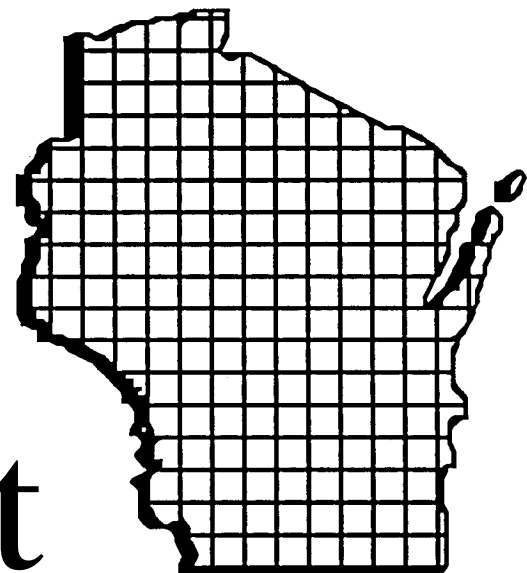


Wisconsin

Policy
Research
Institute

Report



November 2001

Volume 14, Number 8

**CHARTERING THE
UNIVERSITY OF
WISCONSIN-
MADISON**


REPORT FROM THE PRESIDENT:

There is no state institution more important than the University of Wisconsin-Madison. For well over one hundred years it has provided the research and guidance necessary to improve the quality of life in our state. In the past it has helped move Wisconsin from a fledgling wheat farming state to the most successful dairy state in our country. We believe that the resources inside UW-Madison today would be greatly enhanced by a major change in the way that the University is administered.

We asked Dr. Frank A. Cipriani to help us research the kinds of changes that could improve the academic quality at Madison. Until recently, Dr. Cipriani had served twenty-two years as the President of the State University of New York's College of Technology at Farmingdale. He was known as one of the most innovative presidents in the SUNY system. One of his final projects was a collaboration to plan a bioscience park on his campus. The collaborator was Dr. James Watson, Nobel Prize winner for his discovery of DNA.

Our research in this study shows a decline in UW-Madison's academic reputation. We examine undergraduate admissions as well as academic rankings of graduate departments. This study points to an obvious decision that must be made in Wisconsin: whether UW-Madison should be competitive with Berkeley, Michigan and the Ivy League schools, or whether we wish to remain complacent and have it comparable to the middle-ranked Big Ten schools such as Iowa, Minnesota, or Illinois, but still a better institution than La Crosse, Superior or Milwaukee.

For boldness sake, we believe that we should try to move UW-Madison into one of the top-ranked universities in the country, if not the world. To do this we need to give the University the flexibility it needs to make changes in the future. There is little question that schools like Michigan and Virginia have an enormous advantage administratively over Madison. Additionally, Madison does not today have the endowment capacity of Berkeley or the Ivies. To be competitive, Madison must be able to attract quality faculty as their top professors begin to retire. We are not talking about spending more tax dollars to do this. Rather we advocate letting Madison become much more entrepreneurial, let it become a charter college, and let it resemble public universities in Michigan and Virginia rather than another Wisconsin bureaucracy. If we can have K-12 charter schools, there is no reason why we cannot have a charter college that follows the same philosophy as our elementary and secondary schools. This is the twenty-first century, and this is an idea whose time has come.



James H. Miller

WISCONSIN POLICY RESEARCH INSTITUTE, INC.

P.O. Box 487 • Thiensville, WI 53092
(262) 241-0514 • Fax: (262) 241-0774

E-mail: wpri@execpc.com • Internet: www.wpri.org

CHARTERING THE UNIVERSITY OF WISCONSIN-MADISON

JAMES H. MILLER
FRANK CIPRIANI, PH.D.

	PAGE
EXECUTIVE SUMMARY	1
INTRODUCTION	2
UW-MADISON IS DIFFERENT	3
THE POWER OF INDEPENDENCE	4
WHAT UNIVERSITIES HAVE THE BEST REPUTATIONS?	5
CHARACTERISTICS OF THE TOP-RANKED PUBLIC UNIVERSITIES	8
CHARTER UNIVERSITY	11
WHY WOULD A CHARTER HELP UW-MADISON?	13
CONCLUSION	16
NOTES	17
BIBLIOGRAPHY	18

BOARD OF DIRECTORS

Robert Buchanan, *Chairman*
Catherine C. Dellin
Michael Grebe
Roger Hauck
Dennis Kuester
James Klauser
San Orr, Jr.
Robert O'Toole
Paul Schierl
Timothy Sheehy
Edward Zore
James Miller, *President*

EXECUTIVE SUMMARY

The University of Wisconsin-Madison, the state's flagship campus, is increasingly important to the future of Wisconsin. In a new century in which the economy is becoming ever more reliant on knowledge, the state's lead university must be able to step up and better serve its constituency. That is a challenge.

The University, while increasingly acknowledged by citizens and lawmakers as having a key role, continues to suffer the trials and tribulations of a state agency. The University must face the biennial budget dilemmas. It must compete with prisons and K-12 education for resources. It must compete with UW-Milwaukee, UW-Stout, and all of the other UW campuses for resources. It is forced to wait its turn by a central administration that must trade-off serving the majority of the higher education needs in the state with those of serving the more qualified students that attend UW-Madison.

The University of Wisconsin-Madison is a very good university. But it has the potential to be a great university and to lead the state of Wisconsin to higher levels of income for its citizens through greater participation in the new knowledge economy. The University's record to date is not one that would indicate that it would achieve its potential. UW-Madison has too many constraints and is too limited in its access to resources. To be more successful, the University must be granted greater independence. It must be freer to respond to the many challenges facing it and the state. It must be able to respond to these challenges more quickly than it has in the past. The pace of the world has quickened, but UW-Madison is constrained by a historic bureaucracy and sets of rules and regulations that were established to protect the public purse.

The answer to the challenge is to make UW-Madison a charter university. Give the University its freedom to determine its future — free of encumbering state regulation and beholden to only the goals and objectives in its newly created "charter." The state would continue to fund the university at some pre-determined level, while UW-Madison would have the independence to raise additional funding through any legal way it wanted. For example, it could raise tuition, increase research funding, start more auxiliary enterprises, or license more intellectual property. UW-Madison would be responsible for generating the revenue it needs to succeed. It would also make all expenditure decisions.

In return for a charter and its independence, UW-Madison would accept a series of targets that it must attain. The charter would, for example, state what proportion of students would graduate in four years, how many students could attend, how many students would be from minority groups, what national ranking the university would achieve, and other similar ends that the UW System would determine are necessary for UW-Madison to be given its freedom.

UW-Madison is being challenged by new competitors for students. It is being challenged by existing universities for faculty members. It currently has twice the annual faculty turnover (non-retirement) of the University of Michigan, for example. UW-Madison will have to find, attract, and retain the most productive new faculty, as a projected 26% of its existing faculty will retire over the next decade. This will require better salaries and better facilities, as other universities have learned what it takes to attract the top producers. UW-Madison is being challenged to develop more resourceful and higher caliber administrators who can handle the challenge of the increased competition. Such individuals will not be attracted or developed under a system with little latitude.

Several precedents for charter universities exist; all seem to flourish. The best examples are the University of Michigan and the University of Virginia. Both are ranked several steps above UW-Madison in undergraduate and professional schools. These universities have long histories of being independent. More recent examples include the state-supported colleges and universities in New Jersey and Maryland's public honors college, St. Mary's. St. Mary's College nationally is the number-one-ranked **public** college, and the University of Virginia is the number-two-ranked national, **public** university (just behind the University of California-Berkeley), according to *U.S. News & World Report*.

The UW System Board recognized in the mid-1990s the many attributes that would strengthen the system. These attributes are not a secret. Additional resources and greater flexibility to employ those resources are the most notable. If these are garnered for the entire system, that will certainly benefit the state and its citizens, but the route to this end is not direct. One way to speed its attainment is to push one campus ahead. This campus should be UW-Madison. It is the one university in the state system that can offer the most rewards for the additional resources that would be made available. It should be granted a charter at this point and sent on its way to the top of the public universities in the country. Only with such added independence and resources will UW-Madison be truly able to meet and overcome the many challenges coming its way.

