looking for help solving problems. It is a critical educational tool for involving students in developing — and implementing — solutions for industry, manufacturing and business.

The other four-year campuses cannot — and should not — become copies of UW-Stout. But they all have specialized missions that could be greatly expanded.

They all have versions of small business centers or business incubators, which provide regional economic development outreach in a variety of disciplines and industries — and those efforts are growing. But the structure of Stout’s campus curriculum and its heavy commitment to economic development are nonetheless instructive on how universities can play a greater role in second-stage business development. Equally important, although Stout is focused on and has been successful in its mission, even that institution faces serious managerial obstacles to success that either have to be managed around or confronted directly.

In some cases, the restrictions are top-down. The UW System administration has grown over time to become a micro-manager of the smallest details of campus investment and activity, such as the use of student fees to improve buildings or offer a new program requested by an industry partner. In other cases, the obstacles come from the executive branch’s Department of Administration, which imposes state agency rules on hiring, salaries, use of tuition dollars, and campus construction and facilities improvements. In some cases, the Legislature involved itself in decision-making for reasons that many times seemed to have little to do with academic success or economic growth.

This is already changing under the current Board of Regents and President Cross. But if past is prologue, this effort will stop well short of giving the campuses the tools they need to succeed in helping build and transform Wisconsin’s economy. The current budget proposal to freeze in-state tuition combined with the Legislature’s apparent wariness about granting flexibility in management of the UW System are examples of top-down management that undermines local flexibility and entrepreneurship that are essential to regional economic growth.
There is no perfect management solution for organizations as complex as institutions of higher learning. But several states — including Oregon — are finding success in returning the management of local campuses to local leaders.

The state of Oregon, with 98,000 college students, started looking at reforming education five years ago in the midst of a $577 million state budget shortfall that threatened to swamp the university system.\(^7\) State allocations to Oregon’s public universities had been shrinking year by year, and the University of Oregon, for example, was expected at the time to cover less than 7% of its costs from state funding.

The Oregonian newspaper warned then that the state could not afford a repeat of the 1990s, when tuition increases “priced thousands of students out of higher education and led to the first generation of Oregonians with lower college attainment than their parents.”\(^9\)

“This state cannot go on choking the life out of its universities, sweeping away tuition revenue in tough times, diverting interest earned on tuition to other services and smothering institutions with thousands of line-item demands,” The Oregonian editorialized.

Oregon adopted sweeping education reforms in 2011 that made its university system more independent from state bureaucrats.

The reforms had broad bipartisan and business support. Democrats in the Oregon Legislature, led by then-Gov. John Kitzhaber and Democratic Sen. Mark Hass, pushed for them. The state’s four biggest business groups backed the changes, arguing that an innovative approach was needed to produce the highly trained work force that the emerging global economy demands.

The reforms are shifting the governing structure of the state’s seven public universities from a state agency known as the Oregon University System to an individual board of trustees at each university that now will have more control over revenue and spending.

One key result: The universities, not a state agency, get to decide how much tuition to charge and how tuition revenue is spent. In the past, that state agency regularly siphoned off funds — as much as $33 million in 2009 — to balance the budgets of other state agencies.\(^11\)

Supporters of the independent university board structure argue that the change also will help bring in more private donations to cash-strapped universities and allow the schools more flexibility in areas such as construction and real estate projects.

The Oregon reforms are a work in progress.

The Oregon University System’s chancellor’s office and the Oregon State Board of Higher Education — the bodies that oversaw the state’s public universities for the past 83 years — are closing their doors at the end of June as part of the reforms. A new Higher Education Coordinating Commission and the newly created individual boards at each of the state’s seven public universities will take over.

Governing boards at the state’s three largest universities — Oregon State University, Portland State University and the University of Oregon — officially took over at those universities on July 1, 2014. Boards at the state’s four technical and regional universities are scheduled to take charge of those universities July 1, 2015.

Supporters of the reforms say it is too soon to assess how well the changes will work. But Matt Donegan, who was president of the now-dissolved State Board of Higher Education, told The Oregonian’s online paper, Oregon Live, that campus-based boards can adapt to the needs of students and the state’s work force more quickly than a state agency based in the state capitol.\(^12\)
A sweeping shift in both culture and management is necessary, and changes are essential in everything from hiring and deployment of faculty to authority over tuition, curriculum, shared governance, tenure and communications.

Management at the campus level: When it comes to spending money, the current UW System/campus spending controls and oversight are charitably described as a bureaucratic nightmare. To some extent, this is already being addressed by the Legislature, the regents and the UW System. It’s also the reason for discussion of a “public authority” that would allow the system to no longer be considered a state agency for management purposes.

