

1997-98 SESSION  
COMMITTEE HEARING  
RECORDS

Committee Name:

Joint Committee on  
Finance  
(JC-Fi)

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR\_RCP\_pt01a
- 97hrAC-EdR\_RCP\_pt01b
- 97hrAC-EdR\_RCP\_pt02

- Appointments ... Appt
- 
- Clearinghouse Rules ... CRule
- 
- Committee Hearings ... CH
- 
- Committee Reports ... CR
- 
- Executive Sessions ... ES
- 
- Hearing Records ... HR
- 
- Miscellaneous ... Misc
- 97hr\_JC-Fi\_Misc\_pt01e\_DPR
- Record of Comm. Proceedings ... RCP
-

Joint Finance

16.505/16.515

14 Day Passive  
Reviews

6/24/96 to

9/23/96

8/21/96  
AWS

# STATE OF WISCONSIN

*approved*

SENATE CHAIR  
**BRIAN BURKE**

100 North Hamilton  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: 266-8535



ASSEMBLY CHAIR  
**BEN BRANCEL**

119 Martin Luther King Blvd.  
P.O. Box 8952  
Madison, WI 53708-8952  
Phone: 266-7746

## JOINT COMMITTEE ON FINANCE

August 21, 1996

The Honorable James Klauser, Secretary  
Department of Administration  
101 East Wilson, 10<sup>th</sup> Floor  
Madison, Wisconsin 53707

Dear Secretary Klauser:

This is to inform you that the members of the Joint Committee of Finance have reviewed the request from the Department of Administration dated July 25, 1996, pursuant to s. 36.46 Wis. Stats., pertaining to a request from the University of Wisconsin System to increase student fee-funded reserves.

No objections to this request have been raised. Accordingly, the request is approved.

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE  
Senate Chair

Handwritten signature of Ben Brancel in black ink.

BEN BRANCEL  
Assembly Chair

BB/BB/jc

cc: Members, Joint Committee on Finance  
President Lyall, UWS  
Raymond A. Marnocha, UWS  
Legislative Fiscal Bureau

# STATE OF WISCONSIN

SENATE CHAIR  
BRIAN BURKE

100 North Hamilton  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: 266-8535



ASSEMBLY CHAIR  
BEN BRANCEL

119 Martin Luther King Blvd.  
P.O. Box 8952  
Madison, WI 53708-8952  
Phone: 266-7746

## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

TO: Joint Finance Members

FROM: Senator Brian Burke  
Representative Ben Brancel

Co-Chairs, Joint Committee on Finance

DATE: August 1, 1996

RE: 14-Day Review

According to s. 36.46, Wis. Stats., the Department of Administration and the Joint Committee on Finance must approve student fee funded reserve plans if the plans increase reserve levels and/or student fees. The University of Wisconsin system has submitted a plan which includes the amount of reserve funds the board wishes to accumulate and the purposes to which the reserve funds would be applied, if approved.

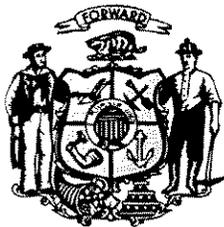
Please review the attached material and notify Senator Burke or Representative Brancel no later than **Wednesday August 21, 1996**, if you have any concerns about the request or would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

BB:BB:nb

attachment

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin



Mailing Address:  
Post Office Box 7864  
Madison, WI 53707-7864

TOMMY G. THOMPSON  
GOVERNOR  
MES R. KLAUSER  
SECRETARY

July 25, 1996

The Honorable Brian Burke, Co-Chair  
The Honorable Ben Brancel, Co-Chair  
Joint Committee on Finance  
113 South, State Capitol  
Madison, Wisconsin 53702

Dear Senator Burke and Representative Brancel:

Enclosed is a request from the University of Wisconsin System under s. 36.46, Wis. Stats., to modify the previously-approved plan for student fee-funded auxiliary reserves in fiscal year 1995-96. The UW System also requests approval of a proposed plan for 1996-97. The net effect of all changes is to increase the auxiliary reserves balance by \$343,600 over the \$39.4 million 7/1/96 balance to an estimated \$39,732,700 by June 30, 1997.

In adopting s. 36.46, it was the Legislature's intent to ensure that the UW maintain prudent reserve funds to operate its auxiliary programs without collecting excessive student fees. The statutes specify that the Board of Regents may not accumulate any student fee-funded auxiliary reserves unless the fees and funds are approved by the Secretary of Administration and the Committee. This requirement took effect July 1, 1986.

Following new Board of Regent policy and UW System Administration guidelines, student fee-funded auxiliary reserves were reduced from \$53.0 million at the end of fiscal year 1985-86 to \$37.6 million at fiscal year end 1987-88. However, reserves balances increased in FY91 and have grown to \$43.1 million as of 7/1/96. This increase approximates the inflation rate for the time period, and the reserves balance remains well below the \$83.8 million maximum as determined by Regent policy. Increases are due to delayed or deferred capital projects and unanticipated cost savings or other revenues which increase the reserves balance. As the following table illustrates, drawdowns in FY97 are expected to reduce the balance to \$39.7 million by 7/1/97.