INTRODUCTION

The University of Wisconsin-Madison is a unique educational institution in the state. It is the one land-grant university, and it has a long history of service to the state. In fact, it is responsible for much of the economic success in the state in the twentieth century. Before the turn of the nineteenth century, it was UW-Madison faculty members who did the research and spread the findings that moved Wisconsin from being a not-very-successful wheat-growing state to becoming the leading dairy state in the nation for most of the twentieth century.

That same potential role is held today. UW-Madison is on the front pages of the national newspapers because its faculty members are the leaders in the world on stem cell research. They also lead in a number of other biotech and scientific areas. The University is poised to lead the state into the twenty-first century with new knowledge that can be exploited for the state's economic benefit. The big question mark is whether it can fulfill this role when it is as constrained as it is by the rules and regulations that currently govern its operation.

The University of Wisconsin-Madison, the state's flagship campus, is increasingly important to the future of Wisconsin. In a new century in which the economy is becoming ever more reliant on knowledge, and in which the roles of the dairy industry and manufacturing are declining, the state's lead university must be able to step up and better serve its constituency. That is a challenge. The University, while increasingly acknowledged by citizens and lawmakers as having a key role, continues to suffer the trials and tribulations of a state agency. The University must face the biennial budget dilemmas. It must compete with prisons, K-12 education, and other state activities for resources. It must compete with UW-Milwaukee, UW-Stout, and all of the other UW campuses for resources. It is forced to wait its turn by a central administration that must trade off serving the majority of the higher education needs in the state with those of serving the more qualified students that attend UW-Madison.

In previous decades, the University of Wisconsin-Madison suffered in the competition for scarce resources. In the 1970s and 1980s the reputation of the University sagged, as it failed to attract and hold top-quality faculty. The University had neither the resources from the state nor the flexibility to garner sufficient resources elsewhere to be able to maintain or increase its reputation or its production. The University dropped out of the top twenty-five universities in the nation in most rankings. Several highly visible faculty members were recruited away. Faculty salaries eroded in comparison to the University's peer group. The size of the central administrative bureaucracy increased.

Up until the merger of the university systems in 1973, UW-Madison had been able to operate for almost a century on its own.¹ It had been able to garner the resources and make the necessary decisions to build a very high quality institution. It was held in high esteem in the state, nationally, and internationally. Students from around the globe sought to study there. But the consolidation of UW-Madison with the state university system began to limit UW-Madison's flexibility. As the state suffered economic setbacks, the University also suffered financially. Higher education in the state was funded less well, and resources that might have gone to UW-Madison were shared statewide. UW-Madison had less ability to pay its faculty competitive salaries and salary increases. It could not construct the buildings it wanted without getting into the line with all of the other universities and other state institutions. It could not even attract the administrators it wanted, since it was offering highly uncompetitive salaries. The current chancellor had to take the job and then wait for legislation to be passed in order to be paid more than other chancellors in the system.

Today, as Wisconsin faces another round of tough budget decisions — making a trade-off between such areas as incarceration and investment in human capital — it is clear that UW-Madison will suffer again. It is already evident in the capital budget, as two of the promised biotech buildings have been shelved. The question of maintaining competitive faculty salaries is the next issue. Across the U.S. the economic slowdown is affecting public universities; however, some will suffer less because they have more flexibility both in where they generate their revenue and how they spend it.

Treating the flagship campus the same as the regional, non-Ph.D.-granting campuses is a sure prescription for mediocrity. These institutions have different missions, and these missions require different levels of financial support. They also require different levels of ability to compete in the national and international arena for scholars. UW-Madison must try to compete with the top public and private universities for faculty who are teachers, scholars, and researchers — individuals who can bring in large research grants and publish the results in prestigious scholarly journals. The primary assignment of the faculties at the regional universities is teaching well. Individuals who can research, publish, and teach well are a much rarer commodity than those who can just teach well. The competition for purely teaching faculty is not at all as intense.

To maintain its hard-won gains of recent years — UW-Madison did receive additional funding in the late 1990s — and to build upon these gains rather than lose them, UW-Madison must be treated differently from the other public universities in Wisconsin. It must have greater revenue and expenditure flexibility. In other words, it must have greater freedom than it currently does. If this is not given, the goose that is primed to lay the golden egg for the state will be slowly starved, forcing it to “lay an egg” rather than lay a golden egg.

UW-MADISON IS DIFFERENT

UW-Madison is the flagship campus of the state university system. It is the largest university, currently serving over 41,000 students. The next largest, UW-Milwaukee, serves the equivalent of 17,000 full-time students. UW-Madison graduates over 700 doctoral students annually. It has areas of study — such as law, medicine, veterinary medicine, and pharmacy — that appear on no other public campuses in the state. It is ranked 32nd on the *U.S. News & World Report's* annual list of best national universities for undergraduate education (2002). Again UW-Milwaukee is second in the state, listed in the fourth tier, somewhere between 151 and 200. UW-Madison is among the top five universities in the nation in terms of research dollars attracted annually. Last year it received some \$367 million in federal programs and projects and \$463 million in total. UW-Madison is ranked near the top of the Carnegie Tier I universities in terms of the dollar value of all of its extramurally funded research. UW-Milwaukee, by contrast, attracted \$20 million last year and was only recently elevated to a designation as a Carnegie Tier II Research University. Other UW campuses had research funding of considerably less than one million dollars each.

UW-Madison has an annual budget of over \$1.5 billion. This is 48% of the total UW System budget. UW-Madison received more than \$137 million last year in gifts from its alumni. These gifts and the interest accumulated from their predecessors are used to further augment the University's budget. In fact, in 1999, the Alumni Foundation made total payments to UW-Madison of \$76.2 million. The high level of annual alumni giving ranks UW-Madison at number one in the nation among public institutions and number seven among all colleges and universities in the amount of alumni giving.

UW-Madison also has WARF, the Wisconsin Alumni Research Foundation. WARF is the conduit for the licensing and promotion of intellectual property from the UW-Madison faculty. WARF has obtained over 1000 US patents and 1500 foreign equivalents since its founding in 1925 (WARF, 2001). In 1999-2000, it had 278 research disclosures and granted over 100 licenses to industry for UW-Madison's creative ideas. This institution has given over \$450 million, earned from UW faculty research, to UW-Madison. Interest from the initial endowment and earnings from faculty innovation are used to support new research and to invest in other university needs that cannot be met through other funding sources. In recent years, \$17-20 million a year has been transferred to UW-Madison. No other UW institution can come close to these figures. In 1999-2000, it ranked eighth in the nation among all universities in research patent income (\$20 million).

UW-Madison is said to lead the nation in some fields of biotech research (for example, stem cells) and in improved technology for radiation therapy for cancer patients. The UW Schools of Medicine and Engineering have worldwide reputations. UW-Madison graduates over 900 engineers annually, including over 100 engineering doctorates. UW-Madison's output of science and engineering doctorates ranks it second in the nation behind only the University of California-Berkeley. The list of achievements goes on. There is no question that Wisconsin has built a very good flagship university. It is not as strong as the flagship universities in some other states, and it is not currently as highly regarded as it once was, but it still is a very strong educational institution.

UW-MADISON ACCOMPLISHMENTS

- Thirty-second best national undergraduate university, according to *U.S. News and World Report*
- At least fifteen graduate programs ranked fifteenth or higher among American universities
- International reputation in many fields
- Among top five universities in the U.S. in research dollars generated annually
- Second largest grantor of science and engineering doctorates in U.S.
- Third largest grantor of all doctorates in the U.S.
- Eighth in nation in patent income
- First in nation in alumni giving among public universities

However, if UW-Madison is to serve the state as well as it could, it must be better able to respond to the challenges facing it. One of those challenges is sufficient funding. A second is the ability to respond more quickly to the challenges and opportunities that are coming its way. When UW-Madison's decisions must be in concert with a state government that must be responsible for all state institutions and a university system responsible for all campuses simultaneously, it is not possible to move quickly. Nor can UW-Madison gain the flexibility it needs to acquire additional resources or change spending patterns.

