1997-98 SESSION COMMITTEE HEARING RECORDS

Committee Name:

Joint Committee on Finance (JC-Fi)

Sample:

Record of Comm. Proceedings … RCP
- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

- Appointments … Appt
- **

- Clearinghouse Rules … CRule
- **

- Committee Hearings … CH
- **

- Committee Reports … CR
- **

- Executive Sessions … ES
- **

- Hearing Records … HR
- **

- Miscellaneous … Misc
- 97hrJC-Fi_Misc_pt123a_LFB

- Record of Comm. Proceedings … RCP
- **

University of Wisconsin System

(LFB Budget Summary Document: Page 621)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
5,7,8,9&10	Authorize Additional Expenditure Authority from Tuition and Fees Appropriation (Paper #900)
8	Executive Salaries (Paper #901)
-	Differential Tuition (Paper #902)
2	Educational Technology (Paper #903)
24	Auxiliary Enterprises (Paper #904)
12	Budget Reductions: UW-Extension (Paper #905)
13	UW-Extension Credit Outreach Spending and Position Authority (Paper #906)
20	Kohl Center Position and Expenditure Authority: UW-Madison Athletics (Paper #907)
-	Depreciation Offset for General Purpose Revenue Funds (Paper #908)
4	Minor Policy and Technical Changes (Paper #909)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Authorize Additional Expenditure Authority From Tuition and Fees Appropriation (UW System)

[LFB Summary: Page 622, #5; Page 623, #7 and #8; Page 624, #9; and Page 625, #10]

CURRENT LAW

The Legislature establishes the appropriation level for tuition and fees, which represents the maximum amount of tuition and fee revenue that can be expended by the UW System each year. The appropriation amount from tuition and fees consists of the amount appropriated by the Legislature plus the amount by which estimated expenditures exceeded actual spending in the prior year. While there is no limit on the amount of tuition revenues which can be generated, as with other state agencies, expenditures in excess of the appropriation amount require approval by the Legislature or the Joint Committee on Finance (JFC) acting under s. 16.515 of the statutes. The Board of Regents has the authority to set tuition rates, which can vary by campus as well as by level of student (graduate and undergraduate) and type of student (resident and nonresident).

The Board of Regents may authorize salary increases which are not included in the state's compensation plan for faculty, academic staff and administrative staff if such an increase is provided to correct a salary inequity or to recognize competitive factors. Such an increase must be paid from the appropriation or appropriations from which the position of the employe receiving the increase is funded.

The Board is required to submit a report to JFC, DOA and the Department of Employment Relations (DER), annually by October 1, concerning the amounts of any salary increases granted for executive level staff or faculty and academic staff to recognize competitive factors and the institutions at which they were granted during the prior fiscal year.

GOVERNOR

A. Authorize Additional Spending From Tuition and Fees Appropriation (105% Provision)

Authorize the UW System to expend more than the amount appropriated by the Legislature from tuition and special fee revenues, provided that the additional revenues are available. The additional expenditure authority that would be provided under the bill would include:

a. For the first year of a biennium, an amount equal to 5% of the appropriated amount for the first year.

b. For the second year of a biennium, an amount equal to 5% of the appropriated amount for the second year plus 5% of the sum of: (a) the appropriated amount for the second year; and (b) the additional 5% amount calculated for the prior year.

B. Salary Increases from Tuition

Provide that if the Board authorizes an increase in the salary of certain staff members to correct a salary inequity or to recognize competitive factors, and the cost of such an increase would otherwise be at least partially chargeable to one of the University's GPR appropriations, the cost of the increase may be charged to the University's appropriation for tuition revenues. This provision would apply to executive positions including the President of the UW System, vice presidents, chancellors of all UW System institutions, the vice chancellor serving as deputy at each UW campus and the UW Center System and UW-Extension. The provision would also apply to all faculty and academic staff, including deans, research assistants, librarians, other teachers and other UW system administrative positions such as associate and assistant vice presidents, associate and assistant chancellors and certain administrative directors and associate directors.

In addition, require that the Board's annual report to JFC, DOA and DER concerning salary increases granted to recognize competitive factors during the prior fiscal year be expanded to include any salary increases granted to correct a salary inequity.

C. Additional $24 Million of Tuition Revenue Expenditure Authority

Provide $8,000,000 PR in 1997-98 and $16,000,000 PR in 1998-99 to increase expenditure authority from tuition and special fee revenues.

DISCUSSION POINTS

Background -- Tuition and Fee Revenues

1. The amount appropriated for tuition and fee revenues is determined by the Governor and Legislature in the biennial budget process and has traditionally been based on specific funding items in the University's budget. UW System requests for new funding typically reflect a sharing of costs between student fees and GPR. While the GPR/Fee ratio is not statutory, it has been the policy of the Board of Regents to request a ratio of 65% GPR/35% PR-tuition and fees. These funding requests are evaluated by the Governor and Legislature for inclusion in the state budget and, based on the amount appropriated, the University calculates a systemwide tuition revenue target and the Board of Regents uses this target to set tuition rates.

2. Under current law, if the Board of Regents wishes to expend tuition and fee revenues in excess of the amount appropriated, the Board may submit a request for additional expenditure authority, provided that the revenues are available, for approval by JFC under s. 16.515 of the statutes.

3. In evaluating tuition at UW System institutions, comparisons are often made with tuition charged at peer institutions. The Big Ten public universities are generally cited as peers of UW-Madison while the peer group for Milwaukee consists of other urban campuses across the nation. The peer group for the comprehensive campuses includes similar public universities in the midwest. To ensure comparability of data, segregated fees which are charged to all students and determined by the individual campuses, are included. The following table compares tuition and fees at Madison and Milwaukee and the average tuition and fees at the comprehensive institutions to the average and mid-point tuition and fees charged by these institutions' peers in 1996-97.

1996-97 UW Tuition and Fees
Compared to Peer Group Averages and Mid-Points

	Resident		Nonresident	
	Undergraduate	Graduate	Undergraduate	Graduate
UW-Madison	$3,030	$4,373	$10,148	$13,294
Big Ten Average (Excluding WI)	4,073	5,084	11,758	11,971
Big Ten Mid-Point (Excluding WI)	3,969	4,767	11,022	10,699
Distance to Mid-Point	-939	-394	-874	2,595
Rank (of 9)	8	6	8	2
UW-Milwaukee	3,100	4,438	9,963	13,321
Peer Group Average (Excluding WI)	3,682	4,470	8,793	9,002
Peer Group Mid-Point (Excluding WI)	3,679	4,820	8,907	9,073
Distance to Mid-Point	-579	-382	1,057	4,248
Rank (of 15)	11	9	4	1
UW Comprehensive Campus Average	2,499	3,256	7,963	9,903
Peer Group Average (Excluding WI)	3,079	3,461	7,354	7,368
Peer Group Mid-Point (Excluding WI)	2,953	3,264	7,006	6,955
Distance to Mid-Point	-454	-8	958	2,949
Rank (of 35)	31	19	9	4

As shown in the table, UW tuition is consistently lower than the peer group averages and mid-points for resident students and with the exception of Madison graduate students, UW nonresident tuition is higher than the peer group averages and mid-points. Tuition for resident students currently supports between 28.6% and 40.9% of instructional costs while the percentage of costs paid by nonresidents varies from 45.4% to 130.3%.