### Proposed Changes to Auxiliary Reserves

Previously-Approved 7/1/96 Reserves Balance	\$39,389,100
Project Deferrals FY96 (1)	\$4,628,600
Net Revenue From FY96 Operations (2)	<u>\$2,681,700</u>
Unencumbered Cash Balance 7/1/96	\$46,699,400
Revenues Applied to FY97 Operations (3) [will reduce student fee increases]	<u>-\$3,597,300</u>
Revised Reserves Balance 7/1/96	\$43,102,100
Projected FY97 Drawdowns (4)	-\$6,856,700
Projected FY97 Increases to Reserves (5)	<u>\$3,487,300</u>
Projected 7/1/97 Reserves Balance	\$39,732,700

(1) These projects were included in the previous reserves plan, but construction or payment was delayed for (typically) one fiscal year. Major components include:

- UW-La Crosse Segregated Fees --\$2.4 million for construction of the Student Life Building;
- UW-Madison Housing -- \$1.3 million for remodeling of student apartments;
- UW-Stout Housing -- \$0.3 million for an elevator project in North Hall and land purchase;
- UW-Green Bay Housing -- \$0.2 million for a plumbing project.

(2) \$5,838,500 in unplanned revenues were generated from greater than anticipated participation in meal plans and use of residence halls as well as lower than expected expenditures including salary and utility cost savings. Operating losses of \$3,156,800 occurred in FY96 across all campuses due to a range of factors including construction loans, equipment costs over budget, design costs on future remodeling projects, computer cabling costs and an accounting error which understated housing revenues for the fiscal year. The net increase was \$2.7 million.

(3) \$3.6 million is to be returned to the regular operating budget for FY97, displacing an equal amount which would otherwise be generated from an increase in user (student) fees.

(4) Drawdowns include a range of planned projects and expenditures at the individual campuses.

(5) Includes \$1 million at UW-La Crosse primarily due to construction delay for Student Life building, \$0.4 million at UW-Madison for citywide bus service, \$0.5 million at UW-Stout for future housing projects and new recreation/sports complex, \$0.3 million at UW-Platteville to restore residence hall reserves and \$0.3 million at UW-Eau Claire for planned residence hall projects.

## Reserves Balances

This year all individual campus reserves balances, with one exception, are within the maximum levels set by the Board of Regents. UW-La Crosse will temporarily exceed its reserves maximum due to a delay in construction of a new Student Life building. UW System Administration monitors all campus balances on an ongoing basis to assure compliance.

As noted previously, total net student fee-funded auxiliary reserves have increased since 1988-89. In the last three fiscal years, reserves levels have averaged 25.7% more revenue than initial UW estimates in s. 36.46 requests. Differences appear to be due to a combination of: (1) legitimate planned as well as unanticipated project deferrals and program savings, and (2) conservative fund administration at the campus level, where intent is to avoid deficit situations which may necessitate emergency action.

<u>Fiscal Year</u>	<u>Original Estimated Reserves Balance</u>	<u>Final Actual Reserves Balance*</u>	<u>% Difference</u>
1989-90	26,516,100	37,569,800	41.7%
1990-91	27,417,600	39,491,300	44.0%
1991-92	26,090,000	43,430,000	66.5%
1992-93	30,921,800	46,931,500	51.8%
1993-94	35,348,000	44,744,600	26.6%
1994-95	39,596,300	52,226,100	31.9%
1995-96	39,389,100	***43,102,100	9.4%
1996-97	**39,732,700		

\* Includes deferred projects which were not in original UW plans

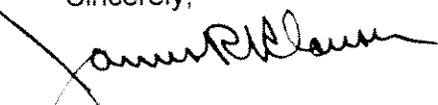
\*\* current request

\*\*\* updated estimate; not final until 7/97

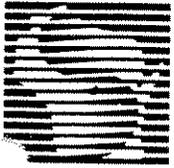
Excess fee revenues collected can be used either to reduce student fees in future years or, if it can be shown that present balances are inadequate, campuses may retain the funds to increase reserves. Generally, the latter action is taken. As noted above, all balances [with one exception] are within the Regent maximums. The UW System's ability to accurately predict its auxiliary reserves levels has improved significantly over the past three years.

The UW's current request for reserves increases appears reasonable and should be approved.

Sincerely,



James R. Klauser  
Secretary



## The University of Wisconsin System

Vice President for Business and Finance

1752 Van Hise Hall

1220 Linden Drive

Madison, Wisconsin 53706

(608) 262-1311 FAX (608) 262-3985

July 10, 1996

Senator Brian Burke  
Representative Ben Brancel  
Co-Chairs, Joint Committee on Finance

James R. Klauser, Secretary  
Department of Administration

Dear Senator Burke, Representative Brancel and Secretary Klauser:

Under the current statutory language of s.36.46 Wis. Stats., the Department of Administration (DOA), and the Joint Committee on Finance (JCOF) must approve student fee funded reserve plans if the plans increase reserve levels and/or student fees, "...the board may not accumulate any auxiliary reserve funds from student fees unless the fees and reserve funds are approved by the Secretary of DOA and the JCOF"; plans must include "...the amount of reserve funds the board wishes to accumulate and the purposes to which the reserve funds would be applied, if approved...". This letter requests that approval.

