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May 31, 2013

Editorial: Thumbs Up and Down

Thumbs Up: To the Joint Finance Committee of the state Legislature, for pulling a consumer-unfriendly provision from the state budget plan.

Gov. Scott Walker had proposed several measures meant to help the rent-to-own industry, including an elimination of the requirement that rent-to-own retailers disclose annual interest rates. Similar to the payday loan industry, these interest rates can add up quickly.

The Walker provisions would have put consumers at a decided disadvantage in rent-to-own transactions. We're glad that Joint Finance stripped them from the budget.

Thumbs Up: To the Joint Finance Committee, for a good decision on University of Wisconsin tuition.

<http://www.postcrescent.com/videonetwork/2400157211001> alt="" title="" target="_blank">» VIDEO: UW-FOX VALLEY HOSTS COMMENCEMENT CEREMONY

As part of its budget bill votes, the committee froze tuition for UW System schools for the next two years.

Tuition had risen 5.5 percent in each of the last six years and UW officials had requested a 2 percent increase in the next budget.

But then came the revelation that the UW System had \$648 million in unrestricted cash reserves, \$414 million of which had come from tuition.

After legislators from both parties expressed surprise and, in more than a few cases, outrage, many called for a tuition freeze. That call was backed up by Walker and, eventually, even UW System President Kevin Reilly.

It's the right move for students and families who have been hit hard by the tuition increases of recent years.

Thumbs Down: To the Joint Finance Committee, for making two other misguided decisions about the UW System.

In the same vote as the tuition decision, the committee chose not to give the System a \$94 million increase in state aid that was part of Walker's budget plan. Walker changed his mind about the increase after the surplus went public.

But much of the money was to be used to help economic development efforts, which are still sorely needed in the state.

The committee also rejected Walker's initial plan to allow UW campuses to control how the pool of money they received for pay was spent. UW officials had made a compelling case that the authority would help them keep good teachers.

Both were good ideas then, and still are. It's unfortunate they were sacrificed as punishment.

Thumbs Down: To the Joint Finance Committee, for taking the wrong direction on the state treasurer's office.

The committee voted to move the administration of the state's unclaimed property program from the treasurer's office to the Department of Revenue.

Overseeing the program was the only function the treasurer has, other than being one of the

commissioners on the Board of Commissioners of Public Lands.

The treasurer's office isn't needed but it's a constitutionally protected position. The right way to get rid of it is through a constitutional amendment, something the Legislature hasn't been willing to take up.

As long as we have a treasurer, we should give that person something to do — and treasurers typically have done a good job in trying to return unclaimed property to its owners. Stripping the position of any duties is pointless.

Graduation season a welcome relief



12 HOURS AGO • [WISCONSIN STATE JOURNAL EDITORIAL](#)

There was plenty of focus on higher education this past weekend, and for the first time in awhile it was nothing but positive.

Following weeks of controversy about the University of Wisconsin System's overflowing reserves, celebrating graduation weekend was a welcome relief.

Thousands of graduates in caps and gowns walked boldly across stages at UW-Madison,

Edgewood College and Madison Area Technical College, not to mention similar venues across Wisconsin.

We chronicled in the State Journal a few of the myriad stories of inspiration surrounding graduates leading up to the big weekend. There was the story of Jessie Otradovec, from the Green Bay area, who jumped off a path of pizza making and hair cutting into physics and astrophysics, earning a UW-Madison bachelor's degree at age 27. Or how about Nikki and Mark Barnes, daughter and father from Madison who just received college diplomas together, some 30 years after Mark initiated his college career.

Graduation season is about achievement and success. It's also about new beginnings.

And for the UW System, a fresh start on its budget problems is needed.

We're not ready to jump on the "leadership crisis!" bandwagon led by the usual UW critics. But we do support the two-year tuition freeze called for last week by Gov. Scott Walker as part of revisions to his budget. And it makes sense to pull back some of the proposed System funding in favor of spending down some of the System's reserves.

Those funds spread across the System appear too large, especially in times of financial challenge that led to significant tuition increases in recent years.

To jack up tuition while sitting on hundreds of millions of dollars isn't right.

Putting in place new policies to guide and monitor the reserve funds, while keeping tuition in check and allowing UW the flexibility to innovate as needed, would be a great graduation gift to everyone.

EDITORIAL: Yes, pinch UW cash pipeline

William Barth | Posted: Saturday, May 18, 2013 10:00 am

Force the system to draw down fat reserve funds.

DURING THE BATTLE over actions initiated by Gov. Scott Walker in 2011 in response to a \$3.6 billion budget deficit, the University of Wisconsin system was sitting on a dirty little secret.

It was squirreling away a growing stash of cash. By the time that surplus was brought to light recently it had grown to nearly two-thirds of a billion dollars.

All the while the UW decision-makers kept right on jacking up tuition and whining to state officials how cash-strapped the system had become, begging for more money. It was a scam. But one must give credit where credit is due. Their scam worked, for a long time.

NOW WALKER has done what he should. He is calling for reducing a proposed UW budget increase by about half. Meanwhile, he wants to impose a freeze on tuition increases for a period of time.

If UW officials think that pinches their style, they can dip into reserves to cover costs. Until, of course, reserves run out. Then they actually might have to stare austerity in the face.

In our view, there's little room for legitimate debate over whether Walker and legislators should rein in the UW system. The only real debate should be over whether the rollback proposed by the governor, along with a tuition freeze, is enough. After all, it's still an increase — just a smaller increase.

What does that buy state taxpayers? And why should taxpayers trust the same people who hid the surplus to now spend more money wisely.

THESE DAYS, few Americans are wired to trust government. Throw in incidents like this, with taxpayers feeling flimflammed, and healthy skepticism can quickly turn into crippling cynicism.

Government, American-style, is supposed to exist only through the consent of the governed. In a year marked by the WEDC's failures in Madison and the IRS being used for partisan purposes in Washington, the governed ought to be a lot less inclined to meekly consent.

We support Walker's tough-love approach with the UW. Legislators should work with the governor to make it happen. The message to UW decision-makers should be, "The beatings will continue until you get it."

Another View | University of Wisconsin

Freeze tuition but maintain support for UW System

Support innovation and research at the University of Wisconsin System to help build a stronger state economy.

By Jeff Stone
May 8, 2013

More than 35,000 students will graduate from University of Wisconsin schools this year, and as chairman of the Small Business Committee of the Wisconsin Assembly, I have asked leaders from various UW campuses to give presentations to our committee and share what their schools are doing to create jobs and prepare students to enter the workforce.

I've consistently been an advocate of aligning our state education resources with the fast-changing needs of our modern work force and economy. As technology and the job market change, our schools and universities need to adapt as well to better prepare students for life beyond graduation.

While the recent focus on fund balances in the UW System is of concern, we must remember the impact our university system graduates have on our economy. We must also consider that much of the reported fund balance is spread throughout the various campuses that make up the system. When aggregated, the numbers may seem huge, but when considered at the level of each individual campus, the balances maintained in many of the various funds may be at prudent levels.

Finance rating agencies such as Moody's and Standard and Poor's scrutinize fund balance levels to make sure they are sufficient to meet both expected and unexpected needs. Appropriate fund balances are the base for good financial management, solid bond ratings and lower interest rates, especially when looking at public entities.

Neither the state nor the UW System has ever created a policy regarding appropriate fund balance levels for the system. UW System administration is now working to craft a policy regarding fund balance levels. This will be a good first step in making sure state taxpayer contributions along with tuition from students are set at sufficient levels for current and future needs.

Accurately defining restricted, temporarily restricted and unrestricted funds, along with clear reporting and accounting of them is a must. The level of fund balances and their purpose should never be a surprise to anyone in the future.

When a good policy is implemented for fund balances, it should result in better information for legislators to use when deciding upon tax support for UW System programs. Also, the policy should also result in more accurate and hopefully more conservative increases in tuition for students as well. A solid fund balance policy will produce benefits across the board.

The Legislature should work with UW System administrators to build a solid fund balance policy, but in the

interim we should maintain our commitment to university efforts to build our state economy. Last week, I called on Chancellor Mike Lovell of UW-Milwaukee to press forward with his strong plan for the new Innovation Campus. The university has been a pioneering leader, consistently at the forefront of exciting research developments including freshwater sciences, medical devices and energy technologies.

The UWM Research Foundation is creating an "Innovation Engine" that will make a strong UWM central to a strong Milwaukee regional economy. The UWM Research Foundation's corporate partnering efforts have been aimed at helping the university continue to be a source of talented students for the region while also ensuring it is a source for innovative ideas.

These partnerships include Wisconsin Energy Research Consortium, the Milwaukee Institute for Drug Discovery, the Water Equipment and Policy Center and GE Healthcare. GE supports nearly 21,500 jobs directly or indirectly in Wisconsin, including more than 6,500 direct jobs. Since nearly 80% of UWM's graduates continue to live and work in Wisconsin, UWM is a natural partner in GE's workforce needs.

I know that other campuses have similar impacts on the economies of their regions.

Tuition should be frozen immediately while new policies regarding fund balances are implemented. As the budget moves forward, I call on my legislative colleagues to maintain our support of the innovative economic development grant program contained in the governor's proposed budget. These grants are targeted to university efforts to lead research and education in areas that will spur economic development and job creation in our state.

Gov. Scott Walker's unique approach centers on an initial investment of \$20 million in grants. The grant money would allow these schools to work with private sector employers and help them to create new ventures. One has to look no further than the UW Research Park in Madison to see the impact university research can have on business development and job creation. Over 100 companies and more than 3,600 high-tech jobs paying over \$64,000 per year (two times the state average) have spun out of the Research Park. Most of these businesses came from UW innovation and ideas.

Wisconsin should maintain its support of innovation and research at the UW System to help build a stronger economy for everyone in our state.

Rep. Jeff Stone (R-Greendale) represents the 82nd Assembly District.

Find this article at:

<http://www.jsonline.com/news/opinion/freeze-tuition-but-maintain-support-for-uw-system-ha9s2lu-206667511.html>

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The Truth-O-Meter Says:



University of Wisconsin System's reserves are in the "mid- to low-range" of comparable university systems.

[Kevin Reilly](#) on Tuesday, April 23rd, 2013 in a legislative meeting

UW System's reserves fair to middling, system president says

The late Al McGuire parlayed his 1977 national championship as Marquette University's basketball coach into a lucrative speaking and broadcasting career. Asked at one point if he had enough money, McGuire [playfully boasted](#): "I have so much now, I don't even count it. I weigh it."

Nice.

Satisfied smiles were harder to find in April 2013 when it was [reported](#) that the University of Wisconsin System, after years of tuition hikes, had accumulated reserves of \$648 million.

Incensed state lawmakers, primarily Republicans, suggested the system was so fat with cash, it needed a belt *and* suspenders to keep its breeches up.

Not so, countered UW System president [Kevin Reilly](#).

Defending his institution to lawmakers April 23, 2013, four days after release of the state [report](#) that revealed the \$648 million, Reilly [asserted](#) that the reserve is in the "mid- to low-range" of what comparable public university systems have.

In other words, it didn't weigh as much as the critics claimed.

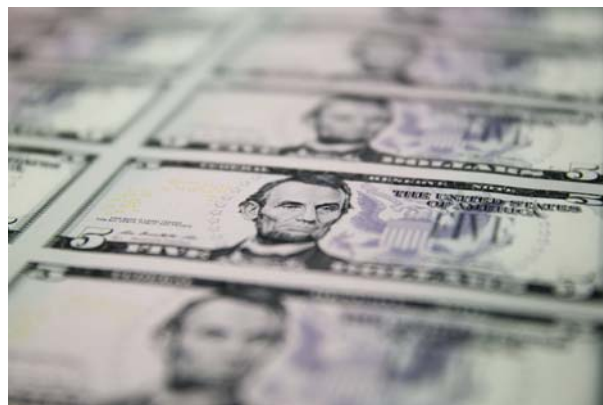
Let's see if he's right.



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The president of the University of Wisconsin System says the system's reserves aren't out of line with those of comparable state university systems.

The system

The UW System [describes itself](#) as one of the largest systems of public higher education in the country, serving more than 181,000 students. It is made up of 13 four-year universities, including the flagship UW-Madison, 13 two-year campuses and the statewide UW Extension.