Still, reviewing the way the system has operated is instructive and helps illuminate why change is needed, why it’s happening and why it needs to be complete and dramatic.

The system is considered a state agency for most major administrative functions, which means the Wisconsin Department of Administration, a cabinet-level agency, is in charge of determining construction contracts, establishing all job categories and respective salary levels, and overseeing major functions such as human resources and information technology.

It’s difficult to follow this management and oversight process without a map. The Department of Administration manages the system and reports to the governor. The Board of Regents oversees the policies, funding and program decision-making by the UW System administration, which manages critical components of the 26 campuses. The Legislature has legal authority over all university functions, including the amount of taxpayer money the state contributes to the system and the tuition the system charges. Finally, the Legislature also appoints members of the State Building Commission, which oversees the management of capital projects on each campus managed by the Department of Administration. This means every building, parking ramp, facility expansion or upgrade on the 26 campuses must be approved by the regents, the State Building Commission and the Legislature. And, once approved, campuses must pay the Department of Administration for every service it provides.

As a result, more than one chancellor has said that it can take more than a decade to plan and build a new facility and that such projects cost as much as 15% more than they should. Stout’s science building took 12 years to build. Renovation of Stout’s Harvey Hall took over a decade, and renovation of the hall’s auditorium took nearly two decades. The UW System required that schools submit master plans, which Stout did at a cost of approximately $180,000. The plan — an example of the unnecessary hoops campuses must jump through — was nearly useless, however, because it called for two new academic buildings by 2020, something that cannot happen under the current process.

Michigan’s public universities, managed individually, can plan and build in half the time and at lower cost. In rare cases in which Wisconsin campuses have strayed from Department of Administration oversight, such as a new dormitory at UW-Platteville, the process was faster and less expensive here, as well.

Central oversight of all capital projects also has hindered private-sector investment and cooperation. Often, businesses and industries are interested in joint projects to help the various campuses fund projects, such as laboratories and building additions, to enable expansion of applied research and development in specific program areas. But state rules and restrictions make those projects so complicated that many businesses simply walk away. That’s a loss for the campus, for students and faculty and for the state’s economy.

To be successful in economic development, the campuses at the very least must have specific managerial freedoms to work with business and industry to develop and build these projects. Campuses also would benefit from expanded managerial authority for construction and improvement projects involving campus-generated funds such as student housing fees and parking fees. It takes years just to build a parking ramp, even though the structure is financed completely through local parking fees.

A central authority should retain central planning responsibilities over major new classroom and research facilities. And it should insist on strict design standards for all projects in order to avoid a repeat of the 1970s campus building boom that resulted in hundreds of poorly built, architecturally embarrassing structures. But many capital projects are best managed on the campus themselves.

The current freedoms have been moved from the Department of Administration to the UW System but not to the individual campus level.

Recommendation: Further decentralize down to the campus level control over key management areas.
including capital projects — especially those built with private funds or cooperatively funded projects such as laboratories. Provide more authority over campus-fee-funded projects in order to improve the efficiency of the construction process.

Academics: On all campuses, programs and curricula are occasionally evaluated and revised to meet the changing needs of society, new businesses and professions. For guidance, successful campuses rely on committees consisting of faculty as well as private-sector professionals well-versed in the rapidly changing needs of business and industry. That cooperation is a major reason UW-Stout graduates have a placement rate of 97%, for example.

Still, the individual campuses are struggling with central administration rules — and to some extent faculty culture — that hamper their ability to create or restructure programs to directly address the needs of their rapidly changing and evolving economic regions.

For example, UW-Stout did a needs study that found its region badly needed a new mechanical engineering program. It took three years to approve — and only after the system did a needs study of its own. Stout’s advisory board of directors also knows the region has a strong demand for more electrical engineers. That program was never approved, mostly because of objections by UW-Madison, Milwaukee and Platteville, which already have engineering programs.

“Reductions in state funding require campuses to be more entrepreneurial,” said retired UW-Whitewater Chancellor Richard Telfer. “But the rules keep getting tighter, making it more difficult to do so. If we’re successful and can attract students to the programs we offer, wouldn’t it make sense for the chancellors to allow the marketplace to sort this out — to expand popular programs and let others fail that aren’t successful?”

Recommendation: Give campuses more latitude to expand or create programs and classes that engage students and professors in tech-transfer and second-stage economic development, and eliminate those with little market demand or academic value.

Shared Governance: Wisconsin is the only state that includes “shared governance” in a state statute, according to UW System President Cross. The statute (Chapter 36.09) is broad and vague, giving faculty authority over all things deemed academic.