In 1995-96, student fee funded auxiliaries had operating gains of \$5.8 million from higher than expected revenues (e.g., more students participating in meal plans and living in residence halls), and lower expenditures (e.g., salary and utility cost savings). Institutions will apply \$3.6 million to the 1996-97 operating budget, thereby lowering increased charges to students. The other \$2.2 million will be kept in reserve for future projects (e.g., the bleacher project at River Falls). This too will have the affect of lowering fee increases in the future.

The 1996-97 plan will draw reserves down \$6.9 million for deferred maintenance, equipment purchases, facility remodelings, new facilities, etc., and add \$3.5 million to other reserves for like uses in the future. Funding for the increases will come from a combination of base reallocations (e.g., savings from vacant positions); increased room, board and segregated fees; and increased cash/credit sales (e.g., snack bar, bookstore, and gate receipts). The consolidated plan for the UW System is to enter 1996-97 with \$43.1 million, reduce balances by \$3.4 million, and end the year with \$39.7 million.

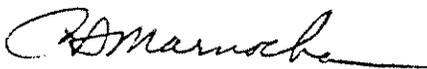
Reserve balances and operating margins are reviewed on a continuing basis by the institutions for adequacy, reliability and the capacity to sustain. If balances are too large or too small, the institutions must correct the problem, and report actions taken to System Administration (SA). It is our judgement that this plan, together with select increases in the years ahead, will maintain sufficient but not excessive reserves. It will also provide for the facility, equipment, and contingency needs of the future without having to resort to sharp fee increases. The following table and attached schedules provide additional information.

July 10, 1996  
Page 2.

	1995-96 \$millions	1996-97 \$millions
<b>Previously Approved Reserve Balances</b>		
July 1 Reserve Balance	\$47.2	
Planned Increases	.5	
Planned Decreases	(8.3)	
June 30 Reserve Balance	39.4	
Project Deferrals	4.6	
Adjusted Approved Reserve Balance	\$44.0	
<b>Impact of 1995-96 Operations on Reserves</b>		
1995-96 Operating Gains \$5.8		
Applied to 1996-97 Operations (3.6)	2.2	
Draw on Reserves for Operating Losses	(3.1)	
Estimated Reserve Balance, June 30, 1996	\$43.1	\$43.1
<b>1996-97 Requested Reserve Plan</b>		
Reserve Drawdowns		(6.9)
Reserve Increases		3.5
June 30, 1996-97 Balance		\$39.7

The UW System requests approval of the student fee supported reserve increases as required by s. 36.46 Wis. Stats. Additional information is available to your staff, and we are available to answer questions as needed.

Sincerely,



Raymond A. Marnocha  
Vice President

cc: President Lyall  
Joint Committee on Finance Members  
Regent Grebe  
Regent Lubar  
Regent Hempel  
Chancellors  
Vice Presidents  
Institution Business Officers

Kathi Sell  
Debbie Durcan  
Kent Hill  
Bob Hanle, DOA  
Marty Olle, DOA  
Bob Lang, LFB  
Dan Clancy, LFB  
Legislative Reference Bureau

