Following a period of expansion and awareness in the arts during the 1960s and early 1970s, Chancellor Edwin Young established the Arts Consortium in 1975 with the expectation that this entity would be able to develop ways of coordinating and rationalizing arts activities at the University of Wisconsin-Madison (UW).

By 1988, the mission and vision of the Consortium evolved to be an “administrative committee composed of representatives of the arts departments, programs, and faculties…to act as a vehicle of communication in the arts, and as an agent for support for collaborative artistic efforts.” That same year the university’s accreditation review by the North Central Association of Colleges and Schools cited concerns about the administrative dispersion of and support for the arts across campus, and recommended a more focused study.

The Arts Consortium presented a strategic plan to Chancellor David Ward in 1993 and recommended among other things, the creation of a college of the arts by the end of the decade. Citing budgetary concerns, the Chancellor charged the Consortium to propose alternative ways to advance the arts. In 1997, the Consortium proposed the creation of an “Arts Institute” governed by the leaders of arts programs and departments and led by a 50% time director. Chancellor Ward approved the Arts Institute structure and in 1998 it replaced the Consortium. As a center administratively located in the School of Education but governed by the deans of the College of Letters & Science, the School of Education, and the School of Human Ecology. Professor of Communication Arts Tino Balio is named as the first director in 1998, followed by Professor of Musicology Susan Cook in 2005.

With the new direction, the Arts Institute made significant advances in activities and scope over the Arts Consortium. These include:

- “Arts Awards” to faculty and graduate students from UW Foundation arts-related bequests
- The Interdisciplinary Arts Residency Program which receives substantial funding from the Cluster Hire Initiative
- Administrative partnership and support for the “Creative Arts and Design Learning Community” in Sellery Hall
- Establishment of the Wisconsin Film Festival
In 2009, under the leadership of then director Professor of Theatre & Drama Norma Saldivar, the Institute undertook an extensive investigation of the state of the arts and again proposed a plan to establish a college of the arts. In 2012-13, developments in campus and statewide political climate prompted Chancellor Rebecca Blank to instead augment the structure of the Arts Institute, making it a stand-alone division with a full-time director in 2014. Norma Saldivar served as the founding and interim director of the new division until 2016, when Professor of Art John Baldacchino was hired as director. As a division with representation on the Deans’ Council, the Arts Institute experienced more visibility and responsibility than ever.