Gov. Scott Walker’s budget proposal eliminates that portion of the law and creates an opportunity to reshape shared governance. This needs to be done carefully to protect the unique management model that has many strengths, including the ability of faculty to help identify and recruit other top faculty from around the world. It would be a mistake to entirely shelve shared governance.

At the same time, faculty culture needs to grow and adapt. Faculty tend to remain skeptical of colleagues who are seen as working for the private sector, focusing their research to assist one company or leveraging university assets to help create winners in a capitalistic economy. That skepticism hinders the willingness of other faculty to participate in these efforts and can hamstring chancellors trying to promote and incentivize such participation. Shared governance also can impose serious restrictions on the ability of campuses to adapt new education technologies or engage faculty in off-campus activities and reward them for it. For example, UW-Stout’s highly successful plan to provide each student with a pre-programmed laptop was delayed a year because one campus Senate faculty member simply didn’t like the idea.

No organizational management can function effectively in that environment. In the private sector, corporations don’t halt entire initiatives because one member of the board of directors doesn’t like them.

The Wisconsin Idea mission statement is clear: The state’s universities and their faculty exist to serve Wisconsin society and its improvement. If shared governance is to be preserved, faculty oversight and management need to be more finely tuned to allow fellow faculty to play a much stronger role in their regional economies.

Recommendation: Rewrite shared governance rules to more precisely define the academic role of faculty management and the role of chancellors, deans and the UW System in managing campuses.

Tenure and teaching loads: Much of the UW System’s talent and expertise at the 11 non-research state universities is undervalued and underutilized. To address this, faculty members with unique expertise need to be freed up to become more involved in economic development and industry tech transfer. This doesn’t mean all faculty members on every campus should be engaged in economic development. In fact, many faculty members have neither the desire nor the skills to build economic development relationships in the private sector.

But where there is a match, chancellors must be able to manage for cooperation and participation.

One of the obstacles to success among all 26 campuses in economic development is the lack of academic or financial incentive or reward to expand efforts by faculty
beyond the laboratory or classroom. At UW-Stevens Point, faculty in the Natural Resources Department are some of the world’s leaders in paper-making research and technology. But their paper industry outreach work is generally considered community service, not something important to the research and academic criteria being used to determine tenure and salary increases. That’s true even if their work produces patents that generate millions of dollars and hundreds of new jobs.

There is no need to dismantle the tenure system, which is integral to protecting academic freedom and critically important to chancellors and system administrators who utilize the expertise of their faculty to judge the intellectual and academic contributions of their departmental peers. But tenure is already a flexible concept, implemented differently among campuses and departments. This flexibility should be broadened, where possible, to include measures and rewards for significant faculty contributions to Wisconsin’s business success and economy.

And tenure should be reviewed every 10 years to ensure that faculty are still pursuing their missions in research, academics and, where appropriate, tech-transfer and business.

**Recommendation: Expand criteria for granting tenure and compensation, and further study how and when tenure is used. Review tenure every 10 years.**

**Oversight and accountability:** Local, entrepreneurial management of the UW System campuses also means local oversight and accountability.

The system would best serve its campuses and the state by taking on an oversight function while leaving key local management decisions to the chancellors who live and work in their regions. Chancellors, at the same time, should be responsible to local boards of directors who would be directly responsible for overseeing their local institution.

Regents and the governor — along with local leaders — should appoint these local boards of directors for each campus. These boards would, in turn, set tuition; approve creation, expansion or elimination of programs, and evaluate chancellors’ performances. The system would determine metrics for hiring and evaluating chancellors and oversee those local boards to ensure the campuses are part of a system that works toward statewide goals of student outcomes, academic research (and applied research) and economic outreach — the three pillars of the Wisconsin Idea. Each regent would be assigned to one campus to ensure direct communication and contact with the entire board.

The local boards of directors should include local business leaders focused on the goal of using university assets and personnel to help foster economic growth.

Metrics for success could mirror the 1996 proposal to convert UW-Stout into a charter institution in which the chancellor would be required to work with the advisory board of directors to establish measurable metrics including enrollment, private fundraising, strategic program development and review, and qualitative managerial metrics such as those outlined in the Malcolm Baldrige National Quality Award. Metrics for success would be linked to salary, bonuses and the continuation of the employment contract.

There are 70 public and private colleges and universities with over 300 students in Wisconsin. Local board control — and competition among all those schools for students — would bring a number of important improvements to the management of each campus, forcing each campus to sharpen its mission, which, in turn, would focus each campus’ programming and its unique brand for national marketing purposes.

Local boards also would increase local campus’ connections locally — and statewide.