SCHEDULE #1

UNIVERSITY OF WISCONSIN SYSTEM  
STUDENT FEE FUNDED RESERVES  
ADJUSTMENTS TO 1995-96 PLAN

INST	PROGRAM	(A) REGENT APPROVED RESERVE BALANCE 7/1/96	(B) PROJECT DEFERRALS	(C) ADJUSTED REGENT APPROVED RESERVE BALANCE	(D) ESTIMATED UNENCUMBERED CASH BALANCE 7/1/96	(E) DIFFERENCE	(F) RETURN TO OPERATIONS 1996-97	(G) UNANTICIPATED RESERVE INCREASE/ DECREASE
MSN	HOUSING	742,975	1,256,000	1,998,975	2,149,525	150,550	150,550	0
	FOOD SERVICE							
	SEGREGATED FEES	5,345,541	0	5,345,541	7,558,633	2,213,092	1,242,246	970,846
	TOTAL FEE FUNDED	6,088,516	1,256,000	7,344,516	9,708,158	2,363,642	1,392,796	970,846
MIL	HOUSING	4,454,454	223,010	4,677,464	5,498,309	820,845	820,845	0
	FOOD SERVICE	424,916	0	424,916	377,593	(47,323)	0	(47,323)
	SEGREGATED FEES	3,525,188	416,770	3,941,958	4,287,776	345,818	147,051	198,767
	TOTAL FEE FUNDED	8,404,558	639,780	9,044,338	10,163,678	1,119,340	967,896	151,444
EAU	HOUSING	2,162,353	0	2,162,353	1,855,042	(307,311)	0	(307,311)
	FOOD SERVICE	179,500	0	179,500	637,089	457,589	457,589	0
	SEGREGATED FEES	2,636,800	0	2,636,800	1,977,173	(659,627)	0	(659,627)
	TOTAL FEE FUNDED	4,978,653	0	4,978,653	4,469,304	(509,349)	457,589	(966,938)
GBY	HOUSING	902,119	220,000	1,122,119	1,219,779	97,660	97,660	0
	FOOD SERVICE							
	SEGREGATED FEES	808,611	0	808,611	749,449	(59,162)	0	(59,162)
	TOTAL FEE FUNDED	1,710,730	220,000	1,930,730	1,969,228	38,498	97,660	(59,162)
LAC	HOUSING	797,944	0	797,944	302,578	(495,366)	0	(495,366)
	FOOD SERVICE	632,981	0	632,981	364,793	(268,188)	0	(268,188)
	SEGREGATED FEES	2,974,794	2,391,919	5,366,713	5,030,317	(336,396)	0	(336,396)
	TOTAL FEE FUNDED	4,405,719	2,391,919	6,797,638	5,697,688	(1,099,950)	0	(1,099,950)
OSH	HOUSING	734,257	0	734,257	261,384	(472,873)	0	(472,873)
	FOOD SERVICE	3,778	0	3,778	74,516	70,738	0	70,738
	SEGREGATED FEES	833,715	0	833,715	662,364	(171,351)	0	(171,351)
	TOTAL FEE FUNDED	1,571,750	0	1,571,750	998,264	(573,486)	0	(573,486)
PKS	HOUSING	868,020	0	868,020	1,023,827	155,807	155,807	0
	FOOD SERVICE							
	SEGREGATED FEES	1,103,100	65,175	1,168,275	1,218,906	50,631	38,107	12,524
	TOTAL FEE FUNDED	1,971,120	65,175	2,036,295	2,242,733	206,438	193,914	12,524
PLT	HOUSING	631,641	(617,723)	13,918	13,918	0	0	0
	FOOD SERVICE	14,796	84,100	98,896	98,896	0	0	0
	SEGREGATED FEES	1,370,137	70,133	1,440,270	1,437,309	(2,961)	0	(2,961)
	TOTAL FEE FUNDED	2,016,574	(463,490)	1,553,084	1,550,123	(2,961)	0	(2,961)

SCHEDULE #1

UNIVERSITY OF WISCONSIN SYSTEM  
STUDENT FEE FUNDED RESERVES  
ADJUSTMENTS TO 1995-96 PLAN

INST	PROGRAM	(A) AGENT APPROVED RESERVE BALANCE 7/1/96	(B) PROJECT DEFERRALS	(C) ADJUSTED AGENT APPROVED RESERVE BALANCE	(D) ESTIMATED UNENCUMBERED CASH BALANCE 7/1/96	(E) DIFFERENCE	(F) RETURN TO OPERATIONS 1996-97	(G) UNANTICIPATED RESERVE INCREASE/ DECREASE
RVF	HOUSING	434,168	0	434,168	403,988	(30,180)	0	(30,180)
	FOOD SERVICE	234,483	0	234,483	444,882	210,399	210,399	0
	SEGREGATED FEES	905,246	0	905,246	988,693	83,447	0	83,447
	TOTAL FEE FUNDED	1,573,897	0	1,573,897	1,837,563	263,666	210,399	53,267
SIP	HOUSING	55,429	0	55,429	(76,343)	(131,772)	0	(131,772)
	FOOD SERVICE	598,533	150,000	748,533	758,745	10,212	10,212	0
	SEGREGATED FEES	1,414,402	0	1,414,402	1,733,471	319,069	95,071	223,998
	TOTAL FEE FUNDED	2,068,364	150,000	2,218,364	2,415,873	197,509	105,283	92,228
STO	HOUSING	399,735	335,000	734,735	661,407	(73,328)	0	(73,328)
	FOOD SERVICE	391,183	0	391,183	331,177	(60,006)	0	(60,006)
	SEGREGATED FEES	969,063	0	969,063	1,172,649	203,586	89,560	114,026
	TOTAL FEE FUNDED	1,759,981	335,000	2,094,981	2,165,233	70,252	89,560	(19,308)
SUP	HOUSING	406,582	0	406,582	365,649	(40,933)	0	(40,933)
	FOOD SERVICE	777,910	34,200	812,110	843,297	31,187	8,206	22,981
	SEGREGATED FEES	1,184,492	34,200	1,218,692	1,208,946	(9,746)	8,206	(17,952)
	TOTAL FEE FUNDED	2,368,984	68,400	2,437,084	2,417,892	(19,192)	16,412	(3,780)
WTW	HOUSING	149,620	0	149,620	176,274	26,654	0	26,654
	FOOD SERVICE	97,211	0	97,211	347,057	249,846	0	249,846
	SEGREGATED FEES	1,068,254	0	1,068,254	1,164,130	95,876	0	95,876
	TOTAL FEE FUNDED	1,315,085	0	1,315,085	1,687,461	372,376	0	372,376
CEN	HOUSING	55,423	0	55,423	127,000	71,577	7,080	64,497
	FOOD SERVICE	78,277	0	78,277	101,635	23,358	23,358	0
	SEGREGATED FEES	205,927	0	205,927	356,463	150,536	43,534	107,002
	TOTAL FEE FUNDED	339,627	0	339,627	585,098	245,471	73,972	171,499
TOTAL	HOUSING	12,794,720	1,416,287	14,211,007	13,982,337	(228,670)	1,231,942	(1,460,612)
	FOOD SERVICE	2,655,658	234,100	2,889,758	3,536,383	646,625	701,558	(54,933)
	SEGREGATED FEES	23,938,688	2,978,197	26,916,885	29,180,630	2,263,745	1,663,775	599,970
	TOTAL FEE FUNDED	39,389,066	4,628,584	44,017,650	46,699,350	2,681,700	3,597,275	(915,575)