Background -- Faculty and Academic Staff Salaries

4. Salaries for UW faculty and staff are determined by the same pay plan process used for other nonrepresented employes except that the Board of Regents is required to submit a pay plan request for unclassified employes to the Secretary of DER. The DER Secretary then submits a separate recommendation for UW unclassified staff pay plan increases to the Joint Committee on Employment Relations (JCOER) which can approve, modify or reject the DER recommendation. The Board has the authority to provide salary increases beyond those included in the compensation plan if the increases are awarded to correct a salary inequity or to recognize competitive factors. Such an increase, however, must be paid from the appropriation(s) which fund the position. SB 77 would allow such increases to be funded entirely with tuition revenues.

5. The UW often cites the need for salary increases for its faculty by comparing UW salaries to those of institutions in other states. The peer groups of institutions were developed in

1983 by DOA for use by the Governor's Faculty Compensation Study Committee and were selected on the basis of statistical similarity of a variety of factors such as enrollment and the proportion of faculty who are full professors. A different peer group is used for Madison, Milwaukee and the comprehensive institutions; no peer group was developed for the Center campuses. Peer comparisons led to special "catch-up" pay increases, in addition to regular pay plan increases, in the 1985-87 and 1989-91 biennia. Recently, concerns have been raised that UW salaries are no longer competitive with those offered at peer institutions.

6. The following table compares UW faculty salaries, for each faculty rank and for all ranks averaged, to the mid-point salaries of the peer groups for 1995-96, the most recent year for which data is available. The UW institution's or cluster's rank within the group is also shown. At Madison and Milwaukee, average salaries of full professors are approximately 7% below the peer mid-point while salaries of associate and assistant professors are above the mid-points. At the comprehensive campuses, average salaries for each faculty rank are between 3.5% and 5% below the mid-points.

1995-96 UW Faculty Salaries Compared to Peer Group Averages and Mid-Points

	Full Professor	Associate Professor	Assistant Professor	All Ranks
UW-Madison	$70,400	$52,500	$46,400	$61,300
Peer Group Average (Excluding WI)	76,700	53,500	46,000	62,200
Peer Group Mid-Point (Excluding WI)	75,700	52,300	44,900	60,300
Distance to Mid-Point	-5,300	200	1,500	1,000
Rank (of 12)	10	6	5	6
UW-Milwaukee	63,900	50,900	44,000	53,300
Peer Group Average (Excluding WI)	70,400	51,400	43,000	56,000
Peer Group Mid-Point (Excluding WI)	68,600	50,100	42,800	55,600
Distance to Mid-Point	-4,700	800	1,200	-2,300
Rank (of 15)	11	7	6	9
UW Comprehensive Campus Average	54,200	44,200	38,100	45,700
Peer Group Average (Excluding WI)	57,700	46,500	39,200	46,900
Peer Group Mid-Point (Excluding WI)	56,900	46,600	39,500	47,000
Distance to Mid-Point	-2,700	-2,400	-1,400	-1,300
Rank (of 33)	22	25	20	20

7. The range of salaries paid at the 11 comprehensive institutions, within each rank, is approximately $4,000 to $6,000. Such variations among UW institutions are greater than the difference between the UW salaries and the peer mid-points in all cases except for full professors at Madison and Milwaukee.

8. While somewhat useful, peer comparisons do not take into account factors such as: nonsalary components of compensation such as fringe benefits; wide variations in salaries of faculty in different academic disciplines; differences in the cost of living among the areas in which the peer institutions are located; and differences in promotion practices among institutions. In addition, campus decisions regarding allocation of salary increases among ranks can affect how an institution compares to its peers.

Proposal to Allow Expenditure of Tuition Revenues in Excess of Appropriation Amounts (105% Provision)

9. SB 77 would allow the Board to expend tuition revenues in an amount greater than that appropriated by the Legislature, without the approval of the Governor, Legislature or JFC. A similar provision was proposed in the 1985-87 budget bill. Under that provision, the University would have been permitted to expend up to 102% of the appropriation for tuition and fee revenues, subject to the approval of the Secretary of Administration. The bill specified that the University could request such approval only for revenues generated by unanticipated increases in enrollments. The provision was deleted by the Joint Committee on Finance.

10. The current proposal was recommended in the May, 1996, final report of the University's Study of the UW System in the 21st Century. The report also stated that "the Board of Regents must be prepared to advocate that the state continue to provide funding to cover increases in staff costs. Forcing students to pay the costs through increased tuition will damage Wisconsin's tradition of affordability."

11. In her remarks to the Board of Regents in March 1997, President Lyall stated that this provision is "perhaps the single most important flexibility" for the University. President Lyall noted that this authority could be used to fund compensation increases for faculty and staff and/or items which were requested, but not included in the Governor's budget, such as increased funding for student advising, library acquisitions and full funding of Badgernet.

12. Based on the amounts for tuition and fee revenues in the appropriation schedule under the bill ($400,835,600 in 1997-98 and $410,550,100 in 1998-99), and assuming excess spending authority would not be carried over from the prior year, the bill would allow the UW to expend up to $20.0 million in 1997-98 and $42.1 million in 1998-99 in excess of the amounts appropriated by the Legislature, or an additional 5%, and 10.2%, respectively. The Board could use the additional tuition revenues for any purpose for which the revenues are currently used.

Impact of the Proposal on Tuition

13. Full utilization of the additional expenditure authority provided in SB 77 would have a significant impact on UW tuition increases. Spending items specifically authorized in the bill would result in average tuition increases of 2.7% in 1997-98 and 1.8% in 1998-99. If all of the additional expenditure authority is used, average tuition would increase by an additional 5.2%

in 1997-98 and 5.3% in 1998-99. Finally, any pay plan increases provided in the state's compensation plan would provide higher expenditure authority and result in further increases in tuition. It is estimated that for each annual 1% increase in UW compensation, tuition would increase by 0.7%. As an example, if a 2% annual increase is provided under the compensation plan, average tuition increases could be as high as 9.3% in 1997-98 and 8.5% in 1998-99.

14. Although there would be the potential for significant increases in tuition under SB 77, during his testimony on SB 77 before JFC, the President of the Board of Regents indicated that, as a matter of policy, average annual increases in tuition during the 1997-99 biennium would not exceed 7%. If this policy would be approved by the Board, annual increases of 7% would result in additional tuition payments of $150 to $200 per full-time undergraduate resident student each year.