In Michigan, for example, local board members assist in local economic development outreach to area businesses and industries, fundraising and lobbying as its well-connected local leaders help ensure their university’s value is well-communicated and well-understood in the Legislature.

**Recommendation: Regents and the governor — along with local leaders — should appoint a local board of directors for each campus. Directors should represent local businesses and economic leaders.**

**Faculty hiring and retention:** UW-Stout recruits faculty members who are already highly engaged in tech transfer — Ph.D.s focused on highly applied research or on solving industry problems involving production efficiencies or new applications for existing technologies. The school seeks out those willing and able to engage with professionals in their fields of expertise, and who already have relationships within those industries and professions. It seeks faculty members who create new ways to engage students in the process of developing and implementing solutions with business partners — a highly valued learning tool and one of the best ways to ensure jobs for graduates.

All chancellors know that their campus’ success in economic outreach and development (forestry, health care, dairy, engineering, etc.) is intricately woven into
their ability to attract and retain world-class specialized faculty members who value relationships with private-sector businesses and industries in their fields of expertise.

But the individual campuses are struggling with central administration rules and funding structures that hamper their ability to compete for key faculty members and incentivize them to help build the state’s future economy and culture. Currently, the system oversees hiring using state employee job classifications and human resources rules that can restrict the salaries chancellors can offer recruits or use to reward high-performing faculty and staff they want to retain.

This has been changed so that the system’s human resources functions are now managed by the system, not the Department of Administration. But while that’s an extraordinarily important development, the system has a long way to go. The average salary of a full professor at UW-Madison is $128,125— even if that professor might be responsible for drawing $4 million in federal research dollars. Associate professors earn an average of $95,781. Assistant professors are paid an average of $84,869.

At the 11 four-year comprehensive campuses, the average salary for a full professor is $78,545.16

Chancellors have flexibility on salaries, but the restrictions they face can still hamper recruitment for professors engaged in specialized industrial and economic areas, such as the cutting-edge engineering technologies at Platteville or industry packaging programs at Stout. At Stevens Point, the average salary of a professor, even accounting for living standards, is a fifth lower than the average professorial salary nationwide, according to Chancellor Bernie Patterson.

As a result, the 11 non-research campuses are losing — and in some cases hemorrhaging — faculty. UW-Stevens Point, a national leader in natural resources, wood products and paper technology transfer, lost a fourth of its Science and Natural Resources College faculty over the last two years because of salaries that one consultant called “embarrassing.” UW-Stout, created as a university partner in business and manufacturing success, lost a third of its nationally ranked industrial design faculty in one year.

When it comes to recruiting top administrative or leadership talent, the restrictions can be even worse. UW-Stout attempted to recruit a top administrator from North Dakota. She declined because the top salary Stout could offer was $56,000 less than what she already was making.

If Wisconsin wants to see its system campuses become more involved in their regional economies, these are the types of faculty members and administrators it needs to keep — and continue to recruit.

If state funding is reduced $300 million, as was initially proposed, the UW System would see a 13% reduction in state base general purpose revenue and some campuses would have an even bigger decrease.7 UW-Stevens Point, for example, would see a state general purpose revenue base reduction of 17% and further struggle to retain faculty and maintain its world-class natural resources programs, including its applied research in paper-making.

This is not an appeal for more taxpayer funding for salaries. It’s a proposal for a serious restructuring of the management tools available to chancellors on their campuses — management based on sound business principles.

Recommendation: Chancellors (with oversight) should be given broader authority over hiring and compensation on their campuses.

Tuition: The ability to set prices is a core tenet of market-based economics. Managerial freedom and entrepreneurial management are meaningless terms without the ability to establish market-based, or demand-based, prices for a UW System education.

The current system funding methodology is, at best, confusing, nontransparent and counterproductive to effective, entrepreneurial management. And the way those tuition dollars are restricted is a fundamental obstacle to campus efforts to become more involved in the private sector.

Currently, the 26 campuses collect tuition, send most of it to system administrators in Madison, who then return a portion of those dollars — along with a share of state general purpose revenue — back to the campuses under a complicated formula that few understand. This creates an odd cacophony of competing voices for that pool of money. It creates campus winners and losers. UW-Eau Claire receives a premium allotment of tuition dollars, for example, while Stevens Point is out of luck, receiving base reimbursement. With special permission, some campuses can charge more for high-demand, high-value majors. But doing so is a bureaucratic hurdle with outcomes that are rarely equitable or even sensible.