The system's total reserve revealed by the state report was \$1 billion as of June 30, 2012 (a figure that has since been [projected](#) to grow by \$150 million by the end of June 2013).

Of the \$1 billion, \$648 million is unrestricted. That's the reserve figure that has received the most focus. The state report said the \$648 million -- up 13 percent from one year earlier -- represents about one-fourth of the UW System's unrestricted budget.

In the wake of the lawmakers' furor over the funds, the *Chronicle of Higher Education* [cited data](#) from Moody's Investors Service saying the median amount of cash that university systems keep on hand is in that range -- 23 percent of their operation budgets.

But when we asked the UW System for evidence to back Reilly's claim, spokesman David Giroux provided data from a different calculation, saying it allowed for a better comparison of state university systems.

Reilly's evidence

That [data](#) compared the UW System's "primary reserve ratio" to the ratios at five state university systems that are among the institutions the UW System considers to be its peers.

The UW System said its 25 percent primary reserve ratio, as of June 30, 2012, equals \$1.13 billion in expendable net assets divided by \$4.5 billion in total expenses.

That put Wisconsin in the mid- to low range in the UW System's comparison of primary reserve ratios -- although Giroux acknowledged that the list of five institutions cited by the UW was not an exhaustive comparison, but rather utilized financial reports that were available online.

Here's how they ranked:

1. Texas: 95 percent
2. Illinois: 34 percent
3. Minnesota: 29 percent
4. *Wisconsin*: 25 percent
5. California: 21 percent
6. Georgia: -5 percent

We asked three experts about those figures:

Eastern Michigan University accounting professor [Howard Bunsis](#), whose specialties include governmental accounting

Susan Menditto, director of accounting policy at the National Association of College and University Business Officers, which [represents](#) business and financial officers of more than 2,500 colleges, universities and university systems

Certified public accountant [Larry Goldstein](#), president of Campus Strategies LLC, a Virginia management consulting firm that serves higher education agencies and institutions, [including](#) the University of Wisconsin-Milwaukee

Some of the experts calculated different primary reserve ratios for some of the institutions; Bunsis, for example, calculated Georgia's ratio to be 18 percent, not -5 percent.

Nevertheless, the experts' 1-to-6 rankings were the same as the rankings put out by the UW System.

That would appear to back Reilly's claim that the UW System is in the middle to low range among its peers in terms of cash reserves.

But let's take a closer look at the measure the UW System used. And let's do a broader comparison.

Primary reserve ratio

All three experts agreed the primary reserve ratio is an important and commonly used ratio for determining a university system's financial strength.

They said Wisconsin's ratio of 25 percent indicates that, if the UW System's income were cut off, it would have enough reserves or "expendable assets" to meet its expenses for three months -- three months being 25 percent of one year.

(What is an appropriate level of cash reserves, of course, is in the eye of the beholder and doesn't relate to the Reilly claim we're fact checking. But we'll note that Bunsis said a primary reserve ratio of 15 to 20 percent is considered prudent, 40 percent "very solid" and anything over 50 percent high. Menditto cited a consultant's report that said 40 percent is advisable.)

"Peer institutions"

The question of which university systems the UW System should be compared to is trickier.

Unfortunately, the experts told us, there is no large compilation of university systems' primary reserve ratios. And there are other issues: the experts didn't necessarily agree that the Illinois, Minnesota, California and Texas state systems, because of their makeup, were truly peers of Wisconsin; and some systems that could be comparable, such as Ohio and North Carolina, produce consolidated financial statements at the campus level, but not the system level.

We were able, however, to find primary reserve ratios for three other state systems that can be compared to Wisconsin's.

Goldstein, the Virginia consultant, said Maryland, though a smaller state university system, is a peer of Wisconsin; and indeed the UW System considers it a peer, Giroux told us. Goldstein said Maryland's primary reserve ratio is 37 percent.

The UW System also has long considered the State University of New York system as being a peer and Goldstein agreed. Goldstein told us that, like Georgia, SUNY has a negative primary reserve ratio -16 percent.

And while the UW System doesn't consider the Nebraska state system as among its peers, Nebraska system considers Wisconsin as one of its peers. Goldstein said Nebraska's primary reserve ratio is 67 percent.

So, here's how that list looks:

1. Nebraska: 67 percent
2. Maryland: 37 percent
3. *Wisconsin*: 25 percent
4. SUNY: -16 percent

Our rating

Reilly said UW System's reserves are in the "mid- to low-range" of comparable university systems, as though that fact has been clearly established.

Using a key measure, Wisconsin's level of reserves is below that of some of its peers. But there is debate about whether some of the state systems the UW System considers to be peers are in fact peers. And figures simply aren't available for other peer systems.

With the evidence available, we find Reilly's statement partially accurate but missing important details -- our definition of Half True.



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UW surplus magnifies dysfunction

Filed Under OSH Editorials

May. 07

thenorthwestern.com

The state university budget surplus “scandal” is a microcosm of the excessive partisanship, poor communication and failed leadership that has turned battleground Wisconsin, a place that prizes fierce competition and debate of new ideas

and approaches to governing, into a basket case.

We’ve witnessed false and manufactured outrage by Republicans who undoubtedly view the university system as a liberal indoctrination outfit that must be brought to its knees; detached leadership of the universities who can’t comprehend how sitting on a billion dollars while increasing tuition might strike the public as inappropriate; and a failure of the governor to exercise the measured leadership needed to put the discussion back to improving the efficiency and effectiveness of the system.

UW System President Kevin Reilly drew deserved criticism from lawmakers after a Legislative Fiscal Bureau report found the UW System has a \$650 million surplus. But Reilly, who acknowledges the system has a total of some \$1 billion in reserves, certainly didn’t deserve the diatribe unleashed at the committee meeting and afterward.

Yet Reilly and other system leaders can be accused of paying little more than lip service to students taking on crippling debt to pay for tuition. Which is why even state Democrats joined the call for a tuition freeze. With more than \$400 million in the reserves coming from tuition, dipping into those funds to hold down costs for students and their families is fair and reasonable.

What’s not appropriate is the punitive call by Republicans to strip a \$181 million funding increase for UW from the 2013-15 budget

. Giving students a tuition break only to return to universities cutting staff and programs is hardly a victory.

Nor should the irony be lost of Republicans, who have boasted about replenishing the state’s rainy day fund, whipsawing universities for following a financial

best practice by maintaining healthy reserves. While Reilly said the system welcomes a discussion about the right level of reserves, UW leaders must also be willing to acknowledge legitimate concerns about transparency and financial management.

Finally, Gov. Walker missed an opportunity to stay above the fray. Early-on, he called for a tuition freeze. Later he announced he will make a new funding request for the UW System. Reports say he may shift the UW’s \$181 million to K-12 schools. He seems to have forgotten that before he left for his Chinese trade mission, he attended a bio-tech conference promoting an industry whose origins began on the UW-Madison campus.

Those breakthroughs — and the companies and jobs they create — cannot come from a hobbled university system. If the governor succumbs to the vindictive calls to punish the system, he’s only hurting his pledge to create 250,000 jobs.

The Final Thought: UW System “scandal” shows how deep the dysfunction runs in state government.

Our View: Boo-W

Posted: Thursday, May 2, 2013 3:45 pm

In 1904, University of Wisconsin President Charles Van Hise stated he would “never be content until the beneficent influence of the university reaches every family in the state.”

Recent revelations by the state’s Legislative Fiscal Bureau state the UW System may have as much as a \$648 million reserve -- and probably has Van Hise rolling over in his grave. Why? That oft espoused beneficence has turned to sheer mismanagement and, if some legislators are believed, complete arrogance by the UW System.

The recent revelations occurred despite this 2005 statement by UW System President Kevin Reilly: “When I took office a year ago, I pledged that the University of Wisconsin System would be transparent in all that it does and be diligent and accountable to our stakeholders . . . I believe we need to act more expeditiously than we sometimes have in these cases. I believe we need to take actions that will restore the public’s confidence that their university system is open, accountable, and a wise steward of public resources.”

That statement is in addition to a Securities and Exchange Commission investigation of the UW System’s auditing firm in 2009 and Reilly’s violation of UW Regents hiring policies by offering former Department of Administration Secretary Michael Morgan a job without a search and screen committee. Morgan was placed in charge of a new payroll system which spewed out \$33 million in overpayments.

A review by the *Appleton Post-Crescent* in 2012 showed 60 employees exceeded statutory limits for extra academic pay in 2012. State law limits full-time employees to \$12,000 in extra pay annually, but records provided in response to a public records request showed educators in some cases pulled in more than \$20,000, according to the review by Gannett Wisconsin Media (owners of the *Post-Crescent*).

With each bit of bad news, the UW System gains the reputation of facilitating institutional fiscal arrogance. “We need to look out for the long-term, what is the health of the university going to be for that student,” Reilly told legislators recently. “We need to have a sufficient reserve so that we can say to that student, Four years from now, you’ll be getting a quality education here. I think we could have and should have been more transparent about this. What we have not done is drilled down below that level and say, ‘Here’s where money lies on all the campuses.’ I think with where these balances have gotten to, we should.”

Legislators, apparently much wiser than eight years ago, are now saying they are not falling for that trick anymore -- despite 5.5 percent tuition increases by the Board of Regents every year since 2007. State Senator Mike Ellis of Neenah perhaps summed up the feelings of most when it comes to UW administration: “(System administrators) all think they’re PhD’s and we ought to be working at a Jiffy

Lube. Well, that's not the way it works. The Legislature is a heck of a lot smarter than they give us credit for."

The UW System likes to tout itself as an institution of learning, above the politics and other distractions in Madison.

That the UW System could amass such a huge surplus in the time when public education has had to tighten its belt tremendously exemplifies that UW Regents have no perception of the fiscal world around them.

But unless they act quickly to end past fiscal mismanagement, the UW Board of Regents may well be supervising massive budget cuts -- and, perhaps, the demise of Van Hise's beneficent vision.

Editorial, Eau Claire Leader-Telegram

True budget picture vital when setting tuition

Posted: Thursday, May 2, 2013 12:00 am

There's plenty of finger-pointing in the wake of a recent state study that found the UW System finished the fiscal year ending June 30, 2012, with nearly \$650 million in reserve.

Hopefully the verbal sparring between UW officials and irate lawmakers will focus on what should be a reasonable reserve. It's not uncommon for universities in particular and statewide college systems in general to build up reserves the same as any other large enterprise.

What rankles lawmakers is that they felt kept in the dark at best and deceived at worst until the nonpartisan Legislature Fiscal Bureau released the numbers. Even UW System President Kevin Reilly acknowledged a lack of transparency on the part of his management team while defending the level of reserve funding as being in line with peer systems around the country.

"I hear the anger," Reilly was quoted in the April 24 Milwaukee Journal Sentinel. "I think in many ways it's justified. I don't think we've done right in the way we've put these numbers out and explained them."

Some lawmakers are angry because ultimately they are the ones who sign off on tuition increases and the UW budget. And without UW officials putting out the numbers on the reserve fund and thoroughly explaining - and justifying - them, lawmakers feel they may have been duped into approving tuition increases larger than necessary.

Gerald Whitburn, chairman of the UW System Board of Regents budget committee, reported that the system's overall cash balance has risen 62 percent over the previous two years. Why? Also rankling lawmakers is that the reserve funds reportedly were spread over hundreds - perhaps thousands - of accounts at individual campuses, according to the Journal Sentinel, leaving some lawmakers asking if UW officials tried to cover up the amount of the overall reserves.

As a result of this uproar, UW System students and their families may not see any tuition increase next school year, and perhaps the year after that. Reilly was hoping for a 2 percent tuition increase in each of the next two years, but some Republican lawmakers now are calling for a two-year freeze in both tuition and tax support for the UW System, a potential \$210 million hit.

Voices need to be lowered and this issue needs to be explored further. The reserve amount was never hidden, but it wasn't reported prominently either. That likely will change. But the big discussion should center on what level of reserve funding is necessary to handle cash-flow needs and cover emergency expenditures. Then as long as the UW System and its member institutions are within those parameters, there'll be no need for all the fist-pounding.