Appendix to Schedule #1

Primary Causes for Increases and Planned Uses  
(RO = Return to Operations; RI = Reserve Increase)  
Adjustments to 1995-96 Plan

Institution/Program	Amount	Examples of Primary Causes and Uses
<b>Madison:</b> Housing (RO) Segregated Fees (RO) Segregated Fees (RI)	\$150,550 1,242,246 970,846	Expenditure savings will be used to help support the 1996-97 operating budget. Expenditure savings from organized activities, student center, and inter-collegiate athletics will be made available to the 1996-97 operating budget. Expenditure savings in Inter-collegiate athletics will be added to reserves and used as part of the cash contribution for the new Kohl Center.
<b>Milwaukee:</b> Housing (RO) Segregated Fees (RO) Segregated Fees (RI)	820,845 147,051 198,767	Additional funding from increased revenues (user fees and interest income \$200,000), lower operating costs (salary and fringe benefit savings: \$185,000), a loan cancellation to the bookstore (\$200,000), lower maintenance costs and furniture/equipment purchases (\$250,000); funds will be applied to the 1996-97 operating budget. Expenditure savings in the health center (\$112,000), and a variety of miscellaneous accounts (\$35,000); funds will be applied to the 1996-97 operating budget. A loan by the transit program to the student union was cancelled.
<b>Eau Claire:</b> Food Service (RO)	457,589	This was the first year where separate budgets were presented for food service and the student center; previously they were combined. In hindsight, the revenue projections were low for food service and high for the student center with the unanticipated gain in food service more than offset by a corresponding loss in the student center.
<b>Green Bay:</b> Housing (RO)	97,660	Salary savings will be used in the 1996-97 operating budget.
<b>Oshkosh:</b> Food Service (RI)	70,738	Salary savings and lower than expected payments to the food contractor will be used to begin restoring a severely under funded reserve.

**Appendix to Schedule #1  
Primary Causes for Increases and Planned Uses  
(RO = Return to Operations; RI = Reserve Increase)  
Adjustments to 1995-96 Plan**

Institution/Program	Amount	Examples of Primary Causes and Uses
<b>Parkside:</b> Housing (RO) Segregated Fees (RO) Segregated Fees (RI)	\$155,807 38,107 12,524	Salary savings and higher than expected revenues will be used to support the 1996-97 operating budget. Salary savings and higher revenues will be used in the 1996-97 operating budget. Increased revenues will eliminate a deficit reserve balance in athletics.
<b>River Falls:</b> Food Service (RO) Segregated Fees (RI)	210,399 83,447	Savings from a hiring freeze and moving a reserve funded project to be part of a \$1,000,000 bonded project will release funds to the operating budget in 1996-97. Additional revenues and salary savings in the ice arena will be added to reserves to help fund two projects (bleachers: \$120,000, and a floor replacement: \$250,000).
<b>Stevens Point:</b> Food Service (RO) Segregated Fees (RO) Segregated Fees (RI)	10,212 95,071 223,998	Lower than expected payments to the contractor will be used to support the operating budget in 1996-97. Increased revenues and expenditure savings in student organized activities and student center will be used to support the operating budget in 1996-97. Fewer than planned textbook purchases (\$101,000); funds will be held in the reserve for future book purchases. Also a major effort to improve the status of the inter-collegiate athletic reserve is succeeding. On 7/1/91, the reserve had a deficit balance of \$144,000; by 7/1/96, it is expected to have a positive balance of \$65,700.
<b>Stout:</b> Segregated Fees (RO) Segregated Fees (RI)	89,560 114,026	Unanticipated increases in student organized activities, the health center, and the student center (\$89,560) will be returned to the 1996-97 operating budget. Increased sale of computers by the bookstore, and the sale of its inventory to the new contract vendor provided additional funds for the reserve.