UW-Stout, for example, has one of the nation’s premier industrial packaging programs in which graduates earn an average salary of $75,000 upon graduation. The program is extremely expensive to operate, but Stout cannot charge higher tuition for it, which means the cost of the program — including recruiting and retaining highly specialized faculty, falls on all students and on state taxpayers.
Tuition flexibility would likely result in increased tuition for this program — a change that could contribute greatly to economic development. It would likely be a market-based price that would allow the program to pay for itself and allow Stout to reinvest further in this program, making it an even higher-demand major. Virtually every campus has a similar, specialized major that suffers the same restrictions and would benefit greatly from local campus authority to price tuition for those high-cost courses that help students secure jobs essential to the growth of Wisconsin’s economy.

In some cases, the system already allows this. UW-Madison, for example, is allowed to charge varying tuition based on the market value of some programs, such as its prestigious School of Business, which uses that extra funding to recruit even more prestigious world-class faculty. If market-based pricing makes sense for the School of Business, it would make sense in hundreds of other high-value programs throughout the 26-campus system — especially programs in departments where highly specialized faculty are required.

Critics of management flexibility charge that it ultimately will mean higher tuition paid by all students, which jeopardizes the ability of students from all income groups to receive an education. It’s a legitimate concern, but context is important.

As state funding of universities is dropping nationwide, tuition also is rising nationwide, regardless of how those universities are managed. At the University of Texas, which has been governed by a “public authority” since 2003, tuition had risen 83% by 2010, according to the Texas Higher Education Coordinating Board. But at the UW System, without those “managerial freedoms,” tuition rose much faster. UW-Madison’s tuition rose 140% between 2002-03 and 2013 ($3,854 to $9,273 per year) and more than doubled at the 11 four-year comprehensives campuses (an average of $3,044 to $6,732 per year). The University of Michigan’s tuition has soared under its independently managed board of directors. But Michigan reinvested those dollars in even more world-class research and education facilities and world-class faculty. As a result, enrollment demand increased, not decreased, because students perceived higher value for investments that they and their families were willing to make.

It is also a valid concern that relying heavily on students to fund universities is a poor social investment policy because burdening tomorrow’s professionals with debt stiffs their ability to succeed quickly and fully in their post-graduate lives. Student debt has become an extraordinary problem nationwide.

But even with some possible increases in tuition under a more entrepreneurial management system, the cost of a UW public education would remain affordable and a remarkably good investment.

When student fees are included, the cost of attending UW-Madison (not including living costs) is $10,400 per year, the second-lowest in the Big Ten. Tuition and fees at the 11 four-year campuses outside Madison and Milwaukee average less than $8,000 per year.

There is a policy option for lawmakers to address access for students from low-income families: financial aid. States such as Minnesota and Michigan charge higher tuition but also offer substantially more state financial aid in the form of grants and state loans. UW students receive more than $1 billion in financial aid every year, but only 7% of that comes from the state’s student loan program. Wisconsin’s student loan program is small and does not include a state student grant program similar to Minnesota’s.

Finally, allowing individual campuses to have more authority to set tuition does not necessarily mean tuition must soar. Michigan gave its local boards a tuition cap so that lawmakers still would have some say over tuition increases. More important, campuses still would have to set tuition based on the local, regional and national marketplace.

**Recommendation: Establish a formula under which each campus contributes a part of its tuition dollars to the UW System for equalization purposes and to fund programs requiring special subsidies. But allow chancellors the ability to set their campus tuition — including tuition for high-cost/high value programs. Allow more flexibility over tuition, fees and general purpose revenue to help recruit and retain faculty, including those with specialized skills for high-value programs that contribute to applied research, tech-transfer and business/industry cooperation.**

**Private funding:** The Stout Business Technology Park was created using a large private donation as seed money. That donation then was leveraged with $500,000 in grants from the City of Menomonie and from Northern States Power Co. (today, Xcel Energy). Phillips Plastics, led by a visionary entrepreneur, became the first tenant. Because the park is private, the City of Menomonie now collects $715,000 in property taxes from the park each year. Xcel Energy, meanwhile, sells electricity and gas to the manufacturers located there.

A general lack of business-sponsored research on many campuses poses several problems, including over-dependence on all-or-nothing federal grants, fewer opportunities for
collaborative bench-to-market business development and expansion, a reduced window of opportunities for student internships and off-campus experiences, and a continuous disconnect between university faculty and the business community. This disconnect results in faculty members who are not always attuned to the needs of the society they serve — and it breeds a lack of support by the business community for an extraordinarily important asset.

Increasing business-sponsored research needs to be done carefully so that taxpayers’ interests are protected and the university mission isn’t compromised. But expanding business-sponsored research could provide a much-needed injection of new research funding, promote collaboration and support, and provide expanded educational, real-world opportunities for students.

