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September 27, 2007

Representative Mike Huebsch
Representative Kitty Rhoades
Representative Jeff Fitzgerald
Representative Jim Kreuser

Senator Judith Robson
Senator Russ Decker
Senator Robert Jauch
Senator Scott Fitzgerald

Dear Members of the Conference Committee:

I appreciate your hard work on the 2007-09 state budget, and the complex issues you must address in that process. As you take the final steps toward crafting a compromise budget, **I urge you to preserve the University of Wisconsin System's current levels of academic excellence and provide us with resources to launch vital initiatives that will boost statewide economic development.**

The cost of operating 26 UW System campuses and 72 UW-Extension offices has already gone up. This is due to higher utility costs, higher insurance premiums, pay increases approved by legislators in the last biennium, and other contributing factors.

When the cost of heating oil rises, even thrifty homeowners who leave the thermostat set at 62 degrees will face higher bills. When employers give workers a pay raise, they must budget for those higher wages in subsequent years, even if they never hire a single new employee. In the same way, our public university must have the resources to cover increased costs associated with today's academic operations.

The Assembly's version of the 2007-09 budget funds only 20% of the UW System's standard budget adjustments, leaving 80% of utility increases unfunded, and 80% of last year's salary adjustments without support. Together with targeted cuts, **this version of the budget would result in a \$119 million GPR base budget reduction for all UW campuses.**

We have seen an outpouring of support for the Growth Agenda for Wisconsin – the UW System's statewide plan to:

- Create more seats in UW classrooms for students from your district and those from other legislators' districts statewide
- Increase the number of baccalaureate degrees in Wisconsin's workforce
- Improve retention and graduation rates for UW students
- Strengthen relationships with Wisconsin businesses
- Boost job-creating research on UW campuses

Students, business leaders, alumni, elected officials, and working families support this plan. **They want these initiatives to be launched, but not at the expense of UW's current educational offerings.**

Even with new money earmarked for the Growth Agenda, the net effect of the Assembly budget would be fewer class sections, reduced student services, lower quality, and higher tuition. **In this scenario, students from every legislative district would be paying more for less.**

The Assembly budget includes a provision to cap tuition increases at 4%, but provides no resources to offset the lost revenue. This budget is a recipe for reduced quality and curtailed educational access. **To offset this 4% cap, the UW System would need an additional \$9 million GPR in each of the next two years, above and beyond our standard cost-to-continue.**

Even under the best budget scenario, the UW System will be tightening its belt. **We face the real prospect of offering more state-mandated tuition remissions for Wisconsin veterans without adequate state funding.** Because of dramatic increases in the number of veterans who need this benefit, and the expansion of the program to cover 100% of tuition and fees, UW System's will spend an estimated \$18.6 million in 2007-08 alone (about \$42 million over the biennium) to provide this benefit for our veterans. **The Assembly budget removes all funding for this veterans benefit.** We want to provide this benefit to our veterans, and believe Wisconsin citizens would applaud state support for it.

In addition, there appears to be an expectation that the UW System would contribute to a \$40 million lapse requirement (\$75 million in the Assembly budget) identified in the budget for all "executive branch agencies." This could mean a cut of \$10 million to \$19 million annually for our UW campuses in each of the next two years. **Even if the university's cost to continue is fully funded, a lapse of this magnitude could cripple our ability to launch the Growth Agenda.**

Having managed major funding cuts effectively in recent years, we may be victims of our own success. In the Assembly version of the 2007-09 budget, UW System is targeted for \$119 million in base budget reductions. **Those cuts dwarf reductions proposed for any other state agency.**

The Assembly version of the budget also removes \$590 million worth of UW System building projects from the State Building Commission's 2007-09 budget recommendations – capital projects that will serve our students and create 17,000 private-sector jobs in Wisconsin. For the majority of these facilities, funding will come

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from user fees. Revenues to pay for residence halls come only from students who live in UW dorms. Funds for the construction and renovation of student unions come from students who have already voted to allocate segregated fees for these safe, positive centers of campus life.

Delaying these capital projects will ultimately result in higher construction costs, and hurt the UW System's ability to raise private donations for future building projects. Reducing all-agency funds by \$65 million will cut off funding for critical repairs and maintenance.

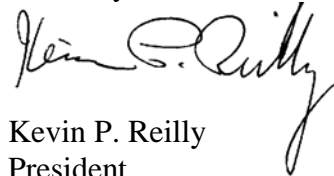
Again, I appreciate the challenge of crafting a compromise budget, but I am concerned that the wrong kind of bargain might leave our public university with inadequate public resources. **Even with full funding for all of our standard budget adjustments and cost-to-continue, we face significant fiscal challenges in the coming year.**

Citizens across Wisconsin want more educational opportunities for their daughters and sons. They are genuinely excited about expanding world-class research in our UW laboratories. Business leaders understand that a stronger university means a more vibrant state economy. Our alumni want future generations to enjoy even greater career success and economic prosperity as a result of their UW experience.

I know that you have all heard directly from these and other stakeholders, asking you to support the modest reinvestment in the Growth Agenda for Wisconsin. Please heed those requests.

Thank you.

Sincerely,



Kevin P. Reilly
President

cc: Governor Doyle
All State Legislators
Regents
Chancellors
Cabinet