THE POWER OF INDEPENDENCE

Consolidation of the state's universities in the early 1970s did have some advantages for Wisconsin. It reduced the duplication in administration, while also reducing some of the overlap and competition among campuses in terms of what programs are offered. In the period since consolidation (1973), 290 degree programs have been eliminated and 263 have been added system-wide (UW Board of Regents, 1996, Part I). Consolidation centralized the advocacy for higher education that resulted in continued high levels of per capita expenditure on education. And consolidation helped to link the University's research agenda to economic development initiatives. It upgraded the status of the four-year colleges in the system. It created greater, if inappropriate, equity across the faculty of all UW institutions. It created the image of a true system of public universities in the state, and it likely increased the opportunities for women and minorities throughout the university system.

Yet the cumulative effect of regulation, central control, and the obstacles imposed by potent interest groups has been to reinforce a culture in which it is difficult to bring about change. It is certainly difficult to treat UW-Madison differently from the other universities now in one system in Wisconsin. It is also difficult to be innovative and quickly responsive, as all decisions are closely monitored by legislators and campus representatives, and most decisions must pass muster on all campuses, not just Madison's. The collective nature of the organization has also made it difficult to develop new sources of revenue. Tuition is centrally established. Alternative sources of revenue are closely governed.

The future for the university system is not the steady expansion of the 1960s, 1970s, and the early 1980s. It is a "future characterized by greater consumer power, unparalleled competition from private profit-making academic institutions, and widespread information technology that lessens the relevance of geographic barriers and makes at least some forms of learning possible virtually any time and in any place." (Berdahl and MacTaggart, 2000). To many observers, the models of coordination and regulation that worked in the past no longer meet the demands for quicker decision making, more responsiveness to consumer demands, improved productivity, and higher standards of educational quality (Berdahl and MacTaggart, 2000). If UW-Madison is to maintain — much less enhance — its tradition of excellence, it must operate differently than it does today.

Times have changed. Expansion is not the byword today; excellence is. UW-Madison is experiencing controlled growth, but greater effort is being placed on improving the experiences of students. Student numbers are below previous highs, though there is a baby "boomlet" that has begun to appear at the universities of the state that has forced higher enrollments at most UW campuses (UW System Fact Book, 2000). Beyond that somewhat greater demand, UW-Madison is confronted with having to meet new programmatic needs. It must confront new competition from Internet universities and storefront universities. UW-Madison must upgrade its facilities. It must continue to spend on technology. It must compete for high-quality, productive faculty who are increasingly bid for by institutions that have realized the importance of their contributions.

UW-Madison must contend with a faculty turnover rate (non-retirement) that is almost twice the rate found at its Big Ten rival, the University of Michigan. Unfortunately, the rate, though important, is less important than the fact that it is some of the most productive faculty members that move elsewhere. UW-Madison must also face the upcoming wholesale retirements (26% of the faculty will retire in the next decade) that will gut departments unless suitable replacements can be attracted and kept (Goldberg, 1999). The University must compete for resources with other universities and with other state priorities. It must contend with less public willingness to support the UWSystem at past high levels.

To meet these challenges, UW-Madison must be nimble. It must be able to respond quickly, creatively, and resourcefully to the changing conditions. It must not be constrained by tradition, by a bloated administration, or by anachronistic rules and regulations. It cannot be limited by what is good for UW-Platteville and UW-Parkside. It

needs to be able to serve its niche. And the other academic institutions need to be able to serve theirs also.

Two of the key words in the knowledge economy are “speed” and “agility.” The speed of new discovery and the speed of information dissemination have accelerated. If an organization is to make use of this rapidly available information, it must be organized in a fashion that allows it to make decisions and to implement changes more swiftly. The landscape is forever changing. Organizations must be agile; they must be able to change directions and change quickly to utilize the new information that is coming to them.

Lumbering organizations will not survive or, at least, they will not thrive in this new era. This lesson has been well illustrated in recent years in the business arena, as many older and stodgier companies have failed.

The question is what can be done to make UW-Madison more independent, more able to respond quickly, more able to follow-through on the paths it decides are most necessary for continued and enhanced success. One place to look is to observe how the top-ranked universities operate to see if there are lessons for UW-Madison.

MAJOR CHALLENGES FACING UW-MADISON, 2001

- Increased demand for student admissions
- Increased competition for students from cheaper alternatives
- Higher faculty turnover rate than peer institutions
- Upcoming, wholesale faculty retirements
- Competition for the most productive faculty
- Need for upgraded and expanded facilities
- Need for new program development and related faculty
- Competition for resources from other state institutions
- Less public support for spending on UW System
- More rapidly changing environment

WHAT UNIVERSITIES HAVE THE BEST REPUTATIONS?

Most attempts to rank universities create some very distinct patterns in the listings. One of the most pronounced is that only one **public** university is listed as being in the top twenty institutions for undergraduate education in the U.S. (*U.S. News & World Report*, 2002). It is the University of California-Berkeley, listed at number twenty. Right behind at twenty-first is the University of Virginia. Being a single institution, as the private universities are, is an asset. A second point is that no young university is listed there. Universities do not achieve recognition quickly; reputations are built over generations, not in a decade or two. A third point is that virtually all of these universities listed at the top are expensive for students (the publics being the exception) and have substantial endowments. The University of California-Berkeley, for example, has the seventh largest endowment (\$5.6 billion) of all colleges and universities in North America. The University of Virginia is twenty-fourth with \$1.7 billion (NACUBO, 2001).

These three points lead one to conclude that financial resources are critical to reaching the pinnacle as a university. Also these resources must have been well spent over many decades. And the institutions have had the autonomy to invest their abundant resources as they understood what would best serve the long-term interests of the universities.

Joining the University of California-Berkeley, known colloquially as Berkeley, and the University of Virginia at the top of the public universities are such places as the University of Michigan, the University of California-Los Angeles (UCLA), the University of North Carolina, and the College of William and Mary. Down the list from these institutions is the University of Wisconsin-Madison. Not too many years ago, UW-Madison was near the top of the public universities. But for the past several years, including the most recent listing, it is eighth among the publics.

If we look at specific schools within the universities, UW-Madison’s undergraduate Business School does better, but so do

TOP PUBLIC UNIVERSITIES AND THEIR RANKING, 2002

20. University of California- Berkeley
21. University of Virginia
25. University of Michigan
26. University of California-Los Angeles
28. University of North Carolina – Chapel Hill
30. College of William and Mary
31. University of California – San Diego
32. University of Wisconsin-Madison

Source: *U.S. News & World Reports*, 2002 listing; on line at U.S. News.com.

**RANKING OF PUBLIC UNDERGRADUATE
BUSINESS SCHOOLS, 2002**

2. University of Michigan
4. University of California-Berkeley
5. University of North Carolina
7. University of Virginia
12. University of Wisconsin-Madison

Source: *U.S. News & World Reports*,
2002 listing; on line at <http://www.usnews.com>.

many of its competitors. UW-Madison is ranked twelfth, but Michigan is ranked second in the nation, Berkeley is fourth, and UNC is fifth. UW-Madison still lags behind its main competitors among the public universities.

Graduate Education Rankings

Graduate education is where universities really build their reputations, unlike colleges that build their reputations on undergraduate education. It is the graduate faculty and students it is able to attract that are largely responsible for the research success and visibility that a university enjoys. The question is where does UW-

Madison fall on the list of graduate institutions. This is a more difficult question to answer, since there are many different areas of graduate study. But there are some organizations that do try; most do it by area of study.

UW-Madison is generally ranked higher in its graduate than its undergraduate education by both *U.S. News and World Report* and by the National Research Council. The latter only ranks academic programs, not professional schools. As one can see in the Table 1, however, UW-Madison's professional schools tend to be ranked pretty much as its undergraduate programs. It ranks about 35th in Business, 36th in Law, and 30th in Research Medicine. Interestingly, in Business UW-Madison had the lowest percentage of graduates employed at the time of graduation and three months after graduation in 2000 among the top forty business schools, and the graduates' average starting salary was also the lowest in the top forty business schools. The average salary out of UW was \$73,273 compared to the University of Michigan's \$105,282.