It can be difficult for smaller universities to raise private money – partly because private donors want to see results in a reasonable timeframe. Stout raised approximately $1 million for its stadium. More donors might have come forward, however, if the construction process could have been expedited.

More than one chancellor noted that with more authority to plan, design and build smaller construction projects – such as new laboratories within existing buildings, several campuses could attract substantially more private dollars. “Private donors can’t wait 10 years and jump through all those hoops,” one chancellor said. “As a result, we’re leaving a lot of money on the table.”

**Recommendation: Give campuses more latitude to attract private investment and convince local businesses of the potential return on that investment.**

**Accountability/metrics:** The establishment of metrics by which the UW System, the state and the Board of Regents can measure progress and success is critical. Put another way, if chancellors and campuses are to be granted more managerial flexibility, more authority over tuition, and be held accountable, the UW System will have to develop a rigorous way to measure success and failure. “You can’t manage what you can’t measure,” says Regent Tim Higgins, an Appleton entrepreneur who heads the Board of Regents’ Research and Economic Development Innovation Committee.

Stout does measure output. Today, Stout Technology Park is the largest cumulative private employer in the city — and fourth-largest in Dunn County — with 24 buildings housing more than 40 companies that, in 2012, employed 1,150 people with average salaries of more than $40,000, a cumulative payroll of $49 million and a total economic impact of $232 million (purchases of materials, wages and sales). Publicly available reports indicate that over the past five years, the Discovery Center contributed to increasing and retaining company sales of $82.7 million, saved those companies $22.2 million through increased efficiencies and improved systems processes, helped spark $27.3 million in new business investment and helped create 1,431 jobs for a total economic impact of $132.3 million.

Many of the other UW campus websites describe their local economic impact by the number of people the campus employs and how much money it spends in the region on goods, services and salaries. But that’s not measuring success. That’s a basic — and obvious — tally of the enormous local impact of millions of taxpayer dollars spent in campuses’ host communities.

The UW System administration is already researching metrics to better measure the economic impacts of their campus faculty outreach and impact regardless of any new management freedoms granted to campus chancellors. But with local management flexibility that holds chancellors accountable, those metrics need to be practical, uniform and comprehensive. The benefit of building strong metrics to measure success is that it quantifies for taxpayers and lawmakers the true value of campus faculty impact on their regions. Past system presidents such as Katharine Lyall have reflected that if Wisconsin’s campuses each did a better job of working with the private sector, measuring their true economic impact, and telling their stories, the system would be held in much higher esteem.

**Recommendation: Set up firm, objective metrics that can be used to measure the economic impact of each campus and the effectiveness of their chancellors.**

**Communications:** The ability of the state’s 11 comprehensive campuses to demonstrate their value and build communication avenues to their region’s private sector is haphazard and, in many cases, weak. Most campuses have a form of a small business center — a doorway through which private businesses and industries can shop for the expertise they need and build cooperative relationships with key faculty experts. Those efforts are growing and in some cases are very strong, such as the Discovery Center, which was a significant investment because of its critical importance to its tech-transfer mission.

Not every campus needs an $18 million Discovery Center, but most chancellors would agree that much more could be done systemwide to help match the system’s faculty talents to the needs of specific businesses, industries and economic development efforts. The Board of Regents is already exploring a new data system that would allow private businesses to easily search the entire system for expertise. But contact is only the first step toward strong
communication. The more important step is translating that contact into relationships between faculty (and students) and the private sector. That can only happen locally — and chancellors must be able to make it happen.

Nor are the state’s 11 four-year campuses, by their own admission, strong external communicators. Most (including Stout) employ extremely small external communication staffs, so their institutions’ value — their stories — don’t get told very well. UW-Madison, by contrast, has an enormous media and marketing outreach staff that is larger than the 11 smaller campus communications staffs combined.

The UW System can help enormously in this effort in terms of guidance, networking tools and strong systemwide communication. But the tools for strong local and regional communications in each region can be executed successfully only from the campuses themselves. Chancellors must be hired — and evaluated for success — based in part on their understanding as leaders of the role of strong communication and relationship building in marketing and in building public support among taxpayers and political leaders.

**Recommendation: Invest in regional communications efforts to help build relationships with local business leaders, taxpayers, critics and others.**

**Protect basic research:** Wisconsin must carefully covet and protect all three missions of its universities, including basic research. Building a management model that allows faculty statewide to become more involved in private business, industry and economic development does not mean sacrificing basic research or academic freedom, which must be fiercely protected as a cornerstone of the UW System’s entire Wisconsin Idea mission. Part of this need is practical: Most successful applied research, tech transfer and new product/new company creation is built on university discoveries made through basic research.