Use of Tuition Revenues for UW Salaries

15. While it has not been determined to what extent, or for what purposes, the Board would use the proposed expenditure authority, UW System staff indicate that it is likely that at least a portion of the revenues would be used to provide compensation increases for faculty and staff. In November, 1996, President Lyall proposed pay plan increases of 5.1% annually which were intended to bring faculty and academic staff compensation to competitive levels, based on faculty salaries at peer institutions in other states and adjustments for inflation, by the end of the 1997-99 biennium. The Board of Regents chose to recommend increases of 4% annually because it was felt that the desired compensation increase should be attained over a longer period of time in order to lessen the impact on UW students and the state.

16. Salaries of unclassified UW faculty and staff are currently funded through a combination of GPR (69%) and tuition revenues (31%). However, under the bill, the Board of Regents would be permitted to fully fund from tuition revenues, a salary increase provided to correct a salary inequity or to recognize competitive factors, if any portion of the employe's compensation is funded through one of the University's GPR appropriations.

17. It is estimated that each 1% increase in faculty and staff compensation that is funded entirely with tuition revenues would result in a 1.7% increase in tuition, whereas if these increases were supported with a combination of GPR and tuition, as is usually the case, a 1% increase in compensation would result in a 0.7% increase in average tuition. During public hearings on SB 77, a number of students and other interested individuals indicated their support of salary increases for faculty to maintain educational quality, but objected to the concept of funding these increases solely with tuition revenues.

18. While JCOER has not yet determined the increases which will be provided under the compensation plan, the amount available in the state's compensation reserves suggest that an annual 4% increase is unlikely. For the purpose of this discussion, it is assumed that the pay plan will provide an increase of 2% annually. In that case, the University could increase tuition

in order to fund the additional 2% needed to reach the Board's requested 4% increase for unclassified faculty and staff at a cost, in tuition revenues, of $13,154,300 in 1997-98 and an additional $27,277,200 in 1998-99, for a total biennial cost of $40.4 million. Under the normal GPR/tuition split, the additional amounts needed would be $9,102,800 GPR and $4,051,500 PR in 1997-98 and $18,875,800 GPR and $8,401,400 PR in 1998-99.

19. Any compensation increases provided using the additional expenditure authority in the bill, although they would be funded solely with tuition revenues, could obligate the state to provide additional GPR in the future. The additional PR funds would become part of the University's payroll base resulting in a higher percentage of PR as compared to GPR. However, according to UW System staff, future pay plan requests would continue to be based on the traditional 65% GPR/35% PR funding split.

20. Although this discussion focuses on the use of the proposed additional expenditure authority to provide compensation increases for UW faculty and staff, the additional expenditure authority could be used for other purposes, at the discretion of the Board.

Impact of the Proposal on Legislative Oversight

21. The bill provisions would represent a significant departure from current budget procedures. Under current law, the UW, like all other state agencies, requests additional expenditure authority from JFC under s. 16.515 of the statutes, or as part of the biennial budget process. SB 77 would diminish the role of the Legislature in evaluating and determining items to be funded and establishing tuition rates and faculty compensation. The Board would be permitted to increase tuition by the amount necessary to ensure sufficient revenues are available to fund those activities which the Board selects.

22. Much of the power of the Legislature as a branch of government flows from its control over state spending. The bill provisions allowing the expenditure of 105% of the appropriation amount at the discretion of the Board of Regents would shift authority away from the Legislature. This power, once ceded, would be difficult to reclaim.

23. Under current law, the Legislature has delegated authority to set tuition rates to the Regents. However, the Legislature has maintained oversight over tuition levels since the Regents need legislative approval in order to spend increased tuition revenues. Because UW spending and the related level of tuition is a matter of statewide concern, arguably, it would be desirable to maintain oversight by the elected representatives of the citizens of the State rather than allowing an appointed board to make these decisions.

24. It is difficult to make comparisons of budgetary and position controls with other states, because states have differing budget practices and structures for their higher educational institutions. However, it is fair to say that public universities in surrounding states have

substantial discretion in establishing tuition rates, expending tuition revenues and setting faculty salaries.

25. The Legislature has delegated governance of the UW System to the Board of Regents. The Regents meet monthly to consider the operations of the UW and have an extensive support staff in the form of UW System administration. Arguably, the Board is equipped to determine the priorities of the UW System and establish tuition rates and spending levels.

Alternatives to the Proposal

26. Since the President of the Board of Regents has stated that average annual tuition increases would not exceed 7% in the 1997-99 biennium, an option would be to adjust the percentage by which expenditures from tuition and fee revenues could exceed the amount appropriated to allow additional expenditures consistent with a 7% increase in tuition. This would result in allowing the Board to exceed the appropriation amounts by 2.7% ($11 million) in 1997-98 and by 6.5% in 1998-99 ($26.5 million), as compared to the 5% and 10.2% provided in the bill.

27. The SB 77 provision would provide the University with significant additional flexibility in setting tuition and could obligate the state to provide additional GPR funding in future biennia. Therefore, it may be appropriate to sunset the provision at the end of the 1997-99 biennium, in order to provide an opportunity for the Governor and Legislature to evaluate the impact of the provision and determine whether it should be continued.

28. If the Committee determines that, as a matter of policy, it does not wish to expand the Board's authority regarding the expenditure of tuition revenues to the extent provided in SB 77, there are a number of options which could be considered. These options would retain the current level of legislative oversight in the tuition setting process, but would provide the UW with additional resources.

29. One view of SB 77 is that it would effectively increase the University's tuition and fee revenue appropriation by $20.0 million in 1997-98 and $42.1 million in 1998-99. Therefore, rather than providing additional expenditure authority in the form of a percentage of the appropriation, which would increase each year, the Committee could simply provide an additional $20.0 million in 1997-98 and $42.1 million in 1998-99. This would give the Board additional flexibility in setting tuition and determining funding priorities in the 1997-99 biennium without obligating the Legislature to continue to provide such flexibility in subsequent biennia.

30. Discussion of the use of this provision appears to have focused on providing additional compensation increases for unclassified faculty and staff. To address this, the tuition and fee revenue appropriation could be increased to provide additional expenditure authority equal to the amount needed, in addition to that provided in the compensation plan, to fund a 4%

annual increase in compensation for all unclassified faculty and staff. If one assumes that the statewide pay plan will provide a 2% annual increase, the additional PR expenditure authority required would be $13,154,300 in 1997-98 and $27,277,200 in 1998-99. As an alternative, this amount could be provided as a combination of GPR and PR ($9,102,800 GPR and $4,051,500 PR in 1997-98 and $18,875,800 GPR and $8,401,400 PR in 1998-99) which would result in lower increases in tuition rates.

