

EXECUTIVE SUMMARY

# FALLING BEHIND?

*The State of Wisconsin's Public  
Universities and Colleges*



WISCONSIN  
**POLICY FORUM**

After years of slow erosion of funding and enrollment, higher education in Wisconsin faces a flash flood. Financial challenges had been accumulating for the state's public colleges and universities, brought on by stagnant state funding, a tuition freeze, and declining enrollment. Now COVID-19 threatens to wash away key pieces of this system, raising the possibility of further faculty cuts, reduced programs, or additional debt.

In light of these challenges – and the tremendous stakes involved – the Wisconsin Policy Forum has undertaken a comprehensive review of the state's public colleges and universities. From the University of Wisconsin-Madison to the former two-year UW Colleges, we find public higher education faces tougher financial and enrollment trends in Wisconsin than most other states and has a highly centralized governance and structure that may complicate the response to the pandemic.

The UW System and Wisconsin Technical College System (WTCS) face the following headwinds:

- As recently as 2010, state tax or General Purpose Revenue funding was the largest source of UW System revenues but it since has been overtaken by both tuition and federal revenues. The UW has fallen from the state's second-highest GPR program in 1992 to its fifth today. State aid to the WTCS is also down since 2000 after netting out funds for property tax relief.
- Between 2001 and 2011, in-state undergraduate tuition more than doubled at every four-year UW campus and rose by 141% at UW-Madison. Yet at UW campuses since then in-state undergraduate tuition increases largely have been frozen at 2013 prices.
- Full-time equivalent enrollments (FTE) at the UW System fell by 8.4% since their 2010 peak to 142,907 in 2019 though they remain above their level in 2000. WTCS FTE enrollments fell 22.5% to 65,317 since topping out in 2011 but are also higher than in 2000.

In addition, the coronavirus is upending campus life and adding to these long-term difficulties. The UW System estimated in June a net loss of \$158.6 million at that time after factoring in lost revenues, higher costs, spending cuts, and federal aid. In an October update for its campus alone, UW-Madison said it was extending employee furloughs and pay cuts to respond to an unprecedented \$320 million budget impact in 2020 and 2021 due to increased costs and lower revenues from tuition, research funding, and self-financing units such as athletics and the Wisconsin Union.

Unlike some other states, Wisconsin did not take advantage of the long economic expansion to help prepare its colleges and universities for this economic peril.

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*Though UW System tuition balances rose during the Great Recession, these key reserves dropped 58.8% between June 2013 and June 2020.*

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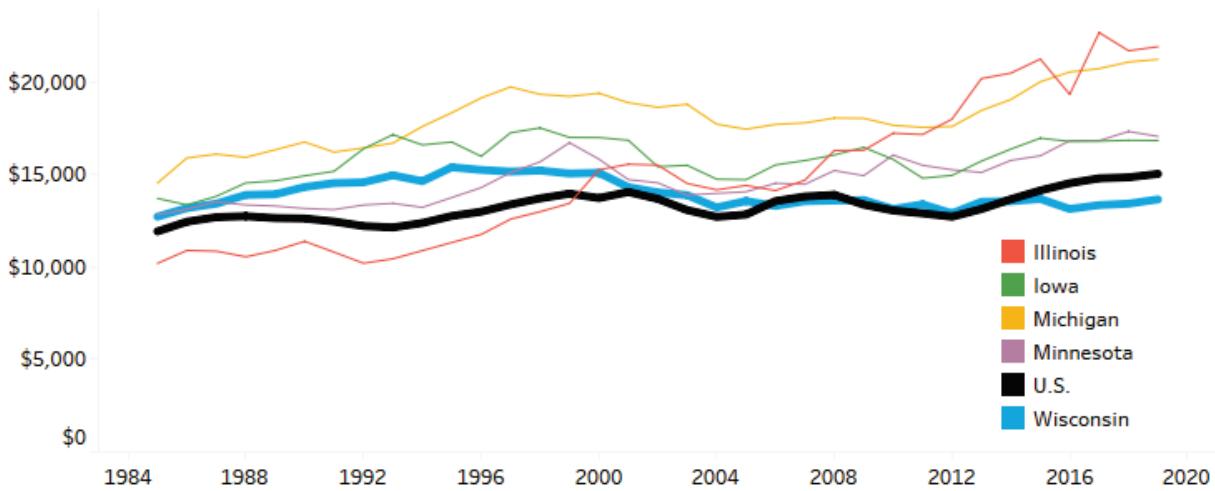
## National context reveals greater concern