At a time when many middle-class families and students are going into colossal debt to pay for college, it's important they're not asked for more than what's absolutely necessary. The key now is to define "necessary."

- Don Huebscher, editor

The issue: A report finds the UW System has hundreds of millions of dollars in reserve.

Our view: Decision-makers need regular updates and briefings on this budget item to help guide their decision-making.

The issue: A report finds the UW System has hundreds of millions of dollars in reserve.

Our view: Decision-makers need regular updates and briefings to help reach agreement on what is a responsible range of reserve funds.

The Daily Cardinal

COMPLETE UNIVERSITY OF WISCONSIN - MADISON COVERAGE SINCE 1892

May 1, 2013

UW's surplus issue is one of transparency

12 HOURS AGO • [BY THE DAILY CARDINAL EDITORIAL BOARD](#)

The state's Legislative Fiscal Bureau released an audit report April 19, which revealed the University of Wisconsin System had a budget reserve fund of over \$1 billion. This surplus has sparked some very heated discussions over the past few weeks, mainly due to the fact that tuition rates have been increasing by 5.5 percent each year for the past six years, all while the UW System has been amassing a seemingly large reserve.

But is the surplus really as significant as state politicians have made it out to be?

It turns out it is recommended the UW System hold a reserve of about 25 percent of its operating budget. The \$1 billion everyone is up in arms about represents about 17 percent of the operating budget. This doesn't take into account that some of the money has already been allocated out.

Really what this surplus is about is a public relations nightmare. The UW System could not have handled this situation any worse. The lack of transparency and communication between UW System President Kevin Reilly and state legislators is appalling. This board believes such a conflict could have easily been avoidable had Reilly been upfront.

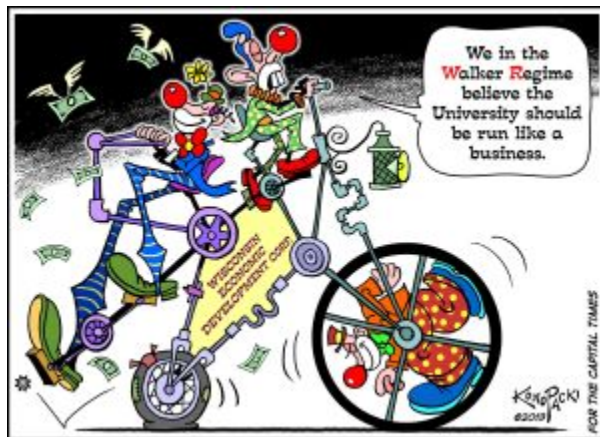
On the other hand, it is just plain wrong for legislators to exploit this failure of communication. Calling for a tuition freeze does nothing but create an unnecessary strain on an already strained budget. To an entity like the UW System, \$1 billion is insignificant in the grand scheme of things and if no new revenue comes in, we can expect to see that reserve shrink quickly. This board looks at this call for a tuition freeze as a political ploy to get students to sympathize with politicians. A freeze on tuition could ultimately be detrimental to the level of education we receive at UW-Madison.

While no student is ever a proponent for higher tuition, this board understands the necessity. Granted we don't believe tuition needs to go up by 5.5 percent. A small increase in order to maintain budget reserves and still make improvements on campus both aesthetically and academically is a small price to pay. We believe that having a reserve fund is good and could protect us from events like massive cuts from the state. We want our level of education to get better and better, and we understand that raising tuition could help pay for better professors or better resources for students. It is obvious that operating with a surplus makes improving our schools much easier than if the UW System was operating on a deficit.

The bottom line here is that the UW System needs to communicate better. Let us know what the rainy day fund could actually fund. Let us know a surplus exists instead of letting an external audit discover it. Let us know that some portion has already been allocated. Communication in a situation like this is key and somebody in Reilly's office dropped the ball.

How do you feel about the UW-System surplus? Let us know! Please send all feedback to opinion@dailycardinal.com and visit dailycardinal.com for more details on the surplus.

Plain Talk: Suddenly it's bad to have a rainy day fund



6 HOURS AGO • [DAVE ZWEIFEL | THE CAPITAL TIMES EDITOR EMERITUS | DZWEIFEL@MADISON.COM](#)

Don't you wish Wisconsin's legislative Republicans would make up their minds?

Most of them have got their shorts in a bundle these days because it was discovered that the University of Wisconsin System has a budget surplus of unrestricted funds totaling \$648 million.

"If I knew they were saving money for a rainy day and we were in the middle of a hailstorm, I would have said, 'Let's use all the rainy day funds,' "

Assembly Speaker Robin Vos told the State Journal.

"They never told us they had nearly a billion dollars in reserve they could have used instead," added Vos, who apparently has become a leading expert on budgets, even though he has this propensity to astronomically round up numbers — like \$648 million to a billion or a few weeks ago when he claimed 25 percent of Wisconsin's public schools are failing their students, a statement that gained PolitiFact's "pants on fire" rating for its untruthfulness.

He was soon joined by state Sen. Alberta Darling, who declared that "I can't tell you how disappointed I am" — this from a legislator who disappoints Wisconsin citizens daily by accepting money from and voting for virtually every special interest that graces her doorstep.

But no one has ever accused Wisconsin's current breed of Republicans, from Scott Walker on down, of telling the truth when there's political gain to be made. And, of course, Rep. Steve Nass, the Republican from rural Whitewater who makes a hobby of bashing the university, jumped in and demanded that the school freeze tuition for the next two years, a theme that carried into the Joint Finance Committee's budget hearings last week.

And while I can agree that with extra bucks in the bank, the UW could have gotten by with lower tuition increases, or at least could have provided more financial aid to struggling kids, the Republicans on the Joint Finance Committee who gave university officials a tongue-lashing have a lot of chutzpah lecturing the university how to run its finances. Where once the state of Wisconsin contributed more than half of the UW's budget, state support is now less than 18 percent of the total. That has pushed the school to find other sources of revenue, including hiking tuition and fees for students.

With the way the governor — including Democrat Jim Doyle before this one — and the Legislature have cut university funding in recent years, it's hard to blame the school for putting some money aside, especially in this economy. The question is how much it should squirrel away, but legislators didn't want to discuss that when they had a great opportunity to publicly belittle those hoity-toity university people.

But wait! Aren't the Robin Voses, Alberta Darlings and Steve Nasses of the world the

same people who have been wailing about the irresponsible politicians before them who never put any money away for a rainy day? Wasn't it Scott Walker who faulted Jim Doyle for disregarding the future and earlier this year proudly announced he was socking away extra money, just in case?

And aren't these the same guys who have been lecturing us that government needs to be run more like a business? Virtually every successful business and corporation stashes surpluses to cover problems if the economy goes bad or unexpected expenses occur.

Some would argue that the UW's surpluses — just like those in businesses — are just plain good practice in face of all the uncertainties that lurk in any given budget cycle.

Truth be told, though, the reason Vos and many of his colleagues are making a big deal of the UW's surplus is because it presents yet another opportunity for the state to cut even more its already dwindling share of what it provides the university, redirecting the money instead to more of Republicans' pet projects that favor special interests over education.

If this Legislature had any foresight — as maybe the UW has had by managing to create a surplus — it would come up with ways to use this good fortune to deal with the financial problems so many students face today just to get their diplomas.

No, its members would rather carp about not building a rainy day fund and then express alarm when there is one. Meanwhile, our kids are facing tens of thousands in student loan debt just as they're trying to find their first jobs. You won't find Alberta Darling "disappointed" by that, though. It might upset the big bankers.

Dave Zweifel is editor emeritus of The Capital Times. dzweifel@madison.com

About the columnist



Dave Zweifel

Editor Emeritus Dave Zweifel has been with The Capital Times since he graduated from UW-Madison in 1962, serving as the paper's editor in chief from 1983 to 2008. He was president of the Wisconsin Freedom of Information Council for 15 years, served as a Pulitzer Prize judge in 2000 and 2001, and named to the Wisconsin Newspaper Hall of Fame in 2011. A native of New Glarus, Wis., where he grew up on a farm, he serves on several non-profit boards and is a military veteran, having served on active duty as a field artillery officer in the early 1960s and for 26 years in the Wisconsin Army National Guard where he retired as a colonel in 1993.



UWM's reserves not the problem

By Larry Goldstein
April 30, 2013

I have been working with the University of Wisconsin-Milwaukee for just over a year. UWM asked me to help it develop a new resource allocation model in order to allow the university to generate increased revenues to fund operations. This was partially driven by the decrease in support from Wisconsin taxpayers. (Wisconsin appropriations for UWM decreased from 34% to 18% of its operating budget in the last 10 years.)

I have been involved in higher education finance for 35 years, and my company has consulted with dozens of universities across the nation on various issues related to planning and resource allocation. My latest book, "A Guide to College and University Budgeting: Foundations for Institutional Effectiveness," was published in 2012. I have watched from afar, and with great interest, the controversy regarding the cash balances within the UW System. I would like to offer an outside, but informed, perspective to the conversation.

As I've studied institutions across the country, I must emphasize that universities, particularly large public universities, are highly complex organizations engaged in a wide range of activities. Unlike some other forms of government, it is not feasible to conduct the multitude of activities that must take place if resources are maintained in a small number of accounts. Every large university has hundreds, or even thousands, of individual accounts, any one of which could have an unspent balance at a point in time. The accumulation of all of these unspent balances represent "reserves." It is inconceivable that a large university such as UWM could survive for even a few weeks without reserves.

Additionally, the suggestion that there is something wrong with maintaining operating reserves that approximate a quarter of annual expenses flies in the face of established industry standards. To say nothing of the expectations of the major bond rating agencies (i.e., Fitch, Moody's and S&P) and the requirements of the Higher Learning Commission (HLC), the university's accreditor. HLC has established the following criterion that effectively mandates that the university maintain appropriate reserves: "The institution's resources, structures, and processes (must be) sufficient to fulfill its mission, improve the quality of its educational offerings, and respond to future challenges and opportunities." This requires fiscal prudence, including maintaining adequate reserves.

As previously reported, UWM's reserves amount to approximately \$92 million, of which \$72 million is committed to specific new operating expenses that will be incurred in the near term. This is not a trumped-up wish list to retrospectively rationalize bloated reserves. These are existing commitments that must be met if the university is to fulfill its mission.

It's appropriate to mention that, rather than having excess reserves, UWM's reserve levels are well below the standards established for institutions of their size and complexity. The Composite Financial Index (CFI) is a widely used higher education financial health indicator. It was developed by KPMG, Prager, Sealy & Co. LLC, and Attain and published in Strategic Financial Analysis for Higher Education. One of the CFI's components is the primary reserve ratio - representing the level of reserves available to support operations. UWM's most recently calculated ratio is approximately 16.8% of its annual operating expenses. The standards established for the CFI indicate that minimal financial health requires reserves equal to 40% of operating

expenses - equating to approximately one semester of operations. Thus, UWM's reserve ratio is less than half the recommended level for minimal financial health.

Not only are UWM's reserves well below the recommended level, they fall well below the level of many of its peers, despite the fact that the difficult economy has hit all institutions in some way. For example, some good peer schools to consider are Cleveland State University (with a 36.7% primary reserve ratio), Georgia State University (22.4%), University of Cincinnati (37.8%) and Wayne State University (44.3%). Many other universities have much higher reserve levels, with some - especially well-endowed universities - approaching 100% or more.

The Great Recession had devastating impacts on the country, and higher education was not immune to the problems it created. Those institutions with insufficient reserves were hurt the most, suffering credit downgrades by the rating agencies, warning and/or probation by their accreditors, and - in the most serious cases - institutions closed or were forced to merge with other institutions. I wouldn't want UWM to face this scenario. It would be bad not only for UWM but for the region and the communities it serves.

Larry Goldstein, CPA, is president of Campus Strategies LLC, a management consulting firm providing services to higher education institutions and agencies. He is the former senior vice president and treasurer of the National Association of College & University Business Officers and worked at four higher education institutions.

Find this article at:

<http://www.jsonline.com/news/opinion/uwms-reserves-not-the-problem-gd9ork2-205475641.html>

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Rebuilding trust between state government and the UW System



APRIL 30, 2013 5:00 AM • [CAP TIMES EDITORIAL](#)

University of Wisconsin System President Kevin Reilly, shaken by the outcry over reports that the system is holding \$648 million in reserves at the same time it was proposing a tuition increase, is now talking about developing a new policy on cash reserves.