31. The University's request for a 4% pay plan increase would apply to all unclassified faculty and staff, including instructional and noninstructional academic staff, graduate assistants, research assistants and project assistants. Noninstructional academic staff are professional and administrative employes such as University relations staff, policy and planning analysts, controllers, attorneys and institutional planners. The rationale for granting compensation increases above those provided in the compensation plan is based on the assumption that there is an outside market for faculty that is different from other markets and that higher salaries must be offered in order for the UW to compete in this market. While this assumption is generally accepted for faculty, a 1989 Legislative Audit Bureau report found a lack of evidence to indicate that there is also an outside market for noninstructional academic staff. Thus, one could argue that a salary increase beyond the amount provided in the compensation plan for these other positions is not warranted. The estimated cost to provide an additional 2% annual increase for faculty and instructional staff is $9,858,200 in 1997-98 and $20,553,300 in 1998-99, or a total of $30,411,500 over the biennium. As an alternative, this amount could be provided as a combination of GPR and tuition revenues in order to lessen the burden of the salary increases on students. In that case, $6,821,900 GPR and $3,036,300 PR in 1997-98 and $14,222,900 GPR and $6,330,400 PR in 1998-99 would be needed.

32. If the Committee would provide a combination of GPR and tuition revenue expenditure authority, the SB 77 provision which would allow salary increases to be charged entirely to tuition could be eliminated.

33. Under each of the options described above, the Board of Regents would be able to increase tuition, and determine the items to be funded by such an increase, without further legislative approval.

Proposal to Increase Expenditure Authority by $24 Million over the Biennium

34. The additional $8 million PR in 1997-98 and $16 million PR in 1998-99 provided in SB 77 would represent an annual increase of approximately 2% over the 1996-97 base appropriation for tuition and fee revenues. According to UW System staff, the amount is based on a rough estimate of additional tuition revenues which may be generated by UW institutions during the 1997-99 biennium due to increases in enrollments, changes in the mix of students, the implementation of differential tuition rates and distance education activities for which higher, or lower, tuition rates could be charged. Because the additional revenues would not be included in

the calculation of regular tuition rates, this expenditure authority would not be supported by revenues from an increase in systemwide tuition rates.

35. This item represents a departure from past budget procedures in that the amount of the additional expenditure authority is not based on an estimate of revenues to be generated by specific items or initiatives. The nonspecific nature of the additional expenditure authority is a result of the University's attempt to provide additional flexibilities, both at the campus and System levels and to encourage campuses to find ways to generate higher tuition revenues.

36. Distance education initiatives (under which lower tuition rates could be charged for students taking a course through distance education) and differential tuition would be implemented at the discretion of the individual UW institutions, with Board of Regents approval. Differential tuition initiatives, under which a campus may charge a higher tuition rate for students in certain programs, have been approved by the Board of Regents for the UW Center System, Madison, Eau Claire and La Crosse. These differential rates are expected to generate approximately $1.4 million in 1997-98 and $1.6 million in 1998-99 in additional tuition revenues. No campus has yet proposed different tuition rates for distance education courses. However, since a campus could propose such an initiative at any time during the biennium, it is not possible to determine the actual amount of additional revenues which will be generated.

37. The UW System has not requested additional tuition revenue expenditure authority under s. 16.515 of the statutes since 1992. For each of the past three years, the University has had an unexpended balance in the tuition revenue appropriation at the end of the fiscal year ranging from $16.6 million in 1994-95, to $29.3 million in 1996-97. These unexpended amounts are carried forward into the next fiscal year. According to UW System staff, the carryover, which represents approximately 2.4% of the University's GPR/Fee budget in 1996-97, is used as a contingency fund and is lower than those of universities in neighboring states. However, one could argue that considering past amounts carried over, it is likely that the University will have sufficient expenditure authority to compensate for changes in enrollments and institution-specific initiatives. If the base amount appropriated, including carryover from the prior year, is not sufficient, additional expenditure authority could be provided under the current law s. 16.515 procedure.

38. In its biennial budget request, the University requested the $24 million in additional expenditure authority as well as the authority to expend an amount greater than the appropriation amount for tuition revenues. However, at the time the request was submitted, UW System staff stated that if the 105% provision was enacted, the additional expenditure authority would not be needed. UW staff now indicate that both items would be needed if the Board chooses to use the 105% provision to provide compensation increases for faculty and staff. One could argue, however, that if the statutory language change is approved by the Legislature, the University would have sufficient expenditure authority for any differential or distance education initiatives which may be implemented as well as additional compensation increases. As noted above, if an annual 2% pay plan increase is provided, the University could provide an additional

2% at a cost of approximately $13.2 million in 1997-98 and $27.3 million in 1998-99. This would leave approximately $6.9 million in 1997-98 and $14.8 million in 1998-99 in expenditure authority for other purposes.

ALTERNATIVES TO BILL

See Motion # 3037

A. Authorize Additional Spending From Tuition and Fees Appropriation (105% Provision)

1. Approve the Governor's recommendation to allow the Board of Regents to expend 105% of the appropriation amount for tuition and fee revenues in 1997-98 and approximately 110.2% of the appropriation amount in 1998-99.

2. Modify the Governor's recommendation by allowing the Board to expend 102.7% of the appropriation amount for tuition and fee revenues in 1997-98 and 106.5% of the appropriation amount in 1998-99. This would allow the Board to increase tuition rates by an average of 7% annually.

3. Delete the Governor's recommendation and, instead, provide $20,014,800 PR in 1997-98 and $42,057,100 PR in 1998-99. This would give the UW Board the same amount of PR tuition spending authority that the 105% provision in SB 77 would if fully exercised by the Board.

Alternative 3	PR
1997-99 FUNDING (Change to Bill)	$62,098,900

4. Delete the Governor's recommendation and, instead, approve one of the following funding alternatives; these alternatives are calculated using the assumption that a 2% annual increase is provided under the state's compensation plan:

a. Provide $13,154,300 PR in 1997-98 and $27,277,200 PR in 1998-99. This would give the UW sufficient PR tuition spending authority to fund 4% annual compensation increases for unclassified faculty and staff.

Alternative 4a	PR
1997-99 FUNDING (Change to Bill)	$40,431,500

b. Provide $9,102,800 GPR and 4,051,500 PR in 1997-98 and $18,875,800 GPR and $8,401,400 PR in 1998-99. This would give the UW

sufficient GPR and PR tuition spending authority to fund 4% annual compensation increases for unclassified faculty and staff.

Alternative 4b	GPR	PR	TOTAL
1997-99 FUNDING (Change to Bill)	$27,978,600	$12,452,900	$40,431,500

c. Provide $9,858,200 PR in 1997-98 and $20,553,300 PR in 1998-99. This would give the UW sufficient PR tuition spending authority to fund 4% annual compensation increases for instructional faculty and staff.

Alternative 4c	PR
1997-99 FUNDING (Change to Bill)	$30,411,500

d. Provide $6,821,900 GPR and $3,036,300 PR in 1997-98 and $14,222,900 GPR and $6,330,400 PR in 1998-99. This would give the UW sufficient GPR and PR tuition spending authority to fund 4% annual compensation increases for instructional faculty and staff.