Basic research remains the source of most radical new ideas, new systems, and even new products. It’s extraordinarily valuable as a teaching tool and as a venue for training graduate students and undergrads in the sciences, letters and arts. And, finally, on another practical note, basic research is the engine that attracts most of the nearly $2 billion in federal, state and private grants received by UW-Madison, UW-Milwaukee and the other four-year campuses.

With more management authority and flexibility at the individual campuses, the system can improve its return on investment, especially at the 11 non-Ph.D.-granting institutions.

**Recommendation: Protect and encourage basic research at our research universities in Milwaukee and Madison in order to continue to expand the base upon which the state’s applied research and economic development are built.**
The Role of the UW System and Regents

The Board of Regents, the Legislature and system President Cross already are moving toward reform in a variety of ways:

- The Legislature has given the system direct authority over capital projects, hiring and salaries so that the system is no longer managed by the Department of Administration as a state agency.

- In 2012, the Board of Regents formed the Research, Economic Development and Innovation Committee to reassess how the system interacted with the state's business community and the state's own economic development efforts.

- The regents and the system also created a system associate vice president for economic development to coordinate efforts with the system — a 50% appointment at both the system and the Wisconsin Economic Development Corp.

- The committee and the regents, working with the governor and the Legislature, created a $22 million challenge grant program for campuses that drew 56 applications and requests for $78 million in funding to help develop groundbreaking economic development ideas in health care, mining, manufacturing and agriculture. Almost all of the winners were from the 11 non-research universities.

- Other grants have been created to help retain key faculty — and to keep Wisconsin students here after they graduate.

- The regents created a strategic plan to better create and implement policies to connect the system's 180,000 students and 40,000 faculty and staff with the state's 157,000 businesses.

- The regents retooled the WiSys Technology Foundation, which was created to help provide business and legal support for faculty members at the 11 non-research universities and 13-two year campuses who want to patent new ideas and products and form new businesses based on university discoveries and applied research. UW-Madison's Wisconsin Alumni Research Foundation committed $1 million a year for the next five years to WiSys to help provide patent protection and market research into the new ideas coming out of those 24 campuses. (The Wisconsin Economic Development Corporation pledged another $500,000 a year for two years.)

- The WiSys board was reconstituted, the program Idea Advance was created and a new executive director, Arjun Sanga, a tech-transfer expert from Texas, was hired.

- The system is offering $25,000 to help faculty members develop and commercialize their ideas. If initially successful, they would be eligible for a $50,000 grant for second-stage commercialization and development.

These are important building blocks for a future UW System in which all campuses are more fully engaged in the Wisconsin Idea — especially the efforts to revamp WiSys to provide stronger support for the state's 24 non-research campus faculties' economic development efforts. But these efforts are almost all focused on building a stronger and more responsive system with an even stronger role for system administration in Madison.

What is needed is more focus on building stronger individual campuses, including campus outreach and coordination with private business and industry.

The UW System was created by Gov. Patrick Lucey in 1971 to oversee, coordinate and more efficiently administer the state’s 26 four-year and two-year campuses. At the time, it was a great idea: a central administrative entity to help better manage taxpayers' money and coordinate educational efforts and missions among the 26 UW campuses. The original vision for the system to maximize efficient use of taxpayer dollars is still critical to the success of the 26 campuses. The system plays a critical role in ensuring that the state's 26 campuses act as a true system offering high-quality university education in every region of the state. The system manages campus program offerings to avoid redundancies and help individual campuses focus on specific areas of expertise, such as UW-Milwaukee’s water research focus and River Falls’ work in applied dairy research. The system provides guidance and tools in a host of important areas, including accounting, human resources and information technology, functions that are most efficiently done by a central administration.

Wisconsin still needs a strong UW System central administrator. Specifically, the system’s role should be to coordinate major campus programming and capital investment among campuses (the state doesn’t need two UW law schools, for example), maintain statewide communications and relationship building, oversee accounting and accountability procedures, maintain central processing administration for key functions that foster systemwide efficiencies, hire chancellors and hold them accountable, oversee rules and governance for establishing tuition levels, and help ensure fairness in revenue distribution for individual campuses.

But all institutions grow and mature and, over time, can become less efficient. That has plagued the system as administrators became increasingly involved in
micro-managing campuses’ daily activities. As institutions grow, individual administrators — with perfectly good intentions — attempt to strengthen their offices in order to be more effective. That also makes them more bureaucratic, however, which can bring added costs and resistance to new ideas, independent thinking and new management approaches.