TABLE 1 NATIONAL RANKINGS OF PROFESSIONAL GRADUATE SCHOOLS IN THE U.S., 2002

Field	Berkeley	Michigan	UCLA	UNC	UVA	UW-Madison
Business	7	10	12	18	15	35
Law	9	7	16	23	7	36
Medicine (Research)	NA	10	14	24	28	30
Medicine (Practice)	NA	26	17	6	28	14
Engineering	3	4	22	NA	35	14
Biomed Eng.	8	11	NA	17.5	21	NA
Chemical Eng.	2	10	21	15	39	22
Computer Science	3	13/21	NA	21/29	35	9
Electrical Eng.	4	6	10	NA	54	16
Material Science	4	14.5	26	NA	23	14.5
Clinical Psychology	NA	19	1	5	9	2
Education	6	7	4	18	19	9
Nursing	NA	4	12	5	21	21
Social Work	3	1	NA	7	NA	11

Source: *U.S. News and World Reports*, 2002; *National Research Council*, 2001

Note: If both organizations rank an institution, *U.S. News* is the numerator and *NRC* is the denominator. NA means that the institution does not have that department/program or it is not ranked.

UW-Madison fares better in Education (9th), Engineering (14th), and Nursing (21st). And it ranks even higher in Clinical Psychology (2nd) and Social Work (11th). These rankings indicate that UW has been able to build some programs to be near the top in the country. The professional programs have a long way to go, but some of the more academic programs are quite close. With greater freedom to compete, more of these departments could rise to be closer to the top, and the professional programs should be able to move further up the ranks.

In the rankings by the NRC of twenty-seven different fields (chosen somewhat randomly from over forty evaluated), UW-Madison is ranked higher than Berkeley in only two fields, Molecular and General Genetics and Spanish and Portuguese. The two universities are tied for the top position in Sociology. Berkeley leads in twenty-two fields and does not have a department in another. The University of Michigan surpasses Wisconsin in nine fields. On the other hand, UW-Madison is ranked more highly than Michigan in eleven, and they tie in a twelfth. Thus, while Michigan has been able to build much stronger professional schools, it has had about the same success as Madison in building its academic departments. The University of Virginia ranks in the top fifteen in only five departments. Berkeley ranks in the top five of these twenty-seven departments eighteen times. UW is in the top five in Sociology and Microbiology and in the top fifteen some seventeen times. Michigan has a comparable sixteen departments ranked fifteenth or higher.

TABLE 2 NATIONAL RANKINGS OF ACADEMIC PROGRAMS, SELECTED UNIVERSITIES, 2001

Field	Berkeley	Michigan	UCLA	UNC	UVA	UW-Madison
<i>Biology</i>	3	17	NA	NA	NA	12
<i>BioChem & Molecular Bio</i>	4	23.5	14	27	59.5	8
<i>Bio Organic/Bio Physical</i>	4	NA	NA	NA	NA	9
<i>Cell & Developmental Bio</i>	4/13	30	17	25	41	16
<i>Chemistry</i>	1	20	11	15	NA	10
<i>Genetics</i>	2	NA	NA	NA	NA	10
<i>Microbiology</i>	NA	8	NA	NA	NA	3
<i>Molec. & Gen Genetics</i>	10	21	NA	20	62	7
<i>Pharmacology</i>	NA	8/13	NA	8	24.5	12
<i>Physics</i>	3	13	14	NA	NA	18
<i>Physiology</i>	NA	15.5	4	32.5	9.5	25
<i>Economics</i>	6	11	11	30	28	10
<i>English</i>	1	11	11	18	11	17
<i>Geology</i>	3	5	11	NA	NA	17
<i>German</i>	1	21	22	18	8	10
<i>History</i>	3	5	9	13	15	10
<i>Mathematics</i>	2	9	12	42	45	14/13
<i>Psychology</i>	6	2	NA	17	17	9
<i>Sociology</i>	1	3	7	5	38	1
<i>Spanish & Portuguese</i>	9	13	16	NA	5	7

Source: National Research Council, 2001; and U.S. News, 2001.

Note: NA means that the program is not offered or it is not ranked.

A pattern that is visible from the academic rankings is that two of the competing universities that are ranked highly for undergraduates are also ranked very highly for graduate education. The University of California-Berkeley and the University of Michigan appear repeatedly in the top five departments in field after field. UW-Madison occasionally makes the top five. The University of Virginia is highly ranked, but it often does not compete in the fields in which Michigan, UW-Madison, and Berkeley excel. In others in which Virginia does compete, it only occasionally exceeds the ranking of UW. This suggests that Virginia has more work to do to complete its reputation as an outstanding university. UW-Madison is closer in many areas, but seldom does it surpass Michigan.

Another effort at ranking universities places UW-Madison among the top fifteen research universities in the nation (Lombardi, et al., 2001). Its ranking system indicates that UW-Madison has seven measures that rank it in the top twenty-five nationally, compared with eight for both Berkeley and Michigan. UCLA also has seven. North Carolina has five and Virginia, three. None of these competing rankings is the ultimate source for such information, but all give the impression that UW-Madison is well regarded, just not quite at the top. With a few changes, UW might be able to better compete with Berkeley and the many top private, as well as top public, universities.

CHARACTERISTICS OF THE TOP-RANKED PUBLIC UNIVERSITIES

As noted above, three characteristics that are shared among the top universities are ample resources, age, and autonomy. A fourth essential factor, one that derives from the first three, is a talented faculty. The best, most productive faculty members usually seek institutions that pay them well and provide the infrastructure for research productivity. Faculty members also seek institutions that have other productive faculty with whom they can interact. Faculty seeking positions will most often take prestige over non-prestige, even if the latter offers a higher salary. Prestigious institutions offer access to resources, colleagues with whom one can interact, and facilities that are likely to be outstanding. Highly prestigious institutions also offer high-caliber graduate students who can ably assist with research.

Beyond these factors, the picture is not as clear. What is also unclear is how a university can move into the top group from below. Must they have the same ingredients? The most essential ingredient is resources. Money is critical. But money must be spent wisely. That often requires superior leadership and the opportunity to make investment decisions. That, in turn, implies that autonomy is important.

These factors make highly prestigious institutions somewhat self-fulfilling. The best institutions attract the best faculty, the best students, the largest research dollars, and so forth. If, however, some hole should develop in a funding stream and a prestigious university could not offer the same top-level salaries, top facilities and perhaps even not the top students, that institution will not remain competitive for long. That is precisely what happened to UW-Madison. It relied on the state for almost 40% of its resources. When those resources declined, it could not maintain its attraction for faculty and students. The result was a drop in prestige and in the quality of education offered.

It is clear that the top-ranked, private universities have both the independence and the resources to determine their own fates. But do the top-ranked public universities have the resources and independence to confront many of these same challenges? The answer is often, but not always, yes.

One familiar example is absolutely yes. The University of Michigan has gotten to be a top university because it has traditionally had much more independence to make decisions it thought necessary to strengthen itself. The University of Michigan is governed by its own board of trustees. The University sets its own tuition rates. It sets its own salaries. It makes its own personnel decisions. It decides its own program array. It decides what new facilities it needs and when to build them. It searches for private funding. It competes with the other public institutions in Michigan that have the same freedoms. The result of the Michigan model of independent campuses is that two, if not three, state universities are internationally known. The University of Michigan is the strongest and ranks among the top twenty-five universities in the U.S. and among the top handful of the public universities in the U.S. Michigan State is not ranked quite as highly (the next fifty), but its academic reputation is equal to or higher than seven institutions ranked in the top fifty by *U.S. News and World Report* (2001). Michigan Tech is also ranked with Michigan State in the listing of the 51st to 100th best universities in the U.S.

No doubt Michigan has been helped by its relatively high personal income and its high per capita expenditure for higher education (\$520 per capita versus \$489 in Wisconsin, \$392 in Virginia, and \$375 in California in 1995, for example) (See Table 3). But Michigan has also had the independence resulting from separate governing boards. Each

institution has been able to respond to the conditions it perceived as warranting attention. Each has been able to establish and adjust the means by which it will be operated.