Alternative 4d	GPR	PR	TOTAL
1997-99 FUNDING (Change to Bill)	$21,044,800	$9,366,700	$30,411,500

5. Delete the Governor's recommendation.

B. Sunset of 105% Provision

1. Modify the Governor's recommendation to allow the Board of Regents to expend an amount exceeding the amount appropriated for tuition and fee revenues by providing that this provision would sunset on June 30, 1999.

C. Authority to Charge Salary Increases Entirely to Tuition

1. Approve the Governor's recommendation.

2. Delete the Governor's recommendation.

D. Additional $24 Million of Tuition Revenue Expenditure Authority

1. Approve the Governor's recommendation to increase tuition revenue expenditure authority by $8,000,000 PR in 1997-98 and $16,000,000 PR in 1998-99.

2. Delete the Governor's recommendation.

Alternative 2	PR
1997-99 FUNDING (Change to Bill)	- $24,000,000

Prepared by: Merry Larsen

MO# Alt # B1

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
2 COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 1 ABS 0

MO# Alt # C1

2 JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 12 NO 4 ABS 0

MO# Alt # D2

2 JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 1 ABS

Senator Wineke

UNIVERSITY OF WISCONSIN SYSTEM

Tuition and Fee Revenues--104% Provision
and Student Financial Aid

Motion:

Move to modify the Governor's recommendation to allow expenditures from the UW System's appropriation for tuition and fees revenues to exceed the amount appropriated (105% provision), as follows: (a) specify that the Board could exceed the amount appropriated by 104% in the first year of a biennium and 108% in the second year of a biennium; (b) require the Board to distribute ~~25%~~ * of the total amount by which expenditures exceed the appropriation amount in any fiscal year under that provision, to students in the form of financial aid; and (c) require the Board to distribute the ~~25%~~ * share of funds to all UW students who are eligible to receive Wisconsin higher education grants (WHEG), using the same formula used to distribute WHEG awards to UW students in that academic year.

* 20%

Note:

This motion would modify the 105% provision in SB 77 to provide that the Board of Regents could exceed the amount appropriated for tuition and fees by 104% in the first year of a biennium and 108% in the second year of a biennium. In addition, the motion would provide that if the Board of Regents expends an amount of tuition and fee revenues which exceeds the amount appropriated using the 104/108% provision proposed under the motion, the Board would be required to allocate 25% of the additional tuition and fee revenues to financial aid for UW students. The Board would be required to distribute the funds to students receiving WHEG awards using the same formula used to distribute the WHEG monies to UW students for that year. Under the WHEG program for UW students, which is administered by the Higher Educational Aids Board, need-based grants are provided to resident undergraduates enrolled at least half-time at UW institutions. In 1995-96, 20,305 UW students received an average WHEG award of $629.

Motion #3037

MO# 3037

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 11 NO 5 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Executive Salaries (UW System)

[LFB Summary: Page 623, #8]

CURRENT LAW

Certain state administrative positions are assigned by statute to one of ten executive salary groups (ESG) for which salary range limitations are established in the biennial compensation plan. The Board of Regents is authorized to set the salary of certain executive positions within, or as a percentage of, specified ESG salary ranges.

The Board may set the salary of the President of the UW System at a level no higher than 15% above the maximum salary for ESG 10, based on the competitive market for comparable positions at comparable institutions of higher education. The chancellors of UW-Madison and UW-Milwaukee are assigned to ESG 10. For the following positions, the Board is required to establish salaries at a level no lower than the minimum salary range for ESG 7 and no higher than the maximum salary range for ESG 10: (a) vice presidents of the UW System; (b) chancellors of all UW System institutions except Madison and Milwaukee; (c) the chancellors of the UW-Center System and UW-Extension; (d) the Vice Chancellor for health sciences at UW-Madison; and (e) the vice chancellor serving as a deputy at each UW campus, the UW-Center System and UW-Extension. The statutes require that the salaries of these positions be set to reflect the hierarchical structure of the System, to recognize merit, to permit orderly salary progression and to recognize competitive factors.

The Board is not permitted to increase the salaries of UW executive positions unless the increase is included in the state's compensation plan for ESG positions or is granted to correct a salary inequity or to recognize competitive factors.

GOVERNOR

Modify statutory language governing executive salaries at the UW as follows:

Salary for New Appointments. Allow the Board of Regents to establish salaries for new appointments to the above positions which exceed the maximum amounts for those executive salary groups as established in the biennial compensation plan, provided that the Board submits a report to the Secretary of DOA that identifies the competitive factors that necessitate such a salary.

DOA Approval of Executive Salaries. Prohibit the Board from establishing the salary for a new appointment to any of the above positions, regardless of whether the salary exceeds the specified maximum, without the approval of the Secretary of DOA. In addition, provide that an increase in the salary of an incumbent employe holding one of the specified executive positions, which is authorized by the Board to correct a salary inequity or to recognize competitive factors, would be subject to the approval of the Secretary of DOA.

DISCUSSION POINTS

A. Authority to exceed ESG Maxima

1. There are currently 36 executive positions to which the proposed provision would apply: the UW System President, four UW System vice presidents, one chancellor and one vice chancellor at each of the 13 four-year institutions, the Center System and the UW-Extension, and the Vice Chancellor for health sciences at UW-Madison. Eight of these positions are currently vacant.

2. UW System staff argue that because the executive salary groups are designed for state government officials and do not reflect the competitive higher education market, it is difficult for the University to recruit top candidates for these positions. Although data regarding recruitment of candidates for executive positions is not collected, UW staff cite anecdotal evidence that the restriction on the salaries which can be offered has hindered the University's efforts in this area.

3. To meet the statutory requirement that executive salaries reflect competitive factors, the Board of Regents has adopted salary range guidelines which use data from peer institutions. For chancellor and vice chancellor positions, the peer institutions are those which were recommended by the 1984 Governor's Faculty Compensation Committee study for use in comparing UW faculty salaries to those at other institutions. For UW-Madison, the peer group consists of other major public research universities; for UW-Milwaukee, the peers include public urban doctoral institutions; and for the 11 comprehensive institutions, the peers are other public comprehensive universities in the Midwest. A separate peer group, consisting of other university

systems which are similar in size and composition to the UW System, is used in determining the salaries of the System President and vice presidents.

4. Under current Board policy, targeted salary ranges for UW executives are based on the median salaries of the peer groups. Because Wisconsin is recognized as having a lower cost of living than many other states in which the peer institutions are located, the mid-points of the targeted ranges are set at 95% of the peer medians. The salary range then, is equal to 90% to 110% of the mid-point. The Board is currently unable to use these guidelines to set the salaries of the System President, the Chancellors at Madison and Milwaukee and the Vice Chancellor at Madison because the statutory maxima for these positions are below 90% of the mid-point salary for these positions as determined by the Board's policy. The attachment shows the 1996-97 salary, the mid-point of the targeted salary range and the relevant ESG maximum for these positions.