Good.

Reilly's in a tough position. There are legislators calling for his removal, and there is tremendous pressure on the system.

But he can do a lot to ease the tensions by recognizing that the criticism he is facing comes from Wisconsinites who care deeply about the university and the Wisconsin Idea.

Calls for a tuition freeze are coming not just from one party, or one group of legislators. And the frustration with a lack of transparency on the part of the UW System is very nearly universal.

It is not hard to establish a set of standards regarding the size of the system's cash reserves, and how those reserves should be managed. There are best practices that can be agreed upon and adopted.

But in the process of establishing those standards, Reilly should recognize the vital importance not just of consulting with the governor, legislators of both parties, UW regents and other stakeholders, but of genuinely collaborating with them.

We understand that Reilly is sincere when he suggests that UW officials thought a large reserve was necessary in order to manage in the face of uncertain private and public funding.

But the only way to deal with the volatility that so concerns Reilly is for the UW System president to take the lead in building trust.

It's in his interest and that of the system.

Until there is a high level of trust — between all players on all sides — the UW System is not going to be able to maintain the relationships that are necessary to secure the public funding that should provide a secure underpinning for its operations.

Share your opinion on this topic by sending a letter to the editor to tctvoice@madison.com. Include your full name, hometown and phone number. Your name and town will be published.

Our View: Don't rush to judgment on UW surplus

Purchase Image Filed Under WDH Opinion

Apr. 30, 2013

wausaudailyherald.com

If you haven't heard, the University of Wisconsin System has a surplus. It turns out the university system, whose annual budget of \$5.6 billion is about the size of Bermuda's gross domestic product, has about \$650 million in reserve funds. A Legislative Fiscal Bureau report last week revealed these funds, and it was immediately taken up by lawmakers who questioned how that much money could be sitting in reserve at the same time tuition rates have been rising.

Given that we're in a budget cycle, this is not a low-stakes matter. And lawmakers who are longtime critics or opponents of the UW System have been more than happy to use the news of the reserve as a club to beat up on the state's universities.

It's disingenuous, but that doesn't mean they don't have a point.

There really are several issues here.

- Rising college tuition is a serious problem. A tuition increase is a major economic stressor on middle-class families. It has been a nationwide trend; the UW System has not been more prone to cost increases than other universities but neither has it been immune. The cost of tuition really does require an average family to stretch a lot more to send their kids to college than it did even 10 or 15 years ago. In that context, of course there will be political friction.
- Politics. This part is pretty simple. The state budget is a zero-sum game; money that goes to one place cannot be allocated somewhere else. For people — elected officials and not — who do not see the UW System as a priority, this is a convenient weapon.
- How the reserve amount was released. UW defenders point out that the fund was disclosed in regular financial reports, and so it was. We suspect, however, that few Wisconsinites sit around reading those reports. So the news of the reserve did come as a surprise to many of us, leading to a sense that the university had been less than forthcoming about its finances as budgets were debated in recent years. That's not quite fair, but it's clearly contributing to the dynamic.

And yet, the rush to judgment on the surplus — and more to the point, the calls by some to punish the UW with more budget cuts — feels wrong, and misses facts. We should expect an institution as large as the UW System to keep a significant amount of reserve cash. In other circumstances, it's possible to imagine wild criticisms of the UW for failing to reserve cash, if it ran out of money to pay operating expenses, say, or otherwise bumped up against the kind of extraordinary circumstances that reserve cash is for.

Opinions will vary on the right size for the reserve, although a report last week by Wisconsin Public Radio suggested that the UW's reserve is not out of line with other universities of its size. The point is that, despite sturm and drang, it's not obvious that this is evidence of financial mismanagement.

Where does this leave us? We reject some of the more strident attacks on the UW from the usual suspects, and we do not believe lawmakers should reduce the System's budget allotment as a result of this issue. On the other hand, Gov. Scott Walker's call for a tuition freeze feels reasonable, and something that would at least reduce the squeeze on families across the state.

That squeeze is the reason there is any political pressure around this issue in the first place, and that's something the entire higher education establishment should be aware of — no matter how big are their reserves.

Editorial: Don't let anger rule UW decisions

Filed Under APC Editorials

Apr. 30, 2013

postcrescent.com

The anger is understandable.

At the same time the University

of Wisconsin System was jacking up tuition at its four-year schools 5.5 percent in each of the last six years, it was amassing a surplus of \$648 million — with most of that coming from tuition and other student payments.

So when legislators found out about the surplus thanks to a Legislative Fiscal Bureau report commissioned by a group of accountants in the Legislature, many of them — mostly Republicans but a few Democrats, too — they were upset, particularly at UW System President Kevin Reilly.

And for that, UW System officials and the UW Board of Regents only have themselves to blame. There's been tension between the UW System and the Legislature for years. The relationship actually had been on an upswing, with Gov. Scott Walker's budget

plan boosting state aid to the UW \$181 million and allowing the system to set its own pay scales.

But with the surplus revelation — and the fact that it was a revelation is exactly the point — UW officials are on the defensive more than ever. Again, that is their own fault.

Though the surplus revenue — it's actually the total of many surpluses at each campus — was included in the system's financial report

, it sure was difficult to detect. It's one line in a 56-page report. As even UW spokesman David Giroux told the Milwaukee Journal Sentinel, "We did not draw attention" to the reserves.

Whether that comes from arrogance, cluelessness or is a product of an entangled bureaucracy — or a combination — is uncertain. But numerous UW officials have admitted better transparency was needed. No kidding.

All that said, their anger shouldn't lead legislators to make bad decisions.

If Walker thought the \$181 million increase in state funding for the UW was a good idea before — and it was — it's still a good idea now. As Walker noted, some of the funding is to be used to help economic development efforts — and he wants that increase to remain. But, as long as the rest of the increase is being used to fund objectives that help students' education, it should stay in the budget, too.

Likewise, if giving UW campuses the authority to take the money they get to pay for personnel and determine themselves how to divide it was a good idea before — and it was — it's still a good idea now.

Tuition is another story. Given that the past increases far outpaced inflation and that college student

debt has become a national economic crisis, calls for a tuition freeze aren't out of line. In fact, the \$28 million the UW System would lose with a two-year tuition freeze — the UW is proposing a 2 percent increase — doesn't put much of a dent in the \$82 million of the surplus from tuition payments that UW

officials admit hasn't been designated for any specific purpose.

A case can be made that a tuition freeze was a good idea before, so it's still a good idea — or a better idea — now.

Reilly and other UW officials make several contentions about the surplus: 1) It's needed because they're afraid state aid will decrease in the future; 2) It's needed because enrollment is projected to decrease in the future; 3) Much of it has been already designated for specific purposes; 4) At 25 percent of the budget, it isn't out of line with other university systems.

The first two points are legitimate, but on the third, the UW has shot itself in the foot again with its lack of transparency. The list of purposes that the surplus money will fund ranges from the specific — \$30 million for financial

aid, for example — to the vague — \$110 million for “growth agenda/strategic plan funds.” That's compounded by Reilly's acknowledgment that the Board of Regents took votes only on parts of the spending plan.

The fourth point is the biggest one. Yes, we want the UW System to have a surplus — something, ironically, the state has had trouble doing. But how much is enough? How much is too much? Education economists are split about whether UW's amount is appropriate.

But the real question that needs to be asked is this: How come that hasn't been determined already?

Governments and school districts

all over the state have figured it out. They have a policy that sets a range of percentages of the overall budget as a target for their surplus. Each year, they decide if they want to increase the surplus or use some of it as part of their budget.

You may recall that, last year, the Neenah Joint School District reported that it had reserves of \$18.6 million, or 31 percent of its budget. Since that was well above its target range of 12 to 18 percent, it had to decide what to do with its surplus. That's how it's supposed to work — and it's out in the open.

It's ridiculous that the UW System and its Board of Regents are only now talking about what surplus is appropriate.

Once we get past the anger and the voices calm down, the only solution for the future is to determine a target range, determine how it should be transparently reported and, then, determine what should be done with any “extra” money.

For a group of people in charge of public higher education in the state, you'd think they would have been smart enough to figure that out.

Wisconsin State Journal, April 28, 2013



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Journal Times editorial: It's time to freeze tuition at UW schools

APRIL 28, 2013 12:15 AM • [JOURNAL TIMES EDITORIAL BOARD](#)

The same day the University of Wisconsin System president proposed a 2 percent tuition increase, we learned that the system had more than \$648 million in cash reserves at the end of the last fiscal year.

It was shocking and it was insulting for the UW System to ask struggling students to pay even more in tuition when the system has a full piggy bank.

Tuition across the UW System's four-year schools has increased 5.5 percent annually since the 2007-2008 academic year. A student paid \$3,784 for a semester in fall 2008 to attend UW-Madison. Now it's \$5,192 for a full-time undergraduate student.

That is a difference of \$1,408 per semester and a difference of \$11,264 for four years for those who can afford to graduate.

It's no wonder student debt has skyrocketed and many college graduates have to put off buying homes, according to a recent Bloomberg News report. The average UW student now graduates with about \$27,000 in student debt, state Rep. Cory Mason, D-Racine, pointed out in a press release where he has joined Republicans asking for a tuition freeze at a minimum.

"Not only should we be freezing tuition given the news of the UW's surplus," Mason said, "but the state budget deliberations should include a serious conversation about reducing student debt by lowering the cost of tuition, increasing student financial aid, or both."

We agree.

We understand the need to keep a healthy reserve balance. Student enrollment can fluctuate from year to year, private endowments vary and federal funds are volatile especially now with sequestration, UW System President Kevin Reilly said in a media interview following an appearance before legislators Tuesday.

Plus the UW System has said that of the \$648 million in reserves, at least \$441.2 million is committed or designated for specific purposes. But many questions remain about what exactly those projects are and their timelines.

You need to remember that the \$648 million doesn't account for federal aid, gifts or grants. If you add those funds back in, the total in reserves tops \$1 billion.

Clearly there needs to be a larger discussion about the responsible amount to keep in reserves going forward and what oversight the UW Board of Regents and the Legislature should provide.

In defending the reserve balance, Reilly said it's important to maintain reserves to ensure that a freshman starting college now will continue getting a quality education as a senior.

He also needs to remember the system is responsible for ensuring that a freshman can afford to continue going to school and graduate.

Our View | UW System

Expanded audit of UW justified in light of report

The public deserves better answers on the \$648 million in reserves, but enough with the hysterical nature of this debate.

April 27, 2013

A legislative move to expand a planned audit of the [University of Wisconsin System](#) is entirely appropriate given the recent revelation that the system has \$648 million in reserves spread across hundreds and possibly thousands of accounts.

Students and families who faced 5.5% tuition increases in recent years deserve to know why those increases were necessary when university officials were setting aside money in those accounts for various purposes. Couldn't the university have set aside fewer funds, still have a (albeit smaller) contingency and not raised tuition?

The public also deserves to know more about the reserves, including where the money came from, how the university determined the level of reserves and how the funds are allocated across the system. Are those funds in interest-bearing accounts?

And university officials need to address issues of transparency and accountability. Legislators are rightly angry that they were unaware of the size of the reserve funds, which came to light in a report by the nonpartisan Legislative Fiscal Bureau. That should not have been the case.

University officials have acknowledged that they should have been more forthcoming about the numbers and should have done a better job of explaining them. Absolutely: System officials have mishandled this from the moment the report came to light, and they haven't been getting much better. It's a public relations disaster for the UW System.

So, by all means, conduct an audit and perhaps even bring in a Blue Ribbon commission that will provide some real facts, transparency and accountability.

But at the same time, let's acknowledge some things.

Although the Legislature disdains the idea (it has never established a realistic rain day fund), setting aside a reserve fund for contingencies is considered sound fiscal practice for most organizations. The amount set aside by the university may be too large, but certainly some reserve is warranted.

And setting aside money for projects *already approved* by the Legislature is also sound fiscal practice. Buildings need heat and light; new schools need faculty and staff to operate. The Legislature can't encourage growth on the one hand and then slap the university with the other for budgeting for that growth.