This concerning picture becomes even more alarming when Wisconsin's public higher education trends are placed in a national context. Though many public institutions are struggling, data from the State Higher Executive Education Officers Association (SHEEO) and the Integrated Postsecondary Education Data System (IPEDS) suggest the challenges in Wisconsin may be more severe:

- Between 2000 and 2019, adjusted state and local funding per full-time equivalent student at Wisconsin universities and technical colleges fell from 6.4% above the U.S. average to



### Funding for Higher Education Lags in Wisconsin Adjusted State-Local Tax Funding and Net Tuition Revenue Per Student, 1985-2019



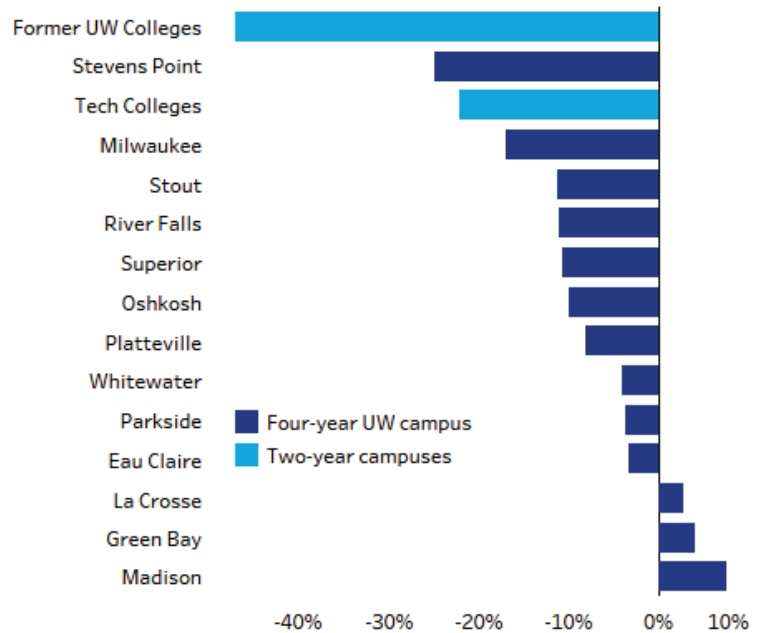
Source: State Higher Ed. Exec. Officers, which adjusts for inflation, enrollment mix, and regional cost of living

16.5% below that average (\$6,846 here versus \$8,196 for the U.S.). Adjusted net tuition and fee revenues per student in the state were also overtaken by the national average.

- The state’s ranking for adjusted total revenues from state and local funding as well as net tuition fell from 24<sup>th</sup>-highest nationally and close to the middle of the pack in the Midwest in 2000 to 41<sup>st</sup>-lowest nationally and last in the Midwest in 2019 (see Figure). Arguably, the SHEEO data omits \$1,245 per FTE in local technical college revenues but even after accounting for that Wisconsin is still below the national average.
- From 2011 to 2019, net enrollments at public colleges and universities in Wisconsin fell by 13%, or more than twice the national average. UW-Madison increased enrollments over these years but still lagged its peers.
- From 2013 to 2020, UW-Madison had the third-lowest in-state undergraduate tuition and fee increase among 35 peer public research universities and the largest cut in state support from 2013 to 2018 (the most recent year available). The University of Washington-Seattle and University of Florida also held down tuition over those years but received