TABLE 3 PER CAPITA EXPENDITURES ON HIGHER EDUCATION, SELECTED STATES, 1982-1995

State	Year								
	1982	1984	1987	1988	1989	1990	1991	1994	1995
California	232	280	312	316	337	350	359	348	375
Michigan	235	249	375	365	382	404	417	481	520
Virginia	181	232	281	303	334	328	327	382	392
Wisconsin	276	312	340	367	393	412	427	481	489

Source: U.S. Department of Health, Education, and Welfare and later, the National Center for Education Statistics. *Digest of Education Statistics*. Washington, DC: U.S. GPO, 1983-2000.

Additionally, the University of Michigan has been able to set its sights on competing with the Ivy League universities. Unlike UW-Madison, which sees its peers as Big Ten institutions, Michigan sees its competition as Harvard, Yale, and Princeton. Because of its independence, the University of Michigan is able to work with this standard in mind. Also because of its independence it can charge Ivy League-like tuition to its out-of-state students. And in-state students pay a premium, compared to other top public institutions (Table 4). Undergraduate, in-state students at Michigan pay 65% more per semester than their counterparts at UW-Madison, despite higher per capita higher education expenditures in Michigan. In-state graduate students pay an 82% premium over comparable students at UW-Madison. In-state law students at Michigan pay 179% premium over similar students at UW-Madison. It is clear from the national rankings of law schools (see page 6) that these additional resources at Michigan have been put to good use.

TABLE 4 TUITION PER SEMESTER, SELECTED UNIVERSITIES, 2000-01

2000 - 2001 Full Time Semester Tuition

Schools	Undergraduate		Graduate		Law School	
	Resident	Non Resident	Resident	Non Resident	Resident	Non Resident
UW Madison	\$1,895.35	\$7,094.35	\$2,943.35	\$9,298.35	\$3,718.35	\$10,019.35
UC Berkeley	\$2,023.00	\$7,330.00	\$3,808.00	\$14,242.00	\$4,404.00	\$14,648.00
U of VA	\$2,300.00	\$9,316.00	\$2,612.00	\$9,157.00	\$8,445.00	\$12,658.00
U of MI	\$3,132.00	\$10,037.00	\$5,369.00	\$10,887.00	\$10,385.00	\$13,385.00

Source: University Web sites for each university, 2001.

The University of Michigan has also established a governing structure that has reinforced its mission. Deans of the various schools and colleges are encouraged to act independently and to be entrepreneurial. They, in turn, ask that of their faculty. Instead of centralized efforts to garner additional resources, the University of Michigan has many opportunists seeking these resources. The result is more money, more relationships with private organizations, and greater ability to meet and exceed its core mission.

Two other top public universities, Berkeley and the University of Virginia, should also be examined for their ability to operate nimbly. The University of California-Berkeley does not have the independence that Michigan has. California has a central Board of Regents that governs all of the universities, just like Wisconsin. Furthermore, it has a highly structured pay system for faculty. California also experienced a state economic recession from the demilitarization of the U.S. that limited university resources for several years. Berkeley has not had the independent structure nor the state support that the University of Michigan has experienced. These factors cannot be used to explain Berkeley's position as consistently the top-ranked public university in the U.S.

What Berkeley has that no other state university in the U.S. has is flagship status in a state that has over 33 million persons. That makes it extremely competitive for in-state students to qualify for admission. Some 99% of its undergraduates come from the top 10% of their high school classes (Table 5). Berkeley also is in an extremely desirable location that draws additional interest. Furthermore, the University has a long history of success that it has been able to utilize despite state funding shortcomings in recent years. Berkeley is assisted by the largest endowment of any public university, some \$5.6 billion. This helps give the University a critical element — the ability to go off the pre-set pay schedule to reward the “stars” of the various academic departments. The reputation of the University is dependent upon the reputation of its faculty. To ensure the presence of these academic “stars,” Berkeley does have the resources and freedom to pay the outstanding faculty attractive salaries and provide them with first class facilities. It is alleged that each department has five or six stars who it is able to attract and retain with rewards that are far better than the average faculty member.² These faculty act as “rainmen.”

The University of Virginia, by contrast, has considerably greater flexibility than UW-Madison or the University of California-Berkeley. Nevertheless, the UVA currently seeks additional freedom. The 1990s have seen many debates and reports on just what freedoms the University of Virginia should have to make it an even stronger institution (Governor’s Blue Ribbon Commission, 1999). Like California (and to a large degree Michigan), the Virginia system has in-state competition which keeps its top university on its toes. The College of William and Mary is often ranked in the top thirty universities, just as UCLA is. The state of Virginia has about seven million persons, but it has a large college-bound population. This leads to competition for admission. Some 83% of the University of Virginia’s freshman were in the top 10% of their high school classes, and only 37% of applicants were admitted. An almost comparable 79% of William and Mary’s students were in the top 10% of their high school classes, and 41% of applicants were admitted (*U.S. News*, 2002). That competition has been healthy for the respective institutions. And it indicates that the Virginia approach to higher education has been productive. In fact, both the University of Virginia and the College of William and Mary have moved up the list of best colleges and universities over the last decade.

TABLE 5 CHARACTERISTICS OF UNDERGRADUATES AT THE TOP PUBLIC UNIVERSITIES AND UW-MADISON, 2002

University	Percent from top 10%	Percent admitted	Own Board	Endowment Ranking
<i>U. Cal-Berkeley</i>	99	26	no	7
<i>U. of VA</i>	83	37	yes	24
<i>UCLA</i>	97	29	no	93
<i>U. of MI</i>	67	55	yes	13
<i>UNC</i>	65	37	no	36
<i>Col. of Wm. & Mary</i>	79	41	yes	119
<i>U. Cal-San Diego</i>	99	38	no	380
<i>Georgia Tech</i>	60	57	no	64
<i>UW-Madison</i>	48	72	no	58

Source: *U.S. News & World Reports, 2002; NACUBO, 2001*

Note: The first column is the percentage of students accepted who were in the top 10% of their high school classes. The second column is the percentage of applicants accepted. The third is whether the university has its own board of directors. The fourth is the national ranking based on size of their endowment.

Surprisingly, the University of Virginia receives less than 15% of its annual funding from the state of Virginia. The University of Wisconsin-Madison, by contrast, currently has over 25% of its budget contributed by the state. Virginia has already developed other sources of revenue that allow it to succeed. It must also have some other elements that have contributed to its elevation as the second-ranked undergraduate, public university in the U.S. in 2000 and top ranked with Berkeley in 2001 (*U.S. News & World Report, 2000 and 2001*).

The University of Virginia has a substantial endowment, but that is not enough of an explanation. More importantly, the University behaves as if it were a charter university. In terms of governance, Virginia is much more simi-

lar to Michigan than it is to Wisconsin or California. In Virginia, each major university has its own Board of Visitors, which is responsible for the health of the University. The Board at the University of Virginia sets the tuition for the institution. It approves faculty appointments, promotions, and salaries. It builds and controls all real estate, including setting the rents in the dormitories and the pricing of dining plans. It approves auxiliary enterprises. The individual university control is substantially greater than at UW-Madison. The University of Virginia has the freedom to look out for itself. Judging by its ranking and its rising ranking, the University has done this well. And it appears to have helped its closest competitor, the College of William and Mary.

UW-Madison, by contrast, is not as independent nor is it as selective as these other institutions. UW-Madison accepts 72% of its applicants. Under half (48%) are in the top 10% of their high school classes. UW-Milwaukee is not an equal, as it is ranked in the fourth tier (151-200) of national universities. The UW system is tightly controlled by a central Board of Regents and numerous state administrative rules. Tuition is very low and has been centrally determined. UW boasts of having the total cost of attending at 75% of the national average for public institutions and 25% of the national average for private universities (UW System, 1996). The state invests a relatively high amount per capita in higher education, far more than California or Virginia. Yet this per capita expenditure is likely to be reduced, as other priorities demand limited state resources. And even with the high per capita investment, the result at UW-Madison has not been as highly regarded as the results elsewhere.