5. Since salary ranges for the ESGs are currently determined by JCOER, the proposed provision could be viewed as a transfer of oversight from the Legislature to DOA, which under the bill, would be responsible for approving the salaries of new appointments as well as increases for incumbents.

6. In 1996-97, the maximum salary for ESG 10, and thus for most of the executive positions which would be effected by the Governor's recommendation, is $133,640. The maximum for the System President is $153,686. Salaries for all of the incumbents in these positions are currently below the maximum, with most below 85% of the maximum. If the Board would set the salary of a new appointment at the ESG maximum, the individual would earn up to 32% more than incumbents in similar positions. Such a disparity in salaries could result in pressure on the Board to provide larger or more rapid increases in the salaries of incumbents. However, SB 77 would not allow the salaries of incumbents to exceed the current maxima.

7. Over the long term, use of the authority to exceed ESG maxima, could result in most or all UW executives receiving salaries in excess of ESG 10. One could question, then, the usefulness of this method of determining salaries for these positions. If it is believed that the ESG system is not appropriate for University executives, the Committee could consider removing these positions from the ESG system completely; salaries of UW executives would be determined solely by the Board of Regents, limited only by available funds. However, the current system of establishing statutory limits on executive salaries at the UW provides for legislative oversight and review of the salary ranges for these positions. Removing UW executive positions from the ESG system would significantly reduce the role of the Legislature in establishing compensation policy for these positions.

8. An alternative to granting the Board complete authority to set executive salaries would be to establish salary maxima for more of these positions as percentages of the ESG 10 maximum, as is currently done for the UW System President. For example, the salaries of the

System vice presidents, the chancellors of all UW comprehensive institutions and UW-Extension and the Center System and the vice chancellors at Madison and Milwaukee, could be limited to 110% of the ESG 10 maximum, which would equal $147,004 in 1996-97. This would allow the Board to establish salaries for most of these positions at, or slightly above, the maximum salary amounts which would result from the Board's policy. Similarly, the maximum salary for the chancellors of UW-Madison and UW-Milwaukee could be limited to 120% of the ESG 10 maximum salary, which would equal $160,368 in 1996-97. In addition, the maximum salary of the System President could be increased to 130% of the ESG 10 maximum. The Board-determined maximum salary for vice chancellors at all institutions except Madison and Milwaukee is currently well below the ESG 10 maximum, and therefore, could continue to be limited to 100% of this maximum as under current law.

B. DOA Approval of Executive Salaries

9. A provision in the 1995-97 state budget (1995 Act 27) required that the salaries of incumbent UW executives whose annual salary exceeded $100,000 on January 1, 1995, be frozen for both years of the biennium. The freeze was proposed by the Governor in order to control growth in executive salaries and to ensure that all levels of the UW System would share in the budget reductions during the 1995-97 biennium. At the time, the salaries of 24 incumbents exceeded $100,000.

10. SB 77 would require DOA approval of the salary for a new appointment to an executive position, regardless of whether the salary exceeds the ESG maximum. In addition, DOA approval would be required for the Board to provide a salary increase for an incumbent if the increase is authorized by the Board to correct a salary inequity or to recognize competitive factors. Salary increases provided as part of the state's compensation plan would not require DOA approval.

11. In order to exceed the ESG maximum, the bill would require that the Board submit to the Secretary of DOA a report that identifies the competitive factors that necessitate a salary above the maximum. Administration staff indicate that criteria to be used in evaluating a request from the Board has not been determined, but that the Department of Employment Relations (DER) would most likely be consulted.

12. The freeze on executive salaries over $100,000 will be lifted on July 1, 1997. Since UW salaries may have fallen behind those of similar positions in other states due at least in part to the freeze, it seems likely that the Board would provide salary increases for these positions in the 1997-99 biennium. The SB 77 requirement that the Board receive DOA approval for such increases, while more restrictive than current law, could be viewed as a less restrictive alternative than the salary freeze imposed in the 1995-97 budget.

13. Under current law, salary increases to recognize competitive factors or correct a salary inequity, must be paid from the appropriation or appropriations from which the position of the employe receiving the increase is funded. Another provision in SB 77 (discussed in a separate issue paper), however, would allow the Board to charge the entire cost of such an increase to the University's appropriation for tuition revenues. Enactment of this provision could result in greater salary increases than would otherwise be awarded.

14. Given the Department of Employment Relations' role as the agency primarily responsible for personnel management for state employes, it may be desirable to require the Board of Regents to obtain DER approval for salaries for new appointments and increases for incumbents, rather than DOA, if outside approval is needed.

ALTERNATIVES TO BILL

A. Authority to Exceed ESG Maxima

1. Approve the Governor's recommendation to allow the Board of Regents to establish the salary for new appointments to certain executive positions at a level which exceeds the ESG maximum salary provided that the Board submits a report to the Secretary of DOA that identifies the competitive factors that necessitate such a salary.

2. Fail Delete the Governor's recommendation and, instead, delete current statutory language which limits the salaries of certain UW executive positions based on state executive salary groups.

3. Pass Delete the Governor's recommendation and, instead, provide that the Board of Regents may establish the salaries of the following executive positions up to the specified percentage of the maximum salary for ESG 10:

- UW System President, 130% of ESG 10 maximum.

- Chancellors of UW-Madison and UW-Milwaukee, 120% of ESG 10 maximum.

- UW System vice presidents, the chancellor of each UW institution, excluding Madison and Milwaukee, the vice chancellors serving as deputies at Madison and Milwaukee, the Chancellor of UW-Extension and the Chancellor of the UW-Center System, 110% of ESG 10 (retain current law ESG 7 floor).

- The vice chancellor serving as a deputy at each UW institution, excluding Madison and Milwaukee, 100% of ESG 10 (retain current law ESG 7 floor).

4. Delete the Governor's recommendation.

B. DOA Approval of Executive Salaries

1. Approve the Governor's recommendation to require approval by the Secretary of DOA of: (a) the salary of a new appointment to a UW executive position; and (b) a salary increase of an incumbent in an executive position to correct a salary inequity or to recognize competitive factors.

2. Modify the Governor's recommendation by deleting references to the Secretary of DOA to, instead, refer to the Secretary of the Department of Employment Relations.