Appendix Schedule #2  
1996-97 Reserve Plan

Institution/Program	Fee Increase	Reserve Increase	Primary Uses
Madison Segregated Fees	\$40.16	\$737,146	Students initiated a new segregated fee and related contingency reserve to provide free, citywide bus service beginning with the Fall 1996 semester. Intercollegiate Athletics will increase its reserve as funds are accumulated for the Kohl Center; the increase is not from student fees as the segregated fee for athletics has been discontinued.
Eau Claire Housing	20.00	293,535	The increase will be used for planned maintenance and replacement needs in the residence halls.
La Crosse Segregated Fees	7.00	1,018,953	The \$7.00 fee increase and \$58,000 will help restore Student Center reserves, and be used to assist with debt service payments and maintenance. Also there will be one more year of reserve accumulation for the new Student Life Building as construction was delayed from Fall 1995-96 to Spring 1996-97, and the use of reserve funds delayed to 1997-98. There will be a balance of over \$5.0 million in the reserve by 7/1/97.
Oshkosh Housing	36.00	115,443	The increase will be used to help restore adequate reserves in housing.
Food Service	27.00	28,434	The increase will be used to help restore adequate reserves in food service.
Platteville Housing	30.00	305,689	Most residence halls have been remodeled in the past 10 years and most rooms wired for computer access. This increase will begin the process of restoring the reserve.
Food Service		23,523	Base funds will be reallocated with the funds used to help restore an adequate balance.

**Appendix to Schedule #2  
1996-97 Reserve Plan**

Institution/Program	Fee Increase	Reserve Increase	Primary Uses
River Falls Housing	\$50.00	\$204,352	Stratton Hall is to be renovated in 1997 at a cost of \$2.5 million; the reserve accumulation will help with the cash contribution and future debt payments.
Stevens Point Housing	16.00	45,700	The increase will begin the process of restoring adequate reserves in housing.
Stout Housing Segregated Fees	66.00 40.08	161,749 297,185	Building reserves for future projects (e.g., computer equipment, furniture, grounds improvements, and roof repairs). Student government and campus administration approved a new segregated fee to fund a new recreation/sports complex which is to be constructed in 2 to 3 years.
Whitewater Housing Food Service Segregated Fees	7.50 7.50	52,619 165,486 35,811	Restoration of adequate balances and provide funds for future projects. Esker Hall is to be remodeled in summer of 1998 at a cost of \$1.9 million; the reserve accumulation will help with the cash contribution. Funds will be added to the textbook rental program, and used for future book purchases.

**Appendix to Schedule #1  
Primary Causes for Increases and Planned Uses  
(RO = Return to Operations; RI = Reserve Increase)  
Adjustments to 1995-96 Plan**

Institution/Program	Amount	Examples of Primary Causes and Uses
<b>Superior:</b> Segregated Fees (RO) Segregated Fees (RI)	\$8,206 22,981	Unplanned increases in the student center and arena returned to operations in 1996-97. Part of the student center and arena increases will be added to reserves to help with future projects (e.g., new roof for the arena).
<b>Whitewater:</b> Housing (RI) Food Service (RI)	26,654 249,846	Increased revenues from higher than expected occupancy will be added to a severely under funded reserve. Expenditure savings and lower payments to the contractor will be added to the reserve. The plan is to have \$500,000 in reserves to help with a \$1.9 million Esker Hall project scheduled for the summer of 1998. Unanticipated gains in the student and health centers, stadium and textbook rental will be added to reserves; the funds will assist these programs complete facility projects, make equipment purchases, and be available for contingency needs.
<b>Centers:</b> Housing (RO) Housing (RI) Food Service (RO) Segregated Fees (RO)	7,080 64,497 23,358 43,534	Salary and fringe benefit savings will be used in the 1996-97 operating budget. A telephone system replacement not completed; funds will be kept in the reserve. Cost savings will be returned to the 1996-97 operating budget. Funds from salary savings in athletics and organized activities and a hold on textbook replacements will be used to help support the 1996-97 operating budget. Expenditure savings in organized activities will be held in the reserve to help offset lower segregated fee income from lower enrollments.
Segregated Fees (RI)	107,002	