The point is that the top public universities have certain advantages that have helped them rise to the very top. UW-Madison needs to gain some of those advantages. It will not suddenly have a much larger resident-student population beating down the door, an advantage Berkeley and Michigan have. It does not have strong in-state competition like Berkeley, Virginia, and Michigan. It does not have high tuition revenue like Michigan. It does not have the flexible control of Michigan or Virginia. What it does have is potential, if it is given the freedom to better control its own destiny.

During the late 1990s UW-Madison was treated better by the state. UW-Madison's budget increased and faculty salaries became more competitive. But as the year 2001 appeared, some of the same storm clouds of the 1980s and early 1990s moved in. Budget cuts are possible or at least decreases in the rate of increases are likely. The salaries offered to graduate student assistants are not as competitive as they once were and will likely fall further behind. More productive faculty members are taking positions elsewhere. The cycle seems to be beginning again. Last time it took more than a decade to stop the slide. Full recovery has never occurred. But the years of repair may go for naught if the university is not given the resources and autonomy needed to retain competitiveness, much less move up the ladder to the level of esteem it once held.

Regardless of the past, the issue for UW-Madison in the future is how can it be better prepared to contend with the many new forces that will shape its future. Some contextual factors like the size of the college-age population in Wisconsin will not change that much. What will change are the competitive nature of higher education, the need to be more responsive to the changing needs for different forms of higher education, the need to attract additional resources to the university, the need to be more of an economic engine for the state economy, and the need to attract and retain an outstanding faculty. The question is, how can UW-Madison best move in this direction when, for many of the past thirty years, it has headed in another, less responsive direction. How can UW-Madison gain the independence it needs to be the nimble, creative institution it must be to succeed in this newly challenging environment? The proposed answer is through the independence that is more akin to private universities, a condition achievable through making UW-Madison a charter university.

CHARTER UNIVERSITY

Charter universities are public universities that are managed independently of most controls imposed by state bureaucracies and higher education systems in exchange for an agreement as to how the universities will perform. The charter focuses on outcomes rather than inputs. Charter universities are still subject to applicable local, state, and federal laws. They follow standard accounting and reporting procedures. They are governed by their own boards of trustees. In short, they have almost complete choice in managing their affairs. To continue to be able to operate independently, however, they agree to meet specific goals.

What the charter universities grant the state in return for their freedom is the opportunity for the state to evaluate how well the universities meet the terms of their charters. The charter "confirms the mission of the institution, the

funding agreement with the state, the specific management authority delegated to the college, and the educational and other results that are expected to be achieved within a fixed period of time.” (Berdahl and MacTaggart, 2000). The expectations could include such items as the number of graduates, the proportion of students that graduate in four years, the quality of the entering students, the level of external funding achieved, the national ranking achieved, private fundraising goals met, and other expectations of better performance.

Process regulation has been rampant in systems of public education for decades. States have attempted to not only control the amount of spending but also to control how all spending is done. Severe constraints have been placed on all sorts of decisions. Micromanaging is done by both the legislature and the state university system. The idea of a charter is that this level of micromanaging would be eliminated in exchange for the opportunity to focus on results.

Another element of most charters is a budget agreement that stipulates just what level of state funding can be expected. This level of funding is often not subject to annual or biennial bickering. It is a long-term sum that is agreed upon. It may have some annual adjustment, but that adjustment is most likely to be smaller than may have been common in the latter part of the 1990s. The notion is that the university should be more efficient with its new freedom to operate. With that freedom, it should be able to do more with less. If it cannot, it must find its funds elsewhere. It may be from sources such as higher tuition revenues, more research funding, or increased alumni giving. But little of the additional revenue will come from the state.

Advantages and Disadvantages of a Deregulated Charter University

Proponents of deregulation cite a number of advantages that flow from greater independence. Charter universities will be able to:

- Better promote academic freedom because universities can better serve their traditional role of the pursuit of truth if they are more insulated from political, ideological, and bureaucratic intrusion.
- Attract and develop more effective leaders who can prosper when they are given greater independence to achieve intended results.
- Be more responsive to consumer needs, as the university can move more quickly to develop new academic programs, price the programs appropriately, and cross service area boundaries.
- Create more distinctive institutions with greater quality to meet the more specialized needs that are developing.
- Enhance the efficiency of the university’s operation as it steps away from numerous artificial constraints.
- Encourage competition and possibly reduce costs to the public and to students.

(Berdahl and MacTaggart, 2000).

These advantages can be expanded upon as well. But the basic message is that both efficiency and effectiveness will be improved with greater independence. Certainly the UW-System gets good marks for its efficiency. It spends 6.3% of its budget for administrative costs compared with 10.8% among its peers (UW System, 1996, Part I). But there is room for even greater efficiency. Leadership at UW-Madison will have the opportunity to develop and to become more focused on outcomes rather than numerous required “inputs,” should a charter be approved.

On the other hand, there is no question but that there may be a downside to the increased independence brought about through the issuance of a charter (Berdahl and MacTaggart, 2000). Numerous contentious issues are being debated in the K-12 arena, as charters have proliferated nationwide. One that is often mentioned is fraud and abuse. These are the traditional concerns that have caused the proliferation of controls by the state bureaucracy, but these same controls are very expensive. The question is whether a more independent entity can create a cost control system that is both efficient and effective. The bet is yes, with ease.

A second concern is the possible costly duplication of programs across state campuses. The centralized UW System has limited this to some degree. In fact, 60% of the 249 separate majors offered at the undergraduate level in the UW system are offered at but one institution (UW System, Part III, 1996). There needs to be some duplication due to geographic limits on travel. Moreover, some of the claims of different majors are actually just different titles for very similar material. On the other hand, with increased Internet education coming, the market may well limit commitments to duplication. Also, the thought that UW-Madison would step into unproductive markets does not seem likely or likely for long, should it have the flexibility to leave as well as enter new program areas.

A third concern is that of reduced minority and low-income student access. If UW-Madison is allowed to raise tuition substantially, might it not create new barriers to the matriculation of these populations? It might. Then again, there could be specific targets for these populations in the charter agreement that ensure the University will be more accessible than it is today. If not, the charter could be terminated.

A fourth concern is that a more competitive UW-Madison might do damage to less competitive colleges and universities in the state. This is possible. If such institutions are poorly led, they might suffer with the additional competition. On the other hand, the result might be a strengthened post-secondary education offering in the state, if the other institutions are able to rise to the occasion.

Granting a charter should not be taken lightly. Unless it is done well, unintended, negative consequences could develop. If it is done reasonably, it could yield substantial benefits to both UW-Madison and the rest of the state.

WHY WOULD A CHARTER HELP UW-MADISON?

The UW Board of Regents explored the future of the UW System in a planning exercise in 1995-1996. The System produced the "Study of the UW System in the 21st Century." Among the final recommendations of that study were the following:

- In the face of current and future revenue restrictions, UW System institutions need both the flexibility to use existing auxiliary revenue and the ability to develop alternative sources of revenue to fund operating expenses.
- Comprehensive institutions will be allowed to propose differential tuition rates among themselves and by program within institutions.
- UW System institutions will be allowed flexibility in proposing nonresident tuition rates for students from neighboring states, provided tuition at least covers marginal costs.
- The Board of Regents will seek a number of management flexibilities from the state, including . . . freedom to establish compensation levels and terms and conditions of employment for all university unclassified staff, . . . changes to the current capital budgeting process including the ability to issue revenue bonds for projects funded by Program Revenues, . . . enhanced flexibilities in the areas of purchasing, personnel, and fiscal management.

The Regent Chair of the Working Group on Mission and Roles, is quoted as saying, "**The UW System is the only major system of public higher education in the U.S. carrying so many outdated bureaucratic burdens. . . . We must free the creative forces of the system from these burdens.**" (UW System, 1996, Part 3, p. 8.)

The UW Board of Regents has recognized what it must do to strengthen the System. It has identified many of the same flaws that are noted in the previous pages. But what it has been unable to do is move far enough in this direction. There are many constraints on institutional change. It is especially difficult to make the changes dramatically, especially when some current staff and current legislators may be threatened by the changes. The solution being proposed here is to cut the strings for one university, the flagship university: make UW-Madison a charter university. Give it greater freedom to develop as the true leader in the knowledge economy. It is only by taking this more dramatic step that the necessary level of independence will be achieved.