That's especially true when Wisconsin taxpayers now fund only about 20% of their so-called "public"

university system, far less than in years past. System schools need more flexibility - not less - to plot their own courses as public funding becomes more and more unreliable. That's a fact we have not heard UW critics address. It's also notable that university systems in other states are embracing the same strategy of husbanding resources. There's a good reason for that.

And, please, let's stop painting the whole system and all the campuses with one brush. UW-Milwaukee Chancellor Mike Lovell, for example, argues persuasively that his school does not have a large uncommitted cash balance. The university has set aside \$72 million to fund operations of the Milwaukee Initiative, a university expansion approved by the Legislature as part of the 2009-'11 budget.

This includes investments in the renovation of the former Columbia St. Mary's Hospital, the Zilber School of Public Health and the School of Freshwater Sciences. These projects have received general approval and support from the public and the Legislature.

They are not a "wish list" of projects, as state Assembly Speaker Rep. Robin Vos characterized the university's reserve funds, but a solid, and in many cases, legislatively approved strategic plan for growth, something Vos has apparently conveniently decided to forget.

Lovell also points out that cash balances are essential for the fiscal health of any institution and that accrediting agencies consider such balances in assessing universities. It would be a shame if any of the campuses' accreditation were jeopardized because of insufficient funds.

Lovell said UWM's cash balances are expected to decline over the next several years as money is spent on its commitments. At the same time, student enrollment is expected to decline generally, meaning less revenue. Before freezing tuition or cutting funding, legislators should consider the consequences of some tough years ahead for the system.

It should also be acknowledged that while some of the anger by legislators may be warranted, a lot of this is simply politically motivated - and bordering on hysteria. The reserve fund is not a "slush" fund, nor has UW System President Kevin Reilly embarrassed the state, as Vos claimed the other day, any more than, say, Vos has embarrassed the state. Still, politically, it may be difficult for Reilly to survive this mess.

But strip away the politics and the long-standing grudge match between the university system and the Legislature, and there are still questions that need answering.

The expanded audit should address those questions and determine an appropriate level of reserves for the university system.

Find this article at:

<http://www.jsonline.com/news/opinion/expanded-audit-of-uw-justified-in-light-of-report-ca9ni6c-204930101.html>

Check the box to include the list of links referenced in the article.

It's all in how you frame it

APRIL 27, 2013 8:45 PM

Is saving money for a rainy day good public policy?

The answer — in Wisconsin anyway — appears to be based on which side of the political aisle you sit.

Last year Republicans hailed their budgetary skills when more than \$100 million was deposited into the state's rainy-day fund, which has been woefully inadequate for years.

Today a constitutional amendment is working its way through the Legislature that would prohibit the raid of the transportation fund, which was common practice from both parties until 2011.

Yet this week Republican leaders scolded University of Wisconsin System officials when they learned that the system has \$648 million in cash reserves. Apparently it's proper for one agency to have funds and not another.

We should all agree that it's responsible for agencies to have some unrestricted cash in reserves for contingencies. That is a recommended budgetary practice that applies to households as well.

Of course all public agencies need to be accountable to taxpayers, but if we set aside the political rhetoric, perhaps the proper question is how much should the UW system have in reserves and for which projects is the money allocated?

According to the nonpartisan Legislative Fiscal Bureau, the nearly \$650 million surplus is spread across multiple accounts at system schools, including \$414.1 million in surplus tuition. System officials had identified specific uses for about \$332 million of the extra tuition dollars.

The UW system has taken large cuts in state aid, including more than \$300 million in the most recent budget. That has put more pressure on tuition increases — a 5.5 percent increase each year since 2007-08 — and tight budgets have resulted in many faculty members going without a pay increase for years. Future funding is far from certain.

We believe that system officials — like all government agencies — should be more transparent, a fact they acknowledge. But let's put this in perspective. There is no evidence that money is missing or mismanaged.

Another state agency — the Wisconsin Economic Development Corp. — mismanaged more than \$50 million in loans, but Republicans don't seem to be outraged about that.

Some GOP leaders are very public about their dislike for the UW System, and the revelation of these reserves has poured fuel onto that fire. Gov. Scott Walker announced plans on Wednesday to ask the Legislature to make changes to his original budget proposal for the University of Wisconsin System, including a new call to freeze tuition.

We encourage the Legislature — particularly the Republican inquisitors — to take some deep breaths, unbundle their underwear and get a clear reporting on UW finances instead of taking a reactionary and punitive move that may be undeserved.

University of Wisconsin tuition and reserves are soaring, but the same is true elsewhere



APRIL 26, 2013 11:00 AM • [MIKE IVEY | THE CAPITAL TIMES | MIVEY@MADISON.COM](#)

If Gov. Scott Walker and the Legislature move forward with a vow to freeze tuition at the University of Wisconsin for the next two years, they have some numbers to stand on.

Wisconsin has seen the [largest percentage tuition increase](#) of Midwestern state universities over the past five years, according to The College Board, with tuition and fees up 23 percent for in-state undergraduate students. UW tuition has risen 5.5 percent each year since 2007 but had jumped even more in previous years — including an 18.7

percent hike in 2003 at some campuses.

But Wisconsin certainly isn't the only state where the cost of college continues to rise at public colleges. The College Board data show increases of 21 percent in Minnesota and Illinois and 20 percent in Michigan over the past five years, just under Wisconsin's 23 percent. Nationally, increases since 2007 have ranged from 78 percent in Arizona and 72 percent in California to 2 percent in Maryland and 3 percent in Ohio.

Despite the increases, tuition at the UW [remains largely in the middle of the pack](#) compared to other states, as reported by The College Board.

UW officials have defended the tuition increases as necessary to offset declining taxpayer support at the state level. The UW System faced the third-largest funding cut of any public university in the nation last year, [according to one study](#).

Still, a series of tuition hikes — coupled with a reserve fund that critics say is too large — are now bringing heavy pressure on the UW from politicians of all stripes, not to mention students and families facing mounting debts.

A new state report showing the UW with \$648 million in reserves, including \$414 million from tuition payments, [prompted an unprecedented round of UW bashing](#) by top Republican lawmakers during a hearing earlier this week. That report also showed the system with a \$393 million tuition surplus as of mid-2011 and a \$213 million tuition surplus as of mid-2009 — suggesting the UW was asking for tuition hikes even as its reserves were swelling.

As a result, Democrats in a rare show of bipartisanship have joined the GOP in calling for a tuition freeze and asking for answers on the appropriate level of reserves.

“Students have been hit too hard too long,” says a letter signed by 35 Democrats and sent to

UW Regent President Brent Smith.

Also, on Thursday [Walker hinted he would back off](#) on an earlier promise to boost UW funding by \$181 million in his new budget.

The [UW has defended its surplus](#), saying that at roughly 25 percent of the operating budget, it is in line with accepted accounting practices. During the hearing this week, UW System President Kevin Reilly noted that Illinois has nearly a 34 percent reserve while Minnesota is at 29 percent.

UW budget analysts have further defended the surplus. [A memo](#) from Vice President of Budget and Planning Freda Harris notes that the National Association of College and University Business Officers recommends keeping a 40 percent surplus. While acknowledging 40 percent is on the high end, the UW maintains its reserves are in line with other public universities who are increasingly vulnerable to non-tuition funding variability and ongoing cuts in public support.

But those arguments have failed to impress lawmakers like [longtime UW critic Rep. Steve Nass](#), R-Whitewater, who issued this blistering statement earlier this week:

"President Reilly and the Board of Regents knowingly jacked up tuition ... on Wisconsin families over three years even though the funds weren't needed," he said. "These actions are nothing short of a betrayal of the public trust."

Nass aide Mike Mikalsen has further taken issue with UW claims about its reserve levels. He maintains that most other public universities have specific uses intended for their reserves while the UW is simply stockpiling cash.

"Year after year they have passed along these large increases to Wisconsin families while quietly building up a huge cash balance," he said.

UW System spokesman Dave Giroux disputes that characterization and notes that the UW's books are always open to review. He says the UW has earmarked \$440 million of its \$648 million in reserves for specific projects, including IT upgrades and new buildings, even if those plans have not been finalized or approved by the Board of Regents.

"If lawmakers think the cash balance is too high, fine, let's have that discussion," said Giroux. "But we are dealing with a volatile revenue stream."

So is the UW building up too much in reserve?

Businesses across the country have been trying to strengthen their balance sheets since 2007, hoarding cash amid an uncertain future and a stagnant economy. That's one reason economists say the unemployment rate has remained so high, as companies are afraid to invest their reserves in new equipment or additional staff.

National observers say universities need to safeguard themselves as well. Jane Wellman of the National Association of System Heads, a group representing university officials, says a 25 percent reserve is well within reason for a large institution like Wisconsin.

"Public institutions should be managing resources more like private nonprofits, which means strategic investments and a multi-year horizon," said Wellman.

While a tuition freeze at the UW seems all but certain, the question going forward is what

impact it might have on the university system's 181,000 students and 39,000 employees.

UW employees, like most state government workers, have been subject to pay freezes, furloughs and increased contributions for health insurance and retirement as Wisconsin scrambled to close a \$3 billion budget gap.

Spokesman Giroux declined to speculate on the impact a tuition freeze might have on the UW System, whether it would preclude any salary hikes or force cutbacks in other areas.

"It's too soon to tell," he said. "We share a desire to hold costs down but need to work with our regents to understand how this fits into the total budget."

The UW is hardly the only public university facing pressure to hold the line on tuition.

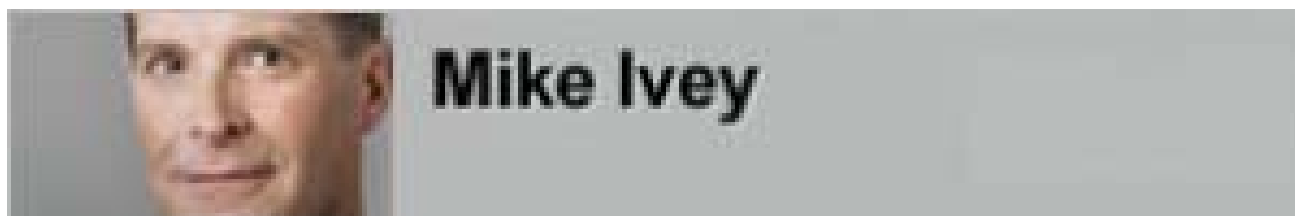
In Minnesota, a [House committee this week approved a budget plan](#) that would cap tuition at 2012 levels while also ensuring the state would provide \$2.72 billion for higher education. By comparison, Wisconsin provided \$1.15 billion for higher education in 2012, down from \$1.46 billion the previous year.

The budget plan is in line with a proposal from University of Minnesota President Erik Kaler to freeze tuition while also offering employees a 2.5 percent pay increase. Salaries there have been largely frozen since 2010, with employees also facing increased health care costs.

"The U of M, in essence, made freezing tuition the central focus of its biennial budget and legislative budget request, with the priority to hold down costs for Minnesota students and their families," said spokesman Julie Christensen.

In Maryland, [legislators recently approved a cap on tuition](#) at its public universities, which have been among the most expensive in the U.S.

Mike Ivey



Mike Ivey has been a reporter with The Capital Times for more than 25 years, covering business, the environment and politics. He was named the state's top business reporter in 2011 by the Wisconsin Newspaper Association.



UW not the only state university system investigated for net assets

By [Karen Herzog](#) of the Journal Sentinel
April 26, 2013

The [firestorm surrounding University of Wisconsin System's reported \\$648 million in cash assets](#) at the end of the last fiscal year has attracted national attention this past week.

And it turns out UW isn't the only public university system facing lawmaker scrutiny over how much money it keeps on hand.

Several public university systems across the country have been investigated by lawmakers in recent years for having large amounts of "unrestricted net assets" on their annual financial statements, according to [an article Friday by Inside Higher Ed](#).

The University of California System had \$2.5 billion in "unrestricted net assets" in 2010 while requesting a 32% tuition increase. Ohio's public universities and colleges had combined cash reserves nearing \$3 billion in 2011. And last spring, Michigan's public universities increased their total "unrestricted net assets" by 24%, from \$3.4 billion to \$4.2 billion.