#### Enrollment Declines Greatest on Two-year Campuses

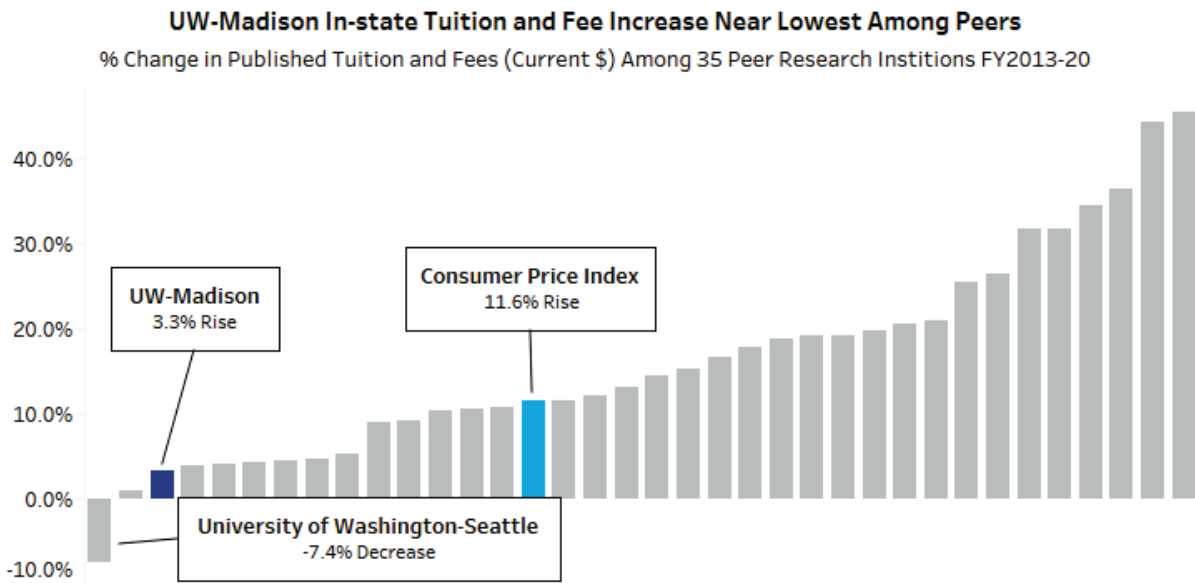
% Change in Full-Time Equivalent Enrollment, 2011 to 2019



Sources: UW System, WTCS; Four-year UW campus totals do not include branch campuses. UW Colleges includes UW Colleges Online.



substantial increases in state funding. UW-Madison's ranking for state appropriations and tuition and fee revenue fell from 17<sup>th</sup> in 2013 among the 35 peers to 23<sup>rd</sup> in 2018 at \$22,730 per FTE.



Source: Integrated Postsecondary Education Data System

Despite these troubling financial and enrollment trends, public universities and technical colleges in Wisconsin still have had some successes. Graduation rates at public four-year institutions have improved for students overall and for underrepresented minorities. Students now require fewer credits and less time to graduate, lowering both tuition costs and lost earnings. After adjusting for inflation, debt levels for those earning bachelor's degrees have been falling since 2014.

Challenges remain, however, and in some areas they are great. Graduation rates for public four-year institutions are still better in three neighboring states – Iowa, Minnesota, and Michigan. While minority students have made gains, Wisconsin still has the nation's largest six-year completion gap between black and white university students at public four-year institutions, according to National Student Clearinghouse data.