3. Delete the Governor's recommendation.

Prepared by: Merry Larsen

MO# Alt #A2

1 JENSEN	✓Y	N	A
LEHMAN, M.	✓Y	N	A
2 HARSDORF	✓Y	N	A
ALBERS	✓Y	N	A
GARD	Y	✓N	A
KAUFERT	✓Y	N	A
LINTON	Y	✓N	A
COGGS	Y	✓N	A
BURKE	Y	✓N	A
DECKER	Y	✓N	A
GEORGE	Y	✓N	A
JAUCH	Y	✓N	A
WINEKE	Y	✓N	A
SHIBILSKI	Y	✓N	A
COWLES	Y	✓N	A
PANZER	✓Y	N	A

AYE 6 NO 10 ABS ____

MO# Alt #A3

JENSEN	✓Y	N	A
LEHMAN, M.	✓Y	N	A
HARSDORF	✓Y	N	A
ALBERS	✓Y	N	A
GARD	Y	✓N	A
KAUFERT	✓Y	N	A
LINTON	✓Y	N	A
COGGS	✓Y	N	A
1 BURKE	✓Y	N	A
2 DECKER	✓Y	N	A
GEORGE	Y	✓N	A
JAUCH	✓Y	N	A
WINEKE	✓Y	N	A
SHIBILSKI	✓Y	N	A
COWLES	✓Y	N	A
PANZER	✓Y	N	A

AYE 14 NO 2 ABS ____

MO# Alt #B3

2 JENSEN	✓Y	N	A
LEHMAN, M.	✓Y	N	A
HARSDORF	✓Y	N	A
ALBERS	✓Y	N	A
GARD	Y	✓N	A
KAUFERT	Y	✓N	A
LINTON	✓Y	N	A
COGGS	✓Y	N	A
1 BURKE	✓Y	N	A
DECKER	✓Y	N	A
GEORGE	Y	✓N	A
JAUCH	✓Y	N	A
WINEKE	✓Y	N	A
SHIBILSKI	✓Y	N	A
COWLES	Y	✓N	A
PANZER	✓Y	N	A

AYE 12 NO 4 ABS ____

ATTACHMENT

UW Executive Salaries

	1996-97 Salary	Mid-Point of Salary Range (95% of Per Median)	ESG Maximum
UW System Executives			
President	$149,179	$187,724	$153,686
Senior Vice President	120,000	133,276	133,640
Senior Vice President	120,000	133,276	133,640
Vice President	107,750	116,266	133,640
Vice President	107,250	116,266	133,640
Vice President	105,950	116,266	133,640
Chancellors			
Madison	129,720	206,541	133,640
Milwaukee	126,000	160,031	133,640
Eau Claire	113,500	121,524	133,640
Green Bay	105,450	121,524	133,640
La Crosse	107,750	121,524	133,640
Oshkosh	107,750	121,524	133,640
Parkside	102,000	121,524	133,640
Platteville	105,000	121,524	133,640
River Falls	107,250	121,524	133,640
Stevens Point	111,000	121,524	133,640
Stout	107,750	121,524	133,640
Superior	102,000	121,524	133,640
Whitewater	107,750	121,524	133,640
Centers*	102,700	121,524	133,640
Extension*	116,600	121,524	133,640
Vice Chancellors			
Madison	128,000	160,056	133,640
Milwaukee	113,375	134,981	133,640
Eau Claire	99,999	101,534	133,640
Green Bay	99,960	101,534	133,640
La Crosse*	98,940	101,534	133,640
Oshkosh	99,999	101,534	133,640
Parkside	97,000	101,534	133,640
Platteville*	98,880	101,534	133,640
River Falls	99,960	101,534	133,640
Stevens Point*	100,000	101,534	133,640
Stout	98,940	101,534	133,640
Superior*	91,290	101,534	133,640
Whitewater*	99,500	101,534	133,640
Centers	96,390	101,534	133,640
Extension	100,000	101,534	133,640

*These positions are currently vacant; salaries shown are those of the individuals who formerly held these positions.

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Differential Tuition (UW System)

CURRENT LAW

The Board of Regents has the authority to set separate tuition rates for state residents and nonresidents and also for different classes of students, extension courses, summer sessions and such other studies or courses of instruction as the Board deems advisable.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The Board of Regents has traditionally established tuition levels based on a nonstatutory formula which identifies separate tuition categories based on resident status, academic level (undergraduate, graduate or professional program) and institutional cluster (doctoral, comprehensive and center campuses).

2. Currently, different tuition rates are charged at Madison, Milwaukee, the 11 comprehensive institutions and the UW Center campuses. At each institution or cluster, all resident undergraduate students are charged the same tuition rates as are all nonresident undergraduate students. Until the institution of a special fee charged to nonresident undergraduates at Madison for the improvement of undergraduate programs in 1991-92, students paid the same tuition rates at Milwaukee and Madison. Prior to 1989-90, there were no differential tuition rates by major programs except for medical and veterinary students. Since

then, special fee increases have been approved for students enrolled in the law school and master of business programs.

3. A special fee for technology services was implemented at Madison in 1993-94, representing the first such fee which was campus-specific and was for expenditures which did not have a GPR component. A similar technology fee was implemented at Milwaukee and the comprehensive campuses in 1995-96.

4. In the past, differential tuition rates have been included by the Board of Regents as part of the University's biennial budget request. Requests for such tuition increases were based on the costs of specified improvements or expanded activities to be made within a program on the campus; the proposed increases were evaluated by the Governor and Legislature on the basis of their impact on the students involved and the perceived need for the additional funds.

5. In 1995-96, the Board of Regents conducted a study "to focus on policy and practice which need to be changed or fine-tuned to facilitate the performance of the UW System in the 21st Century." The final report of the study, issued in May, 1996, included a number of recommendations to be implemented at both the state and System levels. One of these recommendations was to permit UW institutions to propose differential tuition rates among themselves and by program within an institution. The rationale for this recommendation was that each institution "has some unique programs with strong demand and/or special operating costs...[and that] allowing institutions to propose differential tuition will help accommodate variances in demand, allow for the fair coverage of marginal costs, and provide the ability to charge market rates for some programs."

6. While the Board of Regents may approve differential tuition proposals from campuses at any time during the biennium, as yet, three institutions have requested, and received approval from the Board, to charge differential tuition rates beginning in 1997-98 as follows:

- *UW-Madison Doctor of Pharmacy (Pharm. D.) Program.* Students enrolling in the new pharm. D. program, which will replace the current bachelor of science-pharmacy program, will be charged tuition that exceeds the current graduate tuition. Since the new program will be a six-year program, students will be charged undergraduate tuition for the first two years. The higher graduate tuition amount, which will be determined as part of the UW System annual budget in July, 1997, will support the costs of additional instructional staff, externship coordination, student services, administration, supplies and expenses, and capital. According to UW System staff, the differential tuition is expected to generate additional tuition revenues of approximately $350,000 in 1997-98 and $400,000 in 1998-99.

- *UW-La Crosse Allied Health programs.* A 20% tuition surcharge will be applied for students admitted to the occupational therapy and physician assistant programs, which are undergraduate programs, and the physical therapy program, which is a graduate program. The surcharge will be phased in with students paying an additional 10% in 1997-98, and 20% in

1998-99. Students will not be charged the higher rate until they are accepted into the program. The surcharge was requested due to the relatively high cost of allied health programs and the demand for admission to such programs. In addition, average starting salaries for graduates of allied health programs are considerably higher than the average for all La Crosse graduates. It is estimated that additional tuition revenues will be approximately $17,900 in 1997-98 and $104,200 in 1998-99.