In each state, lawmakers questioned requests for tuition increases and additional state aid, suggesting the universities were hoarding funds while demanding more money from students, denying pay increases to faculty and staff, and claiming poverty, according to news reports.

The response by university officials elsewhere also was similar to UW System's response this week: The unrestricted net assets were not piles of cash to be used for whatever they wanted, they said.

The accounting term "unrestricted net assets" refers to any money that doesn't have specific restrictions. That line on state university system financial reports makes them vulnerable to lawmakers looking for cuts in state budgets, the Inside Higher Ed article said.

Headlined "Reserve Judgment," the article quotes Sue Menditto, director of accounting policy at the National Association of College and University Business Officers, as saying: "I don't see anything unusual in the financial statements" of the UW System.

While lawmakers may look skeptically at cash reserves, investors in university construction project bonds consider cash reserves a positive - though the appropriate amount kept in cash assets is a subject of great debate.

As state lawmakers decrease funding for higher education, while pressuring public universities to keep a lid on tuition, universities have incentives to try to build up reserves to help deal with volatile revenue, said John C. Nelson, managing director of the health care, higher education and not-for-profit teams at [Moody's Investor Services in New York](#).

For state lawmakers, "It's not a great feeling to look across the street and see a university system with all these resources," Nelson said in an interview Friday.

But public university systems also are considered "a pillar of economic development that hopefully will generate technology spin-offs and attract very attractive people to the state," he said.

Most large research universities have some form of cash reserves, Nelson said, referring to them as "major enterprises" that generally operate with more flexibility than state governments.

"It's a cliché, but this is not your father's state university," he said. "They need to be much more market-oriented in thinking of reserves as a cushion against future risks."

On Friday, Wisconsin Assembly Speaker Robin Vos (R-Rochester) devoted his weekly Speaker's Briefing to the UW reserve, which he referred to as "basically a surplus of tuition dollars."

"At a minimum I can assure parents and students that we will freeze tuition for two years across the UW System," Vos said. "This is just the beginning of an investigation of the UW System's finances that will ensure that every aspect of Wisconsin government is responsible to the people."

Vos vowed the Legislature "will take a serious look at the needs of the universities to make sure that students are put first. To do that, we're going to take a comprehensive look at the UW System's finances, and examine some reforms to bring about more accountability and transparency."

Between 2002 and 2012, tuition went up 134% for UW System students, more than at any other school in the Big Ten, Vos said in his briefing.

"At a time when student loan debt is soaring, the UW System did their students a disservice by not being more responsible with the tuition dollars they had and asking for more," Vos said.

The 134.7% increase in tuition and fees over 10 years for resident undergraduates translated to a total increase of \$5,956 , [according to a report by the Legislative Fiscal Bureau](#) in January.

The dollar increase was fourth highest in the Big 10. The University of Illinois had the highest dollar amount increase over the past decade: \$8,256, followed by the University of Minnesota (\$6,729) and Michigan State (\$6,270).

Find this article at:

<http://www.jsonline.com/news/education/uw-not-the-only-state-university-system-investigated-for-net-assets-re9nldr-204949371.html>

Check the box to include the list of links referenced in the article.



(<http://www.insidehighered.com>)

Wisconsin system's budget reserves become target for lawmakers

Submitted by Kevin Kiley on April 26, 2013 - 3:00am

Listening to Wisconsin state lawmakers talk this week, one could get the impression that University of Wisconsin System President Kevin Reilly is sitting on a \$1 billion pile of cash that he's been collecting from student tuition revenue over the years and not spending.

"There is so much money lying around I feel very uncomfortable moving forward today giving you more authority," Wisconsin General Assembly Speaker Robin Vos said Tuesday, at a hearing originally scheduled to be about whether the system should be given more authority over personnel decisions.

That hearing instead focused on a [recent report](#) [1] by the state's legislative audit bureau -- a nonpartisan office that conducts audits at lawmakers' behest -- that found that the system had a year-end balance of about \$1 billion, roughly 25 percent of the university's general operating budget, at the end of the 2012 fiscal year. After subtracting out funds it deemed to be restricted, the bureau said the university had about \$648 million in unrestricted funds at the year's end.

The balance has been painted by lawmakers and faculty critics as a surplus fund, making them question why the system needs to continue raise tuition and cut budgets. "I can't tell you how disappointed I am," said State Sen. Alberta Darling at Tuesday's hearing. "Here we have accounts of tuition being squirreled away at the same time you raised tuition. What was your intent?"

System administrators and higher education finance officials dispute the lawmakers' characterization. In Tuesday's hearing Reilly acknowledged that the system could have done a better job communicating the purpose of the funds, but he said it was necessary to build up reserves because the system faces a volatile funding picture over the next few years.

System administrators also argued that the funds are more complicated than many believe. While some of the money included in the audit bureau's tabulation is held for reserves, much of it is tied to continuing projects, pre-approved expenditures and expenses that arise early in the academic year before other revenues materialize.

For these reasons, most public universities and systems have year-end reserves. Higher education officials said Wisconsin's reserves are comparable to those of other public universities and systems when measured as a percentage of the operating budget. While there is not common metric, it is common and prudent practice to have reserves equal to "a few months" worth of expenditures, which could be between 15 and 30 percent of an institution's overall operating budget, they said.

In several recent years, state appropriations to the Wisconsin system have not made up for the difference between operating revenues -- tuition, contracts and auxiliary revenues -- and operating expenses, according to the system's financial statements. That means the university has had to cover the difference through gifts and other non-operating revenues.

"I don't see anything unusual in the financial statements," said Sue Menditto, director of accounting policy at the National Association of College and University Business Officers, "especially since state appropriations do not cover the operating loss. And if the 17 percent decline in state appropriations indicates a pattern, then the excess cash in question might be necessary."

The Wisconsin situation is an example of an issue that has recurred in higher education, particularly in the lean budget years since 2008. Lawmakers and individuals unhappy with administrative decisions highlight accounting items that look questionable. But finance officials say these items are often standard practice and prudent fiscal management.

The criticism directed at the Wisconsin system echoes a debate that occurred in several states ^[2] in 2011, when lawmakers investigated universities for having large amounts of "unrestricted net assets" on their annual financial statements. That term, which many business officers say is misleading, applies to any money an institution has after expenses and restricted assets -- typically gifts and contracts that have legal restrictions on how they can be spent -- are subtracted from revenues. Like the Wisconsin balance, unrestricted net assets could include a range of funds set aside for designated purposes.

Several critics of the Wisconsin system have already pointed to the system's "unrestricted net assets," which totaled \$860 million at the end of the 2012 fiscal year and have grown from \$502 million in 2010, as further evidence of financial mismanagement by administrators.

The term also popped up in Maine this week, where administrators are preparing to make budget cuts. Local news reports alleged financial mismanagement because the university system's unrestricted net assets grew in recent years.

Most large research universities have some form of cash reserves, said John C. Nelson, managing director of the health care, higher education and not-for-profit teams at Moody's Investors Service. At a time when state politicians are likely to decrease appropriations for higher education while simultaneously put pressure on institutions to keep town tuition hikes, institutions have incentives to try to build up reserves to help them deal with diminished revenues, Nelson said.

Public universities are likely to continue to face such charges as state lawmakers look for ways to hold down tuition prices and control state spending on higher education in the face of growing expenses in other areas, particularly health care, pensions and public safety. "It's somewhat surprising that this issue doesn't come up more often than it does," Nelson said.

Too Much Cash on Hand?

Administrators in the Wisconsin system said this week that the overall balance is a combination of hundreds of departmental budgets at the system's 26 campuses. The growth in the balance over the past few years is the result of various individual decisions to have more cash on hand at the end of the year, they said.

Most of the funds, administrators said, are designated for specific approved purposes such as capital projects and future academic and research programs. Because financial statements are a snapshot in time, some of the money was likely spent on bills coming due in the first few weeks of July, a spokesman for the system said. Some of the money at the system level is set aside to cover potential large expenses such as health care. System officials, ratings agencies and others deem such planning to be prudent fiscal management.

The most problematic aspect of the appropriations balances at Wisconsin appears to be that much of the "unrestricted" balance -- \$414 million, according to the legislative audit -- consists of revenue from student fees, which the system has been increasing at a rate of about 5.5 percent a year in recent years.

Administrators said that while they probably could have done a better job explaining such funds before they became an issue, and that there's room to debate how large the reserves should be, they do not represent any sort of financial mismanagement.

Given the size and diversity of public higher education systems, finance officials said there is no good comparison for how much money an institution should have on hand at the end of the year. A number of factors could influence what a university might deem a good year-end balance. Those factors could include whether the system operates its own health insurance, whether the system includes a hospital or whether there are planned capital projects.

University of Wisconsin officials, since the release of the report, gathered data on the size of other universities systems' "primary reserve ratios" -- the ratio of expendable net assets to total expenses. They range from a ratio of negative 5 percent at the University System of Georgia to a ratio of almost 95 percent at the University of Texas System, according to the Wisconsin data. Wisconsin's ratio of about 25 percent put it at the median of the institutions listed.

Unrestricted Criticism

Budgetary scrutiny this week hasn't been confined to the Badger State. The University System of Maine is the latest institution to have its unrestricted net assets come under scrutiny. At the end of the 2012 fiscal year, after expenses and restricted funds were subtracted from revenues, the university appeared to have a balance of \$177 million.

That balance was characterized as a "reserve" fund in an [article by the Maine Center for Public Interest Reporting](#) [3], and system officials said they have been fielding inquiries from lawmakers about the balance.

In an interview, System Chancellor James Page joked that he wished he had a reserve fund that large. In truth, he and Rebecca Wyke, vice chancellor for finance and administration, said, much of the money that makes up that budget line is tied up in ongoing projects, held for emergency purposes like health care.

This is the second time the university has come under scrutiny for the budget line. The first was in 2009 when the state cut appropriations to the system in the wake of the economic downturn and the system, in turn, froze salaries and increased tuition. At that time, the university had

about \$88 million in unrestricted net assets.

The university is again struggling with finances, pledging to hold tuition prices steady in exchange for no reduction in state appropriations. To achieve that, however, they university will have to make some budget cuts. Faculty members have argued that the university should pull from the unrestricted net assets instead of cutting budgets.

Wyke said that's not a realistic option, in part because the funds are predominantly tied up in other uses and in part because it would use a one-time funding source to deal with a structural change, the decrease in state appropriations and increase in cost, only delaying the issue.

Page said getting lawmakers and media to understand that unrestricted net assets aren't what they sound like is a challenge he is likely to continue to face.

Source URL: <http://www.insidehighered.com/news/2013/04/26/wisconsin-systems-budget-reserves-become-target-lawmakers>

Links:

[1] http://media.jsonline.com/documents/2013_04_19JFC_BL_UW.pdf

[2] http://www.insidehighered.com/news/2011/05/27/new_scrutiny_for_colleges_over_unrestricted_net_assets

[3] <http://pinetreewatchdog.org/university-system-cuts-while-reserve-fund-grows-to-177m/>



EDITORIAL

Our view: Uproar over surplus not helpful

APRIL 25, 2013 12:30 AM • [TRIBUNE EDITORIAL BOARD](#)

Is saving money for a rainy day good public policy?

The answer — in Wisconsin anyway — appears to be based on which side of the political aisle you sit.

Last year Republicans hailed their budgetary skills when more than \$100 million was deposited into the state's rainy-day fund, which has been woefully inadequate for years.

Today a constitutional amendment is working its way through the Legislature that would prohibit the raid of the transportation fund, which was common practice from both parties until 2011.

Yet this week Republican leaders scolded University of Wisconsin System officials when they learned that the system has \$648 million in cash reserves. Apparently it's proper for one agency to have funds and not another.

We should all agree that it's responsible for agencies to have some unrestricted cash in reserves for contingencies. That is a recommended budgetary practice that applies to households as well.

Of course all public agencies need to be accountable to taxpayers, but if we set aside the political rhetoric, perhaps the proper question is how much should the UW system have in reserves and for which projects is the money allocated?

According to the nonpartisan Legislative Fiscal Bureau, the nearly \$650 million surplus is spread across multiple accounts at system schools, including \$414.1 million in surplus tuition. System officials had identified specific uses for about \$332 million of the extra tuition dollars.