### Other trends and unusual structure suggest need for change

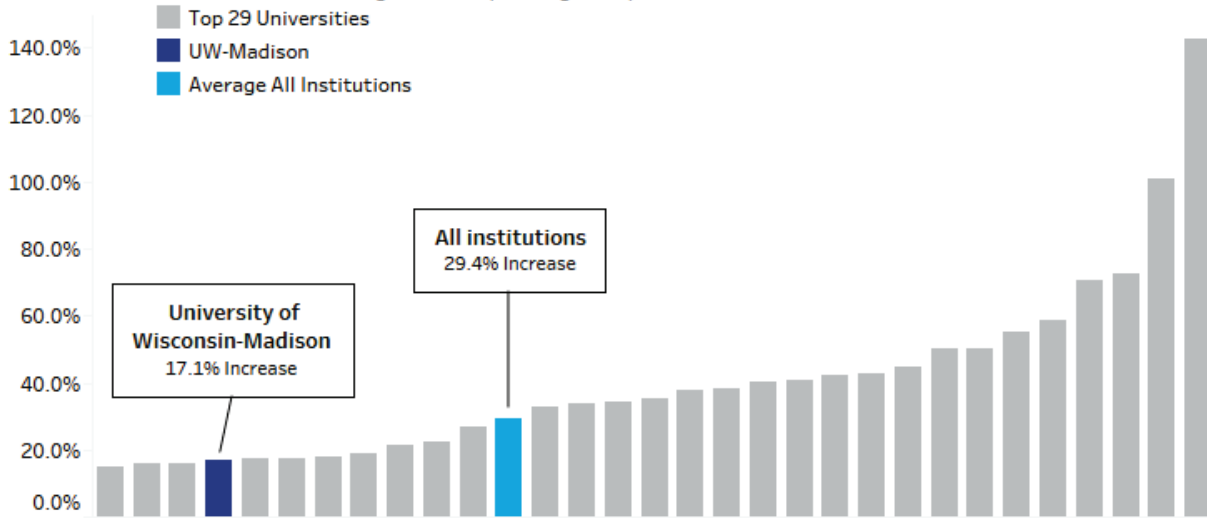
Faculty trends reflect recent financial challenges and also may be impacting the national reputation of the state's flagship university and its ability to attract research dollars. Between 2000 and 2019 – a period of rising enrollment – UW System faculty fell from 6,103 to 5,675, or 7%, and UW-Madison had its faculty numbers remain essentially flat despite an increase in enrollment. Faculty salaries at UW-Madison have also lagged – particularly for full professors.

UW-Madison has increased its R&D spending in recent years but still seen its rank on this key metric fall from third-highest in the nation in 2010 to eighth-highest in 2018 as most other top research universities have done even better. UW-Madison has also dropped in the last decade in other rankings that are less substantive but better known to the public.