SCHEDULE #2

UNIVERSITY OF WISCONSIN SYSTEM  
STUDENT FEE FUNDED RESERVES  
1996-97 PLAN

INST	PROGRAM	(A) ESTIMATED UNENCUMBERED CASH BALANCE 7/1/96	(B) RETURN TO OPERATIONS 1996-97	(C) ESTIMATED RESERVE BALANCE 7/1/96	(D) CHANGE 1996-97	(E) RESERVE BALANCE 7/1/97	(F) RESERVE MAXIMUMS 7/1/97
MSN	HOUSING FOOD SERVICE SEGREGATED FEES TOTAL FEE FUNDED	2,149,525	150,550	1,998,975	(2,324,450)	(325,475)	8,277,484
		7,558,633	1,242,246	6,316,387	737,146	7,053,533	9,975,444
		9,708,158	1,392,796	8,315,362	(1,587,304)	6,728,058	18,252,928
MIL	HOUSING FOOD SERVICE SEGREGATED FEES TOTAL FEE FUNDED	5,498,309	820,845	4,677,464	(143,105)	4,534,359	5,817,457
		377,593	0	377,593	(73,250)	304,343	1,308,850
		4,287,776	147,051	4,140,725	(2,151,537)	1,989,188	5,915,922
		10,163,678	967,896	9,195,782	(2,367,892)	6,827,890	13,042,229
EAU	HOUSING FOOD SERVICE SEGREGATED FEES TOTAL FEE FUNDED	1,855,042	0	1,855,042	293,535	2,148,577	3,110,990
		637,089	457,589	179,500	(51,023)	128,477	599,250
		1,977,173	0	1,977,173	(552,921)	1,424,252	1,887,792
		4,469,304	457,589	4,011,715	(310,409)	3,701,306	5,598,032
GBY	HOUSING FOOD SERVICE SEGREGATED FEES TOTAL FEE FUNDED	1,219,779	97,660	1,122,119	(171,682)	950,437	2,117,717
		749,449	0	749,449	(107,216)	642,233	1,914,772
		1,969,228	97,660	1,871,568	(278,898)	1,592,670	4,032,489
LAC	HOUSING FOOD SERVICE SEGREGATED FEES TOTAL FEE FUNDED	302,578	0	302,578	(237,725)	64,853	2,125,983
		364,793	0	364,793	(60,832)	303,961	522,443
		5,030,317	0	5,030,317	1,018,953	6,049,270	5,228,223
		5,697,688	0	5,697,688	720,396	6,418,084	7,876,649
OSH	HOUSING FOOD SERVICE SEGREGATED FEES TOTAL FEE FUNDED	261,384	0	261,384	115,443	376,827	4,036,870
		74,516	0	74,516	28,434	102,950	810,922
		662,364	0	662,364	(19,167)	643,197	1,558,860
		998,264	0	998,264	124,710	1,122,974	6,406,652
PKS	HOUSING FOOD SERVICE SEGREGATED FEES TOTAL FEE FUNDED	1,023,827	155,807	868,020	(228,227)	639,793	1,387,406
		0	0	0			
		1,218,906	38,107	1,180,799	(26,439)	1,154,360	1,708,810
		2,242,733	193,914	2,048,819	(254,666)	1,794,153	3,096,216
PLT	HOUSING FOOD SERVICE SEGREGATED FEES TOTAL FEE FUNDED	13,918	0	13,918	305,689	319,607	2,064,592
		98,896	0	98,896	23,523	122,419	1,346,160
		1,437,309	0	1,437,309	(50,372)	1,386,937	5,582,916
		1,550,123	0	1,550,123	278,840	1,828,963	8,993,668





## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

Sen. Burke

August 8, 1996

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Letter and Report on Auxiliaries from University of Wisconsin System

In a letter dated July 25, 1996, the Department of Administration recommended approval of a request from the UW System to increase student fee-funded reserves (copies of both the DOA recommendation and the UW request are attached).

Under s. 36.46 of the statutes, in order for the Board of Regents to accumulate any auxiliary reserve funds from student fees, the Board must request approval from the Secretary of Administration and the Joint Committee on Finance no later than July 10 preceding the academic year. The Secretary of Administration has 14 working days to notify the Co-Chairs of the Committee in writing whether the Secretary proposes to approve the requested fees or reserve fund accumulation.

A letter and report from the University, dated July 10, 1996, requests approval from the Secretary of DOA to change the level of fee-funded reserves from an estimated \$43.1 million on June 30, 1996, to \$39.7 million on June 30, 1997; the request would increase fee-funded reserves at selected campuses by \$3.5 million in 1996-97, with offsetting decreases at other campuses of \$8.3 million. It should be noted that increases in individual reserves, by campus, must be approved even if the net reserve balance for all campuses decreases.

In addition, approval is also sought for unanticipated increases in auxiliary reserves for 1995-96 due to project deferrals of \$4.6 million in 1995-96 and net operating gains of \$2.7 million due to increased participation in activities and lower than anticipated costs. These increases were partially offset by \$3.6 million of the reserves being returned to the regular operating auxiliaries budget, consequently offsetting potential increases in student fees.

The Committee has 14 working days, after receiving notification of the Secretary's recommendation, to schedule a meeting to review the request. Therefore, if no meeting is scheduled by August 21, 1996, the request is approved.

As part of its operations, University of Wisconsin campuses administer auxiliary enterprises which are noninstructional facilities providing services to students. Resident halls, student union and food service activities comprise the largest auxiliary operations. Except for athletic programs which receive some general purpose revenues, auxiliary enterprises are self-supporting: that is, they are funded by charges to student users. Some of these charges are direct, such as dormitory and food service, while others are funded through student segregated fees. In 1996-97, UW System campuses will budget \$291.2 million under the auxiliary enterprises appropriation, representing 12.1% of all funds budgeted for the University.

To ensure that funds are available to support future auxiliary operations and capital costs, UW institutions maintain reserves (estimated at \$43.1 million as of June 30, 1996). Reserves are generated as a matter of policy to support operations, debt service, new capital and deferred maintenance expenditures. The current reporting requirement was instituted in response to a February, 1985, Legislative Audit Bureau report which concluded that "many campuses have accumulated large cash reserves based on imprecise formulas and without relating income needs to expenditure projections." The report advised that the University establish policies to prevent similar accumulations of reserves and suggested guidelines to determine levels of future funding. At the time of the audit, \$79.1 million had been accumulated in reserve funds, of which \$22.5 million was identified as surplus by the Audit Bureau. The Legislature, in response to the Audit Bureau report, in 1985 Wisconsin Act 29 (the 1985-87 biennial budget) applied these surplus funds to support library acquisitions and to temporarily reduce tuition increases for resident undergraduates. In addition, Act 29 created the provision requiring the approval of reserve accumulations.