The UW system has taken large cuts in state aid, including more than \$300 million in the most recent budget. That has put more pressure on tuition increases — a 5.5 percent increase each year since 2007-08 — and tight budgets have resulted in many faculty members going without a pay increase for years. Future funding is far from certain.

We believe that system officials — like all government agencies — should be more transparent, a fact they acknowledge. But let's put this in perspective. There is no evidence that money is missing or mismanaged.

Another state agency — the Wisconsin Economic Development Corp. — mismanaged more than \$50 million in loans, but Republicans don't seem to be outraged about that.

Some GOP leaders are very public about their dislike for the UW System, and the revelation of these reserves has poured fuel onto that fire. Gov. Scott Walker announced plans on Wednesday to ask the Legislature to make changes to his original budget proposal for the

University of Wisconsin System, including a new call to freeze tuition.

We encourage the Legislature — particularly the Republican inquisitors — to take some deep breaths, unbundle their underwear and get a clear reporting on UW finances instead of taking a reactionary and punitive move that may be undeserved.

Probe UW System reserves without pot shots



APRIL 25, 2013 12:15 AM • [A WISCONSIN STATE JOURNAL EDITORIAL](#)

The University of Wisconsin System has made this state proud a lot more than it has embarrassed.

And we can't say the same thing for the state Legislature.

So Assembly Speaker Robin Vos, R-Rochester, and his legislative colleagues should stop the pot shots at UW System over its high reserves and figure out what's a reasonable level.

Lawmakers also should remember they failed to build up the state's own reserves before the recession. The state's rainy day fund sat empty for decades.

Having too much money to fall back on during tough times is better than consistently having none.

Vos opened a hearing Tuesday on the System's \$648 million in reserves by insulting top university officials seated before him.

"Continually, time after time after time, you have embarrassed the state of Wisconsin," Vos said.

We won't list all of the ways state lawmakers have embarrassed Wisconsin, from their secret meetings, nasty campaigns, personal scandals and criminal convictions. But surely that list is many times longer than UW's foibles.

State leaders and the public deserve more answers on why the university's reserves, which total \$648 million across many accounts and campuses, are so high.

A big portion of the money comes from tuition, a state audit found. Yet a lot of the tuition surplus is destined for technology purchases, financial aid and other investments in student programs and services, the audit found. About \$200 million has no specific destination.

University of Wisconsin System President Kevin Reilly suggested at Tuesday's hearing that many peer universities keep larger financial cushions than UW.

Yet he acknowledged the System needs to do more to explain the size and purpose of its reserves.

Some of the legislative outrage seems feigned, given that reserve amounts have been listed in the university's public financial statements for years, albeit not in a prominent or simple way.

Wisconsin needs its great university system and state leaders working together to move higher education and the economy forward.

Let's turn down the heat and increase the light on the System's books.

Too much of a financial cushion is better than none at all.

A Tom Loftus fix for UW 'slush fund' mess



APRIL 25, 2013 5:00 AM • [CAP TIMES EDITORIAL](#)

State Sen. Mike Ellis, R-Neenah, was masterful in his questioning of UW System President Kevin Reilly about the system's accumulation of a \$648 million cash balance critics refer to as a "slush fund."

In his role as chairman and chief inquisitor of the legislative Joint Committee on Employment Relations, Ellis demanded that Reilly explain whether the Board of Regents was aware of the massive reserve fund. And Ellis had done his homework; he'd contacted regents and come away

with a sense that the board lacked "any idea" of the amount of money the university had socked away.

"We're not angry, we're disgusted," Ellis finally said to Reilly.

And it is safe to say that the Senate president spoke for most legislators, Democrats and Republicans, liberals and conservatives.

But disgusted doesn't solve the problem. There needs to be a way forward.

To our view, former Assembly Speaker Tom Loftus, who served for a number of years as a member of the UW Board of Regents, is striking a smart balance.

Here what Loftus is proposing:

"The Legislature should enact a temporary tuition freeze for the UW System campuses in the state budget. The funds available now to do this also present legislative leaders an opportunity to set up a process to consider new policies to guide the System going forward for a decade or more. It is a magic moment.

"The UW needs to be judged on things that are student focused and can be measured — graduation rates, improvement in graduation rates, student debt load, and whether competing goals generated from within or outside the System are reducing the core mission of serving Wisconsin residents.

"The future of the UW System has in the past been a meeting ground for bipartisan policies. The geographic spread of the campuses, their economic impact and the history of how we got to a System all work in favor bipartisan cooperation. The leaders need to come together to agree on a forum where all can have input and consensus can result."

That makes a lot of sense. So much sense that, perhaps, Loftus should be running the UW System. Or, at the very least, that Loftus might return to the Board of Regents in a leadership

role.

He clearly “gets it” when so many others do not.



Legislative Overkill

Name-calling and threats instead of answers and governance.

Published On: Apr 24 2013 04:45:58 PM CDT



LEGISLATIVE OVERKILL

04/24/13

With its withering condemnation of the size of the University of Wisconsin's cash reserves, and its threats of tuition freezes, scaling back on System flexibility, and rebuke of the Board of Regents, the state legislature has again proven itself incapable of responsible leadership.

Look, the UW System needs to account to the public for the 650-Million dollars in reserves, what that money is intended for and what constitutes fiscal responsibility. It's pretty simply really: be transparent, and work with the legislature on an agreed upon use of tuition dollars for reserves – to the extent the legislature deserves one for a 15-percent stake in an increasing privately funded system. But that's what we called for: answer the questions.

Instead the legislature blustered and threatened and raised the very real possibility that its "punishment" of the University would do more harm to the state than the reserve fund would. We deserve answers, not name calling.

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Lawmakers too quick to attack UW

By [Badger Herald Editorial Board](#)

The Badger Herald

Apr 24, 2013 10:00am

1 weeks ago

For the last several days, Republican lawmakers have lambasted University of Wisconsin System administrators after the Legislative Fiscal Bureau published a report showing the system is in possession of \$648 million in cash reserves. Legislators have called for a freeze on tuition and a revision of UW System funding in the state's biennial budget. They also questioned the competency of university administrators, the UW System Board of Regents and UW System President Kevin Reilly.

Arguing that the System had not been transparent with its finances, Rep. Dale Kooyenga, R-Brookfield, said, "If you're not honest with the Legislature, you're not being honest with taxpayers, because that's who we represent," according to the Milwaukee Journal Sentinel. Criticizing the UW System, Senate President Mike Ellis, R-Neenah, said, "You could make the case they've been stiffing the students for half a billion dollars ... They've been putting [tuition money] in a slush fund and crying like a bunch of dead banshees for more [tax money]."

The lack of restraint and aggression displayed by these legislators was eye-opening; they certainly wasted no time before switching into attack mode. Of course, we are grateful for Kooyenga's brief civics lesson, but we're still not entirely sure what the scream of a dead banshee sounds like, nor are we interested in finding out. Allow us to put this discussion in context.

The LFB tallied up program revenue appropriation balances across the UW System and arrived at a grand total of \$1.04 billion. They subtracted inflexible sources of revenue, such as federal funding, gifts and grants, under the assumption that System officials have little control over the use of those funds. They were left with \$648 million in balances – \$414 million of which came from tuition. According to the report, System administrators have already made plans to spend \$441 million of the total balance. This leaves a \$207 million surplus in cash reserves.

We understand the System could have been more transparent with its finances; students, in particular, deserve a thorough explanation of these program revenue appropriation balances, especially those due to tuition revenue. Until System administrators clarify the financial situation at hand, it is difficult to pass further judgment. Despite the efforts of lawmakers to paint this systemwide budget surplus as a "slush fund," it is quite possible that the funds will be put toward investments that will benefit UW System schools in the future.

At a more basic level, it seems that Republican lawmakers are objecting to the program revenue appropriation balance on principle, as if it were inherently bad that the System is

operating with a budget surplus. Yet, there is nothing fundamentally wrong with this — administrators are responsible for the long-term financial stability of the UW System. Legislators cannot expect UW schools to operate on an austere budget year in and year out. To serve students effectively, the System must have a certain amount of financial flexibility. It seems that these politicians expect Kevin Reilly and the Board of Regents to spend state money conservatively and bring back the change at the end of the year.

System administrators are not running an errand to the grocery store — they are trying to provide quality higher education.

Reilly, pointing to the System's volatile funding situation and the declining level of state support, said, "More folks on the campuses have gotten used to the notion of 'We'd better save up some money, because the long-term trend is we're going to have to do more for ourselves,'" the Milwaukee Journal Sentinel reported. He makes an important point: A significant factor in the System's decision to set money aside is the fact it has faced sizable funding cuts at the state level — funding cuts voted for by a number of the legislators who now attack administrators for "stiffing" the students.

There is a blatant hypocrisy in all of this: Lawmakers who slashed funding for UW schools now claim they are fighting for the interests of students as they attack Kevin Reilly and the Board of Regents. Can they really think students miss the irony in all of this? Or are they too busy trying to score cheap political points to care?

http://badgerherald.com/oped/2013/04/24/lawmakers_too_quick_.php#.UYEyrK5AiE

EDITORIAL: UW slush fund insults citizens

Posted: Wednesday, April 24, 2013 4:00 pm

Governor, legislators should hold system leaders accountable.

CHALK THIS ONE UP under the category of, “You Gotta Be Kidding.”

Like clockwork, every year, the sprawling University of Wisconsin system pleads and whines about the penurious state of its finances and objects to the tight-fistedness of the legislature. That is generally followed by yet another announcement that tuition costs for students and parents will be raised in an amount exceeding prevailing inflation rates.

Likewise, it’s customary for the UW system to come back again, every year or two, with the recurring refrain that its faculty members are woefully underpaid and it would take a miracle to keep them all from running off to greener (as in dollars) pastures at other universities. Unless state authorities fork over “catch-up” dollars for raises the UW system will just have to jack tuition rates more.

INSTINCTIVELY, WISCONSINITES knew this was a scam and their pockets were being picked. Now there’s proof.

The nonpartisan Legislative Fiscal Bureau has completed an audit of UW system finances.

Sit down. This is going to hurt.

The system is not broke. It’s running a substantial surplus.

Let us define “substantial.”

In 2011 the surplus was \$571 million. In 2012 it elevated to \$648 million.

Seriously — two-thirds of a billion dollars.

Meanwhile, the system continued to whine and grouse about the stinginess of the state. And tuition and fees continued to mount for students and parents, many of whom tumbled further and further into debt trying to keep up.

AND WHAT IS the reaction to this revelation from the UW system? Spokesman David Giroux put it this way: “There’s a conversation to be had about what constitutes an appropriate level of cash balances and financial reserves for an institution our size.”

Well.

That conversation seems a bit overdue.

One cannot help wondering: Could the deep cuts in Gov. Scott Walker's first biennial budget have been tempered had he and legislators been fully aware of the UW slush fund? For that matter, why did UW officials keep them in the dark? And, if that budget had been somewhat less draconian, would that have been enough to ease tensions and avoid some of the damaging political warfare the past two years? If so, would Wisconsin's economy be facing fewer headwinds than it has endured throughout Walker's term?

In our view, any "conversation" with UW officials needs to go well beyond a debate about appropriate cash balances.

THE UW SYSTEM is a great, world-class university complex and any response that damages its scope and quality should be resisted. But that doesn't mean Walker and others should avoid twisting a few administrative arms to get answers.

While they're at it they should take a look at how well the UW system is preparing students to compete for the jobs that are out there in a tough economy. A degree in sociology, or comparative religion, or women's studies or philosophy and the like might be top-shelf, but what's the point if graduates wind up flipping burgers or clerking gas stations?

And consider how students and parents feel when they've mortgaged their lives with the net result being a move from campus to the folks' basement.

Particularly in this lousy economy the watchword for government at all levels is "accountability." Apply it aggressively to the UW system.

Meanwhile, give UW leaders a choice: (1) give back the money, or (2) use it to freeze (or roll back) tuition and fees until that "appropriate" cash balance is achieved.