The UW System is well run by dedicated, smart people. But from many chancellors’ point of view, it has become part of the problem in delaying construction of projects, increasing construction costs, restricting uses of funding to hire and retain key faculty, and placing restrictions on development of academic programs and teaching technologies to meet a changing society. A host of restrictions limits chancellors’ ability to deploy their Ph.D. expertise in areas that would result in economic development.

Wisconsin should redefine the UW System administration’s role.
Conclusion

These recommendations are offered in a rapidly changing political environment amid heated political debate. They’re offered at a time when many of the state’s political and UW System leaders agree, in principle, that the system’s 26 campuses can play a stronger role.

They’re also offered at a time when the campuses — and their chancellors — are already doing a great deal of business and industry outreach and cooperation. Most campuses already have some version of a small business interaction and support center. Most have some form of a business park or incubator. And all chancellors focus on faculty hires who reinforce the vision and mission of their respective campuses. UW-Eau Claire hosts a strong materials science program; River Falls has its agricultural mission; Stevens Point’s forestry and paper industry outreach is nationally known; and Platteville’s rapidly expanding engineering program is developing new products that could be game changers. All utilize models of industry cooperation — working directly in those industries on applied research efforts to solve problems.

Still, most chancellors, including those at UW-Madison and UW-Milwaukee, agree that they could do much more. They just need the tools. That means local management authority to raise and direct resources; hire, retain and compensate highly specialized faculty; deploy those faculty creatively; build needed facilities in a timely, efficient way; raise private dollars; leverage those dollars more effectively; and function more effectively in a management culture with faculty as partners. Without stronger tools, chancellors will face even more challenges in the next two years as the Legislature approves its next two-year state budget, which could include significant cuts in state support for the UW System.

Building cooperative relationships with local businesses and industry with faculty members is a local challenge for each campus. To become a much stronger system means strengthening each campus’ ability to build and enhance those local cooperative relationships. The stronger those local tools, the more successful those campuses will become. Those partnerships can’t be built or managed by a central administration in Madison. They can be built, cultivated and expanded statewide only by the faculty and campus leaders at Stout, Eau Claire, Parkside, Green Bay, Stevens Point, La Crosse, Oshkosh, Superior, Platteville, River Falls and Whitewater, by the state’s two-year colleges, its research universities, UW-Madison and UW-Milwaukee, and the UW-Extension.

To repeat President Cross’ words last year, this is a “historic opportunity.” There is a consensus among state political and UW System leaders that Wisconsin’s university system can — and should — do much more to leverage the state’s enormous faculty expertise and talent to help shape and build Wisconsin’s economy.

The potential dividends for success are especially high at the state’s 11 four-year colleges that were not originally created as partners in the Wisconsin Idea. All those campuses truly require is the ability and authority to take the lead in their local regional economies with the UW System and Board of Regents as partners.

Now is the time.
Wisconsin ranks ninth in state and local government spending on higher education, according to StatsIndiana, www.statsindiana.edu.sip.

Wisconsin was 40th in private-sector job growth for the 12 months ending in September 2014, according to the U.S. Bureau of Labor Statistics. AP story by Scott Bauer and Nicholas Riccardi, http://www.usnews.com/news/politics/articles/2015/04/03/walkers-wisconsin-still-lags-nation-in-job-growth. At the same time, Noah Williams, a UW-Madison economist, argues that this statistic, while accurate, does not provide a complete picture because the recession was somewhat milder in Wisconsin than in the nation as a whole. As a result, according to Williams, job growth in the state after the recession has been slower than most of the rest of the nation but – when looked at over the past three years – Wisconsin tracks the national average rather closely. http://www.jsonline.com/news/opinion/wisconsin-economy-outpacing-other-states-b994370021-30268831.html, Journal Sentinel, May 5, 2015.

University of Wisconsin Stout website, http://www.uwstout.edu/admin/chancellor/retirement/release.cfm


University of Wisconsin System Fact Book 2013-’14, pg. 46.


UW System website, https://www.wisconsin.edu/about-the-uw-system.

According to U.S. census figures, between 2009-2013, 26.8% of Wisconsinites over 24 had a bachelor’s degree vs. 28.8% in the country as a whole; per capita income in Wisconsin over that same time period was $27,523 vs. $28,155 in the nation as a whole. http://quickfacts.census.gov/qfd/states/55000.html


American Association of University Professors as cited by UW System Fact Book, Nov. 2014

Emily Pope, Legislative Fiscal Bureau, Feb. 3, 2015, 2014-15 GPR Budgets and Possible GPR Base Budget Reduction for UW Institutions

UW System Fact Book, 2014
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