The UW System Board cursorily explored this charter option for the entire system in the 1995-96 study. They dismissed it at the time. But the sluggish pace of reform, the slow movement toward the flexibility and independence that the Board noted it needed at that time, and the speed with which the context is changing indicate that if the goals of the University are to be achieved, an alternative route must be chosen. That alternative should be making UW-Madison a charter university. If a chartered UW-Madison meets the goals that it and the Regents set and its performance satisfies the complaints of the critics, then, and perhaps only then, might other members of the UW System be given the same independence to meet the challenges of the twenty-first century.

With such a critical role for UW-Madison in the state's education system and in its economic development, the state can no longer wait for the incremental changes that the current approach affords. The move to a charter for the University will give it the flexibility it needs to respond. Such a charter will change the landscape for the other universities. They will face stronger competition from UW-Madison. They, too, will have to change more quickly than they have traditionally. But with the success of UW-Madison's experiment with a charter, there will be additional pressure for the types of changes the System has already identified.

The Specific Appeal of Charter Status

Charters address several problems. One is resource procurement. With a charter agreement in place, the University of Wisconsin-Madison can be assured of some level of state funding, year in and year out. That would be an essential element of the charter, which gives stability. But part of the charter status would also give the University more control over tuition dollars. UW would receive what it generates. It would also be able to set its tuition and to differentiate among programs, depending on cost and demand. That flexibility would allow it to better raise the revenues it needs to succeed. And it would have greater control over where the money was spent. Rather than give faculty the same raises as all other faculty in the state, UW could reward those that most deserve it. It would have the resources to pay the “star” faculty at levels to retain or attract them. It can pay graduate students a competitive stipend rather than one below much of the competition. Thus, having resources is essential, and having greater flexibility in procuring and dispersing those additional resources is just as essential.

The idea of eliminating restrictions on the Board of Regents in its ability to set differential tuition was proposed in the 2001-2003 state budget. The proposal was that the Regents be able to increase, at will, undergraduate tuition and fees beginning in the 2002-03 academic year. Under current law the Board is restricted in how far it can increase tuition. The proposed change was not granted; the Governor did grant the System a five percent increase in non-resident tuition for the 2001-02 school year, and the Board of Regents has a yearlong agenda on alternative ways to modify tuition. The Board recently did acquire the power to set separate tuition rates for state residents and nonresidents and for different classes of students at the comprehensive universities (UW-Madison and UW-Milwaukee). Furthermore, it can expend all of the monies it receives under tuition and fee appropriation without limit and without approval of the Legislature or Joint Committee on Finance (Wisconsin Governor’s Office, 2001). These are steps in the right direction.

With the issuance of a charter, the new UW-Madison Board of Trustees could assume all of these rights and set its tuition appropriate to market demands and costs of service provision. It must be able to make a number of distinctions between graduate and undergraduate and graduate and professional degree students and even different undergraduate degrees. The Board must also have the right to expend all of these funds, just as the current UW Board does.

The steps that the legislature has taken and is currently considering will help the UW System be more flexible and resourceful. They also help to take some of the cost burden off the state’s taxpayers. Even should the most recent proposals pass, the authority to set tuition would still be with the System Board. There is no proof that the differences in tuition that the Board might approve would serve the best interests of UW-Madison. It might be treated somewhat differently. But it is unlikely that the differences in tuition across institutions would be sufficient to truly distinguish UW-Madison from the other state universities. That is one of the reasons why a charter for UW-Madison makes such sense.

Differentiating to a greater degree in the cost to attend Madison versus the other state universities not only strengthens UW-Madison with additional resources, it helps to keep the regional universities more affordable. The regional universities can be priced at lower levels because they do not have the same competition for faculty nor the same high level of need for the sophisticated facilities required for contemporary research. Furthermore, higher tuition at UW-Madison would help put additional pressure on academic departments and on students to increase the proportion of undergraduate students that graduates in four years. Students, whose families are paying more, will push harder for swift graduation. Departments will be pressured by targets set by the University to ensure that the University hits the graduation rates stipulated in its charter.

But what is also necessary is having the flexibility to spend the increased revenues in ways that truly build the university. If the same controls continue on expenditures as now exist, UW-Madison will have a very difficult time retaining and attracting top faculty, much less creating the positions it needs to ensure more rapid graduation. UW-Madison needs to have the resources and freedom to pay competitive salaries in what is becoming an extremely competitive market for the best faculty. UW-Madison will have an equally difficult time attracting and retaining competitive graduate students, unless it can pay substantially more than it does today. Finally, it will have difficulty increasing its proportion of top undergraduates.

Table 6 shows the basics of the pay package offered to graduate students at four of the top public universities in the U.S. UW-Madison offers less than any of the other universities. The University of Virginia is close, but living

expenses are lower in Charlottesville than in Madison. Competition from Michigan and Berkeley shows just how far UW-Madison must go, just to try to compete. Currently, UW-Madison is able to supplement some of the graduate students with an additional stipend. But formalizing this would give prospective students greater confidence that their offer from UW-Madison is as good as or better than those from competing institutions.

Another 2001-2003 budget proposal is also a step in the right direction. If this proposal were approved, it would allow the Board of Regents to create or abolish faculty and academic staff positions funded

by tax dollars in the University of Wisconsin's largest general program operations appropriations without legislative approval, provided the Board submits a request to and receives approval from the Department of Administration. This would increase flexibility on the hiring of faculty and goes beyond the University's ability to create or abolish, without legislative approval, positions funded by dollars from other sources. It appears that this was partially approved. The proposed charter university would go even further and not require any outside approvals — UW-Madison would have the authority to create and abolish positions as it sees fit, without gaining the approval of the Department of Administration. That would give UW-Madison considerably more flexibility to respond quickly and creatively to changing conditions.

The keys to the maintenance and building of an excellent university are sufficient resources and the ability to deploy those resources in the most appropriate manner. The greater the constraints on resource procurement and expenditures, the more difficult it is to build a stronger organization. If the budget proposals noted above are passed, all universities in the system will become more flexible and better able to compete. But the proposals still contain some reporting and non-university requirements that would best be eliminated. One way to prove the merits of their elimination is to give UW-Madison charter status, free it completely from the lingering intrusions, and let it truly achieve its own destiny (within the bounds of the charter).

TABLE 6 HALF TIME, ACADEMIC YEAR, RESEARCH ASSISTANT PAY PACKAGE, 2000-01 AT SELECTED UNIVERSITIES

Rates/Benefits	UW-Madison	U of VA	U of MI	UC-Berkeley
Year	2000-2001	2001-2002	2000-2001	2000-2001
Salary	\$10,170	\$10,666	\$12,364	\$14,544
Tuition Remission	Yes	Yes	Yes	Yes
Health Insurance	Yes	Not Mentioned	Yes	Not Mentioned

Source: University Web pages, 2001.

Is There a Precedent for Charter Status?

The State of Michigan is a precedent. But since all state universities in Michigan created since the middle of the nineteenth century have been constitutionally independent, it is not an example of a move toward independence in recent years. Michigan, with its three highly ranked universities, does illustrate the many benefits that accrue to public institutions that have the independence to develop as they wished, free from encumbering restraints. Michigan also illustrates the capacities needed to sustain a high-quality collection of institutions within a single state. With an approach that is very similar to the charter being proposed, Michigan illustrates well what can be accomplished with the combination of independence and support being advocated in this report.

Virginia is also close to the charter model in that each major university has its own board of trustees, its own mission, and its own way of operating. It also receives modest levels of funding from the state. The individual campuses operate independently on a number of issues. They raise and spend the vast majority of their own funds. Each institution, in effect, has a charter. Like Michigan, this is a long-standing mode of operation.

In terms of more recent examples, there are but two. One is the State of New Jersey that went part of the way toward charters in 1994. Then-Governor Whitman made each of the state's colleges and universities independent. Each was granted its own board of trustees, and each gained the authority to start or end academic programs. The impact of these changes has not yet been assessed, but there is little pressure to return to the centralized mode of control.