ISTHMUS | The Daily Page

Citizen Dave: Wisconsin Republicans have a surplus of hypocrisy on the UW System budget

by Dave Cieslewicz

on Wednesday 04/24/2013 3:20 pm

So, let me get this straight. Veteran Republican legislators who routinely decry deficits and call for more business-like practices in government are now chastising the UW System for having a budget reserve. Legislators who gleefully slashed the System's budget and therefore forced tuition increases now portray themselves as the protectors of students, calling for a two-year tuition freeze.

If the Republicans think they can score points with students on this issue, it doesn't seem to be working, as evidenced by this morning's editorial in the *Badger Herald*. But they may actually be aiming their entreaties more at those students' parents who often pay the bills -- and who vote more reliably -- and it fits with the tried and true endless GOP attack on "Madison."

The UW System has a reserve that amounts to 3.7%, 11.5% or 25% of its budget, depending on how you want to calculate it. It seems to me that the most fair reading is the middle number, about \$648 million of a \$5.6 billion budget. That 11.5% is about right. For comparative purposes, the city of Madison holds a reserve that hovers around 12%.

And any responsible business keeps a reserve. The state of Wisconsin, which the Republicans run from head to toe, has no significant reserve account at all. Maybe the GOP is angry with the UW System for making them look so bad in comparison.

So, where do Republicans like Assembly Speaker Robin Vos and Senate President Mike Ellis get off blasting System President Kevin Reilly for being prudent with his organization when they've been so cavalier with theirs?

Well, I don't know where they get off, but there are a couple of issues where, it pains me to say, they have a point. Those issues are transparency and timing.

I looked at the System's 2012-13 operating budget document (PDF) expecting to find the reserve account in plain daylight, just as you can find it in the Madison budget. But it's not there. The System's argument is that the reserve doesn't reside in one line, but is spread among campuses. But the reason to have a comprehensive system is to have oversight over all the campuses. The UW System should have collected this number and reported it on its own as a matter of routine. As eager as I am to defend my alma mater, I can't think of a good reason that that number shouldn't have been known far and wide all along. If it had, the System probably wouldn't be in this position. To his credit Reilly has acknowledged that.

The second problem is timing. Well-run organizations build reserves in good times for use in lean ones. But the UW System built its surplus significantly in the last few years just as it was weathering budget cuts from the Legislature and raising tuition to the maximum extent allowed. Combine that with the lack of self-reporting, and you hand political foes of the university all the ammunition they need.

While the UW System took some deserved hits over lack of transparency and the timing of their additions to the reserve, I'd rather have an organization with a prudent reserve than one with none. The UW System is still much better run than the state government that now wants to call it on the carpet.



Take a deep breath - the UW System should have a reserve

By [Kristin Hansen](#)

April 24, 2013

Are we supposed to be shocked that the UW System – a massive \$5.6 billion organization – has a cash reserve? The reserve that is unrestricted, and this available for emergencies, is [\\$207 million](#). That’s only 3.7% of the budget – a perfectly reasonable amount for a nonprofit of this size to have on reserve.

It is much better policy to have a surplus than to operate on the edge of insolvency. A natural disaster like a tornado or flood could wipe out that surplus in a heartbeat. The fact that there is a cash reserve means the administration is complying with nonprofit best practices.

The UW is of course stuck between a rock and a hardplace. If they were teetering on bankruptcy the legislature would be talking about taking over the administration and auditing for financial misconduct. If they have a cash reserve that is arbitrarily declared “too large” then they are crooks and liars who are stealing from students. They can’t win.

Every once in a while someone calls for nonprofits to be run more like businesses. If you think it’s a good idea for a company to have a cash reserve for unexpected expenses, you can’t say an organization as large and vital to this state as the UW System is should not.

So relax. There are a lot of things that need to be fixed in this state. The world-renowned University of Wisconsin is not one of them.

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The article:

The UW System's "slush fund" -- \$1 billion, \$207 million or what?

By [Tom Kertscher](#)

Published on Tuesday, April 23rd, 2013 at 9:40 p.m.

The amount of excess cash in the University of Wisconsin System's bank account is:

- A) "Nearly \$1 billion"
- B) \$648 million
- C) \$207 million

Hmmm; the difference between A and C seems about as large as, well, A to Z.

Yet all three figures -- often with the term "slush fund" -- have been cited since an April 19, 2013 report revealed that the UW System has amassed a significant cash surplus.

So, just how large is the surplus?

And how does it compare to what the system would lose if a planned state funding increase is pulled back? Or to the amount of tuition increases over the past few years?

There are different ways to characterize how much extra money the UW System has. So, we'll set aside the Truth-O-Meter in favor of trying to give context to the various numbers being tossed about.

You've just enrolled in Surplus 101.

Lay of the land

The [UW System](#) serves more than 181,000 students at 13 two-year colleges and 13 four-year universities, including the flagship University of Wisconsin-Madison.

Its annual budget is big -- \$5.6 billion, the same amount of revenue Harley-Davidson [earned in 2012](#).

So, it's no surprise the UW System would keep some extra cash in its kitty. But how much?

After news of the surplus hit, conservative Milwaukee talk show host [Jay Weber declared](#) that the UW System has "a nearly \$1 billion reserve fund."

State Rep. Steve Nass, R-Whitewater -- who [called system officials](#) "educational crooks" and "con artists" -- [bemoaned](#) a "\$648 million surplus."

And Tim Higgins, a member of the Board of Regents, the UW System's governing body, [said only \\$207 million](#) of the "slush fund" (his words) isn't already committed to certain uses.

So, let's break down the numbers, relying on the [report on the surplus](#), which was done by the nonpartisan Legislative Fiscal Bureau at the request of state lawmakers. The amounts refer to balances as of June 30, 2012, the end of the most recent fiscal year.

Surplus figures

\$1 billion -- That's the amount of "program revenue appropriations" the UW System had on hand. Let's call it the total surplus.

It's 25 percent higher than it was a year earlier.

The largest portion of the \$1 billion -- \$414 million, or nearly 40 percent of the total surplus -- came from tuition. Federal aid and gifts were among the other sources of cash.

\$648 million -- That's the amount left if you subtract from the \$1 billion money that came with strings attached -- gifts, grants, federal aid and other funds. Call it the unrestricted surplus.

The fiscal bureau said it's reasonable to make those subtractions because the UW System must spend federal aid based on federal rules. Similarly, gifts and grants -- like a donation to fund a particular researcher -- are typically provided for specific purposes.

\$207 million -- That's what's left if you subtract \$441 million from the \$648 million unrestricted surplus. The UW System says \$441 million is being held in reserve for specific activities in the future. One proposal is for [up to \\$30 million](#) in additional student financial aid during 2013-2015.

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Students at the University of Wisconsin-Milwaukee protested tuition hikes in June 2012. UWM is part of the UW System, which is being criticized for accumulating cash reserves while raising tuition rates.

The fiscal bureau's report doesn't list the future activities; and it notes that the UW System did not identify the timing for those future expenditures.

But it means only \$207 million isn't designated for some purpose. We'll call it the leftover surplus.

So, we can see why there is a wide range in what various folks identify as the UW System's surplus, or "slush fund," which system president Kevin Reilly [has defended](#) as being in line with or below what similar university systems have across the country.

But whether we're talking about \$1 billion or \$207 million, the amounts can be difficult to grasp. So let's give them some perspective.

Making comparisons

The one figure people seem to agree on is \$648 million, the unrestricted surplus.

Nass, who is chairman of the Assembly Colleges and Universities Committee, contends the \$648 million represents one-fourth of the UW System's budget. And the fiscal bureau report backs him up, with a caveat.

As we noted, the system's entire budget is \$5.6 billion. The \$648 million surplus represents a fourth of the budget only if you consider the smaller, unrestricted portion of the system's entire budget, which is \$2.5 billion.

Higgins, the UW regent, also cherry picks figures, but in a different way, when he claims the "slush fund" is only 3 percent of the system's budget.

If you divide \$207 million leftover surplus by the system's entire budget of \$5.6 billion, you get 3.7 percent, slightly higher than what Higgins claimed.

Before we close, a couple of other comparisons.

Proposed budget increase: Gov. Scott Walker proposed a \$181 million in state tax support for the UW System in his 2013-15 state budget, which is now being considered by the Legislature. Several Republican lawmakers have said the \$181 million should be eliminated, but [Walker said](#) he would keep it in his budget.

The \$181 million amounts to about one-fourth of the \$648 million unrestricted surplus.

Tuition: As we noted, of the \$1 billion total surplus, \$414 million came from tuition. That figure is up from \$212.8 million in tuition money that was on hand three years earlier, at the end of fiscal 2009.

Despite the excess tuition money on hand, the UW System raised tuition by 5.5 percent in each of the past six years, generating about \$35 million per year. Now Walker and other GOP leaders are calling for a two-year tuition freeze, which could cost the system [\\$28 million](#) it has been expecting.

The fiscal bureau report noted that state aid to the UW System was reduced significantly over the past three years. Indeed, the reduction in fiscal 2012 alone was \$173 million, according to the UW System's latest [annual financial report](#).

Going forward

The fiscal bureau concluded its report by saying "there are important policy questions raised" by the surplus, including:

"What is the appropriate level of UW System appropriation balances?"

"What role, if any, should the Legislature have in determining the appropriate level, and use of, UW System appropriation balances?"

"To what extent should the Board of Regents be permitted to charge current students tuition to fund programs that will benefit future students?"

Stay tuned. As the state budget debate continues, we may all have to enroll in Surplus 102.



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Chris Rickert: Banking on System's reserves?

APRIL 23, 2013 5:30 AM • [CHRIS RICKERT](#) | [WISCONSIN STATE JOURNAL](#) | [CRICKERT@MADISON.COM](#) | 608-252-6198

I'm puzzled at the shock expressed by some, mainly Republican, state lawmakers upon finding out that the UW System has \$648 million in reserves.

This is an organization that can pay its flagship university's chancellor half a million dollars and its flagship football coach more than three times that.

The cost for a year of schooling at one of its four-year colleges amounts to almost a fifth of the state's median household income.

And contrary to the laws of supply and demand, the System and higher education in general regularly pay upper-middle-class salaries to people whose skills — in English literature, say, or the Classics — don't exactly qualify them for similar salaries anywhere else in the economy.

Of course the System's got a lot of money. Unfortunately, last week's Legislative Fiscal Bureau memo about the reserve fund serves mostly as a stick with which critics of the System can beat it, not as a guide to how big the System's reserves should be.

System spokesman David Giroux said the System's financials have long been contained in System and state annual financial reports.

But with the most recent versions of these documents running to 56 and 254 pages, respectively, of accounting language, it's easy to see how the university's surplus might have remained a mystery.

The System's complexity and size also lends itself to slicing and dicing its budget numbers to say just about whatever you want them to say.

So there are disagreements about how one even defines what a surplus is. Even if it is \$648 million, that's only about \$3,500 for each of the System's roughly 182,000 students.

That's a nice little one-time scholarship, but maybe not so nice that it isn't better pooled and spent on new buildings and programs for the good of the entire student body now and in the future.

Nevertheless, hostile lawmakers and System officials alike agree the System's rainy day fund has grown — and that this is worth more study.

"Reserve accounts provide an essential safety net," the System said in a statement last week. But Giroux told me, "Many people are understandably concerned about those bigger numbers, and they're asking for better explanations from UW."

This is especially true in light of six straight years of the maximum legally allowable tuition increases of 5.5 percent and the surplus has Gov. Scott Walker and others calling for a tuition freeze. "These students and their families deserve a break," Walker spokesman Tom Evenson

said.

While the governor's right, the same sentiment could just as easily be used to call for more state aid as a way to slow the tuition increase. And yet, that's not the position Walker or his predecessors have taken, as state support for the System has been dropping as a percentage of its overall budget for decades.

If the current kerfuffle over the System's surplus leads the Legislature and System officials into a broader discussion about the cost of college and who should pay for it, or how big the System should be and what it should pay its employees, more power to them.

But students must be the top priority — not taking shots at the System's interests in preserving itself and protecting its own.

Chris Rickert



Chris Rickert is the metro columnist for the Wisconsin State Journal, where he's got his laser-like perspective trained (mostly) on all things Madison. He is especially engaged by blatant hypocrisy, hot partisan rhetoric, class warfare and ice cream.

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