### UW-Madison R&D Spending Lags

% Change in R&D Spending at Top 30 Institutions, FY 2010-18

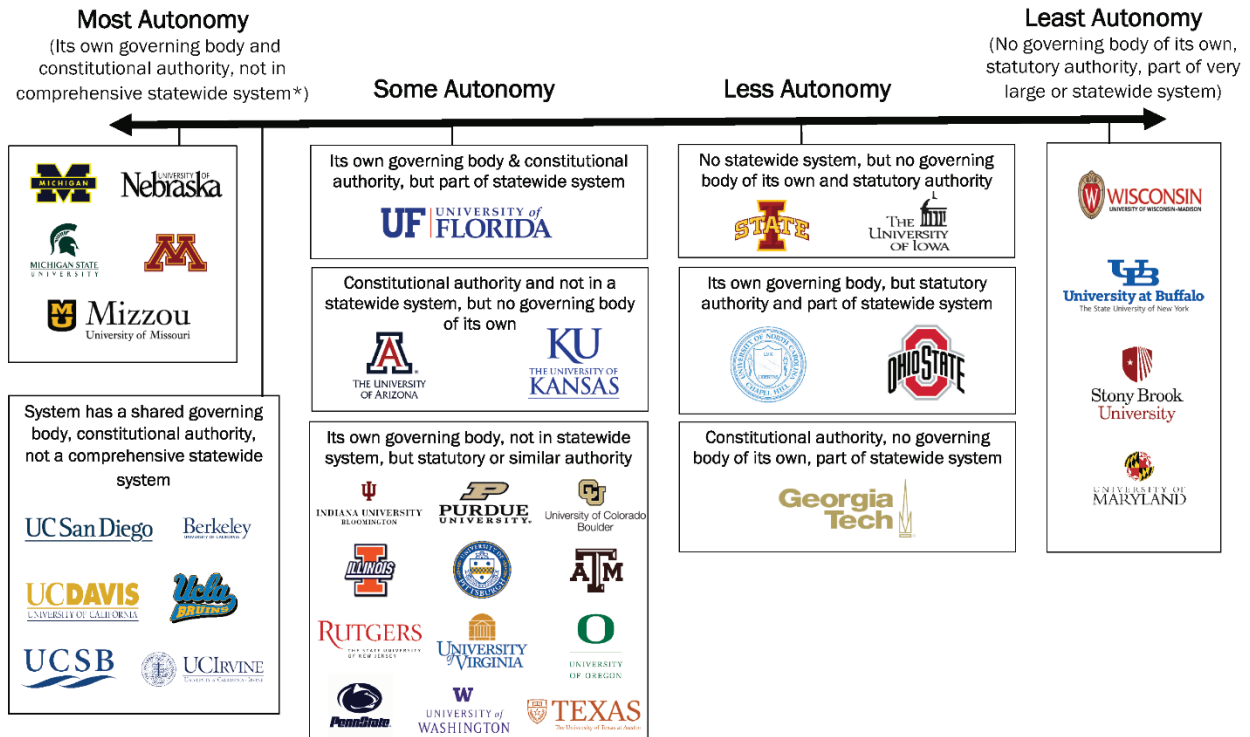


Source: National Center for Science and Engineering Statistics

Wisconsin's universities must meet these challenges while working within a highly centralized structure. UW-Madison answers to one statewide governing board, the Board of Regents, with no constitutional authority and one statewide system that includes all public universities in the state. Almost none of its peers is governed that way. Wisconsin is also unique in not delegating any authority to issue debt or manage construction projects to its public universities or related entities.

### UW-Madison Has Among Least Autonomy of Peers

A Look at the Structure and Governance of 35 Public Research Universities



Sources: Association of Governing Boards of Universities and Colleges States' Profiles, university websites; \*Statewide system refers to a comprehensive system including all four-year public universities in the state.



The Legislature in 2011 and 2015 rejected the idea of giving greatly expanded powers and autonomy to first UW-Madison and then the UW System, making it unlikely that lawmakers now would choose that route. Yet a range of other powers could be given to the state's flagship university or the UW System, from budgeting to procurement, capital projects, borrowing, and tuition setting.

## Where to go from here?

In recent years, policymakers have already merged two-year UW campuses with larger institutions, expanded online learning, improved the transfer process between tech colleges and UW System campuses, and made cuts to programming and staff at some four-year universities.

Going forward, however, state and higher education leaders will likely consider some combination of the following options:

- Minimizing cuts in state tax dollars for now and eventually restoring and increasing them, searching for new revenue sources, and issuing debt.
- Allowing tuition to rise subject to some benchmark such as inflation or the levels adopted by other Big Ten schools, providing tuition increases to certain campuses such as UW-Madison or for select in-demand programs, and emphasizing financial aid initiatives such as Bucky's Tuition Promise.
- Boosting enrollment by expanding online instruction, improving transfers between two-year and four-year institutions, and supporting students of color more effectively.
- Considering additional flexibility for UW-Madison in areas such as budgeting, procurement, capital projects, borrowing, tuition setting, and allowing a campus-specific board. In some cases, the UW System also lacks those same powers and could receive them instead.
- Reducing state mandates, little-used campus programs, or as a potential last resort the number of campuses through the closure of one or more of them. However, we caution against merely looking to cuts without eventual investment.

Some of these solutions could be used almost immediately and some like furloughs are already in effect and would draw fewer concerns. Others such as a campus closure could take years and would come with great controversy.

While no one would have invited the current crisis, its impact on Wisconsin's economy and finances may provide the strongest impetus yet for state policymakers, higher education leaders, and the vast array of college and university stakeholders to chart a better course for the state's system of post-secondary education. Doing so boldly and quickly could help ensure a return to prosperity in the years ahead.