The other recent example is St. Mary's College in Maryland. The College was given a charter by the State of Maryland in 1992. It is a "Public Honors College" that was given a lump-sum budget and exemption from most normal state controls in exchange for a cap on state tax support at a mutually agreed level (Berdahl and MacTaggart, 2000). It received the right to increase tuition and did so, doubling it over five years. In addition, St. Mary's agreed to employ some of the additional tuition revenue to fund financial aid for students that would be challenged by the increased tuition.

The charter experiment in Maryland does not have a long history, but it has shown several signs of benefits. The early results were evaluated in a study by Berdahl (1996). He found positive results. For example, the College had been able, through its newly found procedures, to save nearly 50% on a construction project and 25% on computer procurement (MacTaggart, ed. 1998). The College also found that it was much easier to attract outstanding persons to serve on the Board of Trustees, since the individuals would have the power to really shape the institution. Even the faculty became more involved in the administration of the college, as accountability for budget decisions was devolved down to academic departments. The College was better able to attract donations, most notably because of its more committed and responsive board members. Combined with the increased tuition, the College was able to become more competitive for students. Its average SAT scores of those admitted rose 22% between 1983 and 1994 and a total of 31% by 1996.³ This occurred even as minority enrollments rose from 8.5% in 1991 to 10.6% in 1994. The SAT scores have stabilized at around 1240, but the percentage of minority students continued to rise to over 17% in 2000-01 (Keller, 2001).

The number of faculty members increased, and the student/faculty ratio decreased. Faculty enthusiasm reportedly improved, perhaps as a "Hawthorne effect" of the increased attention the campus received, or perhaps as faculty benefited from increased student quality and decreased class size.

The campus remained accountable to the Maryland Higher Education Commission. This Commission approved of the College's basic mission and was responsible for ensuring high levels of student learning. That continuing accountability helps to assure the public interest in higher education is served. Berdahl and MacTaggart (2000) argue that it is this public monitoring of outcomes that should allow for the state's yielding on many of the procedural controls.

CONCLUSION

The UW System is moving in the direction of obtaining and using greater freedom in its search for additional revenues and flexibility in expenditures. This direction is critical to the System, as it addresses the many challenges to higher education in the twenty-first century. The System is attempting to move closer to the independence of a charter for the System. But even if successful in gaining control of such factors as the setting of tuition, creating and eliminating faculty and staff positions, and promoting partnerships across all levels of educational institutions in the state, the System will still operate as a system. UW-Madison will be treated marginally differently. But it will not be treated sufficiently differently that it will be able to develop into the truly outstanding university that it has the potential to become. Despite numerous constraints, UW-Madison has become one of the top public universities in the nation. If those constraints are removed, as they can be through the granting of a charter, UW-Madison would be much more assured of its ability to assume its role as the leader of the state in the twenty-first century.

The UWSystem Board recognized in the mid-1990s the many attributes that would strengthen the system. These attributes are not a secret. Additional resources and greater flexibility to employ those resources are the most notable. If these are garnered for the entire system, that will certainly benefit the state and its citizens, but the route to this end is not direct. One way to speed its attainment is to push one campus ahead. This campus should be UW-Madison. This is the one university in the state system that can offer the most rewards for the additional resources that would be made available. It should be granted a charter at this point and sent on its way to the top of the public universities in the country. Only with the added independence and resources will UW-Madison be truly able to meet and overcome the many challenges coming its way.

NOTES

1. UW-Madison was created by state constitution and state law in 1848. The University was formally founded in 1849. At the time of the merger, the University of Wisconsin consisted of UW-Madison, UW-Milwaukee (1956), UW-Green Bay (1968) and UW- Parkside (1968), plus 10 freshman-sophomore centers. This institution was governed by the Regents of the University of Wisconsin.
2. Interview with a former dean at Berkeley. It is his contention that it is the “star” system that has done the most to maintain the reputation of the university. Because of that reputation and the reality of the faculty, the University is able to attract substantial non-state dollars to supplement the state allocation.
3. Some of this gain is attributable to a re-centering of the scores: all SAT scores went up over this period, but not by this much.

BIBLIOGRAPHY

- R. Atkinson (2001). As quoted in "Take Five." *Milwaukee Journal Sentinel*. Monday, July 2, p. 2.
- R.O. Berdahl and T.J. MacTaggart (January 2000). "Charter Colleges: Balancing Freedom and Accountability." Boston, MA: Pioneer Institute for Public Policy Research, No. 10, p. 6.
- R. Berdahl and F. Schmidlein (1996). "Restructuring and its Aftermath" in T. MacTaggart et al., (eds.). *Restructuring Higher Education: What Works and What Doesn't in Reorganizing Governing Systems*. San Francisco: Jossey-Bass.
- F. Goldberg (1999). "Occasional Research Brief: The Graying of the Faculty." Madison, WI: UW System Administration.
- Governor's Blue Ribbon Commission (July, 1999). *Institutional Performance Agreements for Virginia Higher Education*, Working Document. Richmond, VA: Governor's Office.
- G. Keller (2001). Maryland House Appropriations Subcommittee on Education and Economic Development. smcm.edu/govrelations/meetinggoals.htm.
- J. Lombardi. D. Craig. E. Capaldi. D. Gater (2001). *The Top American Research Universities 2001*. The Lombardi Program on Measuring University Performance: University of Florida. <http://thecenter.ufl.edu/research2001.html>.
- T. MacTaggart (1998), *Seeking Excellence Through Independence. Liberating Colleges and Universities from Excessive Regulation*. San Francisco: Jossey-Bass.
- National Association of College and University Business Officers (2001). Study of Endowments: Rank Order of North American Colleges and Universities by the Size of Their Endowments in 2000. Web Site: NACUBO.org.
- National Science Foundation (1995). Research-Doctorate Programs in the United States: Continuity and Change. Washington, DC. Web site: nap.edu/readingroom/books/researchdoc.
- U.S. Department of Education (formerly the U.S. Department of Health, Education, and Welfare), Education Division, National Center of Education Statistics (1983-2000). *Digest of Education Statistics*. Washington, D.C.: U.S. Government Printing Office.
- "The Best Colleges and Universities in the U.S." *U.S. News & World Report*, 2002. On line at <http://www.usnews.com>.
- UW System Administration (1996). "Study of the UW System in the 21st Century." Madison, WI: UW Board of Regents, Parts I-V. [uwsa.edu/bor/part I.htm](http://uwsa.edu/bor/partI.htm).
- UW System Administration (2001). *Fact Book 2000*. Madison, WI: UW System.
- UW System Administration (2001). Agenda for September 6 and 7, 2001. Website: <http://www.uwsa.edu/bor/agenda/2001/sep-tembe.pdf>.
- Wisconsin 2001-2003 Budget Proposal. Madison, WI: Governor's Office. 2001. p. 684.

ABOUT THE INSTITUTE

The **Wisconsin Policy Research Institute** is a not-for-profit institute established to study public-policy issues affecting the state of Wisconsin.

Under the new federalism, government policy increasingly is made at the state and local levels. These public-policy decisions affect the life of every citizen in the state. Our goal is to provide nonpartisan research on key issues affecting Wisconsinites, so that their elected representatives can make informed decisions to improve the quality of life and future of the state.

Our major priority is to increase the accountability of Wisconsin's government. State and local governments must be responsive to the citizenry, both in terms of the programs they devise and the tax money they spend. Accountability should apply in every area to which the state devotes the public's funds.

The Institute's agenda encompasses the following issues: education, welfare and social services, criminal justice, taxes and spending, and economic development.

We believe that the views of the citizens of Wisconsin should guide the decisions of government officials. To help accomplish this, we also conduct regular public-opinion polls that are designed to inform public officials about how the citizenry views major statewide issues. These polls are disseminated through the media and are made available to the general public and the legislative and executive branches of state government. It is essential that elected officials remember that all of the programs they create and all of the money they spend comes from the citizens of Wisconsin and is made available through their taxes. Public policy should reflect the real needs and concerns of all of the citizens of the state and not those of specific special-interest groups.