The Regents have established reserve maxima using a methodology developed in consultation with the Audit Bureau, by campus and activity, which have served as an upper limit for a campus' reserves. These maxima, which are adjusted periodically, are based on 2.5% of deferred maintenance costs, two years of debt service, two months of operating costs plus immediate needs and an allowance for planned major remodelling or new facilities. With the exception of UW-La Crosse, the estimated 1996-97 reserve balances for all campuses will be within the maxima. Due to a delay in a construction project, La Crosse's reserve balance will temporarily exceed the maximum by approximately \$821,000. The proposed aggregate reserve level of \$39.7 million as of June 30, 1997, is well below the current maximum of \$89.6 million.

It should be noted that the Regents approved a segregated fee schedule as well as room and board charges on June 6, 1996 (see Attachment) which assume approval of this request. Any objection to the request could cause uncertainty in these fee levels after the fall semester has begun. If the Committee were to revise the amount of auxiliary reserve levels, adjustments to the room and board charges or segregated fees would most likely have to be made in the second semester, rather than as a refund of fall fees.

In the past, a concern has been raised regarding the revision of the previous year's auxiliary reserve requests rather than with the specific request for the upcoming year. These revisions were often of greater magnitude than the original request. Between 1989-90 and 1994-95, the difference between actual reserves levels and the original estimates has ranged from 26.6% to 66.5%. However, UW estimates have improved significantly; the current estimated reserves balance for 1995-96 (\$43.1 million) is 9.4% higher than the University's original estimate of \$39.4 million. Further, DOA's analysis of the request notes that in recent years, the differences have been primarily due to project deferrals, program savings and conservative administration of the funds by campuses. In addition, a significant effort has been made by the UW to return excess accumulations to students through a reduction of potential fee increases rather than be part of reserve accumulations.

If you have questions regarding this memorandum, please contact this office.

BL/dls

Attachments

cc: Katharine C. Lyall, President, UW System  
Dale Cattanach, Legislative Audit Bureau

## ATTACHMENT

### UW System Auxiliary Operations Room and Board Charges and Segregated Fees 1995-96 and 1996-97 Academic Years

	<u>Residence Halls</u>			<u>Meal Plans</u>			<u>Segregated Fees</u>		
	<u>1995-96</u>	<u>1996-97</u>	<u>Percent Change</u>	<u>1995-96</u>	<u>1996-97</u>	<u>Percent Change</u>	<u>1995-96</u>	<u>1996-97</u>	<u>Percent Change</u>
Madison	\$2,045	\$2,106	3.0%	\$1,754	\$1,805	2.9%	\$330.00	\$379.00	14.8%
Milwaukee	1,998	1,998	0.0	1,052	1,100	4.6	432.50	460.90	6.6
Eau Claire	1,610	1,670	3.7	1,190	1,234	3.7	298.00	321.00	7.7
Green Bay	1,602	1,650	3.0	900	900	0.0	384.00	402.00	4.7
La Crosse	1,330	1,400	5.3	1,300	1,400	7.7	380.50	398.50	4.7
Oshkosh	1,480	1,551	4.8	920	960	4.3	258.00	272.00	5.4
Parkside	2,312	2,330	0.8	1,000	1,050	5.0	364.00	378.00	3.8
Platteville	1,265	1,316	4.0	1,416	1,473	4.0	359.00	363.00	1.1
River Falls	1,498	1,578	5.3	1,278	1,330	4.1	322.59	340.00	5.4
Stevens Point	1,782	1,826	2.5	1,280	1,280	0.0	369.90	378.60	2.4
Stout	1,460	1,526	4.5	1,258	1,296	3.0	327.84	340.80	4.0
Superior	1,506	1,506	0.0	1,448	1,576	8.8	292.50	318.10	8.8
Whitewater	1,500	1,556	3.7	1,068	1,112	4.1	348.24	359.28	3.2
<b>Centers</b>									
Baraboo							\$147.20	\$168.30	14.3%
Barron							146.50	147.50	0.7
Fond du Lac							174.90	181.80	3.9
Fox Valley							200.40	199.40	-0.5
Manitowoc							123.50	136.50	10.5
Marathon							167.20	174.40	4.3
Marinette							121.30	124.70	2.8
Marshfield							153.00	157.60	3.0
Richland							181.50	193.00	6.3
Rock							153.00	150.40	-1.7
Sheboygan							155.40	159.90	2.9
Washington							176.40	193.90	9.9
Waukesha							132.20	138.20	4.5

NOTE: Residence Hall rate is for double room (other options exist at some campuses). Meal Plan rate is for most popular meal plan or represents average spending per student for meals.