- *UW-Eau Claire Undergraduate Programs.* Beginning in 1997-98, all undergraduate students will be charged an additional $50 per semester. Revenues generated from the surcharge would be used for enhancements such as freshman seminars, service-learning programs, faculty/student collaborative research projects, internships and special senior courses. Additional revenue from the surcharge is estimated at $900,000 in 1997-98 and $936,000 in 1998-99. Approximately two-thirds of the additional revenues would pay for the salaries and fringe benefits for 10.0 faculty and staff members and student help, with the remaining funds being used for supplies and services. The tuition increase was approved by the UW-Eau Claire Student Senate.

7. In addition to the initiatives at the above institutions, in June, 1996, the UW Center System received approval from the Board to gradually increase tuition at the Centers from 82% of tuition at the comprehensive campuses to 87% beginning in 1996-97. This initiative resulted in an additional increase of 1.5% in 1996-97 above the regular tuition increase at the Centers.

8. Under current Board policy, a tuition revenue target, which is based on expected enrollments, is calculated for each institution. An institution is permitted to retain 75% of any additional revenues collected due to higher enrollments, or changes in the mix of students (resident and nonresident, undergraduate and graduate); the remaining 25% is pooled and distributed to campuses which experience a shortfall in tuition revenues. However, according to UW System staff, institutions which implement differential tuition rates will be allowed to retain 100% of the additional tuition revenues generated.

9. The United Council of UW Students opposes the implementation of differential tuition. In addition, at public hearings on SB 77, a number of individuals expressed concerns regarding differential tuition. Issues which have been raised include the following:

- Some students who cannot afford the tuition charged at the nearest campus may not have the option of attending a lower-cost institution due to the location of family, job or residence or the cost of commuting or moving.

- In public testimony, students indicated that because a common perception is that higher tuition means higher quality; institutions may increase tuition to attract more students, and increase revenues, which could result in competition among campuses and in escalating tuition rates at all campuses.

- Some students may have to select a major program on the basis of cost, rather than their interest in the field of study or potential career opportunities.

10. The ability to charge differential tuition rates is within the Board's authority. Under current law, the Legislature sets the appropriation for tuition revenues which represents the upper limit on the amount of tuition revenues that can be expended. Expenditure of additional revenues requires approval by the Governor and Legislature. In the past, special fee increases for individual programs or campuses have been included in the University's budget request because additional expenditure authority was required. A provision in SB 77, however, would allow the Board to expend tuition revenues in excess of the appropriation amount set by the Legislature. (This provision is discussed in a separate issue paper.) Without this proposed flexibility, the Board would be able to approve differential tuition rates, but, presumably, the Legislature would have to approve the expenditure of the additional revenues.

11. While the Committee is not being asked to approve the specific tuition increases noted above, given the concerns expressed regarding differential tuition, and the limited legislative oversight over these initiatives, the Committee may wish to consider restricting the Board's authority in this area. For example, since most of the concerns which have been expressed focus on undergraduate tuition at the comprehensive campuses, a requirement could be established that the same tuition rate apply to all resident undergraduates attending these institutions. Such a provision would not affect the differential tuition initiatives which have already been approved for the center campuses, the UW-Madison Pharm. D. program or the UW-La Crosse physical therapy program. It would, however, prevent the tuition increases for La Crosse's occupational therapy and physician assistant programs and Eau Claire's baccalaureate degree program, since these are undergraduate programs.

12. A less restrictive approach would be to allow the implementation of differential tuition rates at the comprehensive campuses, but to limit the differences in tuition rates among the campuses. This could be done by requiring that the tuition rate for any undergraduate program at a comprehensive campus could not exceed the tuition rate for the lowest cost undergraduate program at a comprehensive campus by a specified percentage. In 1996-97, the tuition rate at comprehensive campuses is $2,143 per year. As an example, if differential tuition had been in effect this year, a 5% limit would have permitted a maximum tuition rate of $2,250, or $107 more than the $2,143 actually charged.

ALTERNATIVES TO BILL

1. Modify the tuition setting authority of the Board of Regents to require that the same tuition and fees (excluding student segregated fees) be established for all resident undergraduate students at the 11 comprehensive institutions.

2. Modify the tuition setting authority of the Board of Regents to specify that the tuition rate (excluding segregated student fees) paid by undergraduate residents for any academic program at a comprehensive institution could not exceed the tuition rate of the lowest cost undergraduate program at any of the comprehensive institutions by more than:

a. 5% above the lowest tuition rate; or

b. 10% above the lowest tuition rate.

3. Take no action.

Prepared by: Merry Larsen

MO# Alt #2a

p. Johnson

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
2 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
1 WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE_____ NO _____ ABS_____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Educational Technology (UW System)

[LFB Summary: Page 621, #2]

CURRENT LAW

The University of Wisconsin (UW) System assesses a student technology fee, which is approximately 2.5% of total tuition revenues for students at UW-Madison and 2% of total tuition revenues for students at the other UW System campuses. The fee is used to provide students with additional resources in the area of instructional technology such as e-mail, Internet access, updated software, additional staffing and longer hours at computer labs and help desks.

GOVERNOR

Create an annual appropriation and provide $3,697,700 GPR in 1997-98 and $5,713,200 GPR in 1998-99 and increase program revenues from tuition and special fees by $2,502,300 PR in 1997-98 and $3,716,800 PR in 1998-99 for educational technology. Specify that the Board of Regents would have to use the GPR funding for the following purposes: (a) the student information system (SIS); (b) the development of system technology infrastructure; (c) the development of curricula to train students enrolled in the schools of education in the use of technology in primary and secondary (K-12) schools; (d) to provide professional development in the use of educational technology for K-12 teachers; (e) to provide faculty with educational technology and to train faculty in its use; and (f) to pay the Department of Administration (DOA) for telecommunications services provided under the Division of Information Technology.

The administration indicates that the $15,630,000 of total funding would be allocated as follows: (a) student information system--$2,630,000; (b) infrastructure--$4,000,000; (c) K-12

teacher professional development and schools of education curricula development--$2,000,000; (d) faculty educational technology and training--$3,000,000; and (e) DOA telecommunications services (BadgerNet access)--$4,000,000.

Educational technology would be defined as technology used in the education or training of any person or in the administration of an elementary or secondary school and related telecommunications services.

DISCUSSION POINTS

1. In its agency budget request submitted to DOA in September, 1996, the UW requested additional funding and positions for technology initiatives, including technology infrastructure development, curricular redesign and technical support, library technology development, the SIS, K-12 educational initiatives, a Regents incentives fund for faculty technology projects and access to BadgerNet. Additionally, the UW requested an increase in application fees from $28 to $35 for undergraduate admissions and from $38 to $45 for graduate school, law school and medical school admissions in order to provide partial funding for the SIS.

2. The technology initiatives in SB 77 would increase average tuition by approximately 0.5% in 1997-98 and an additional 0.3% in 1998-99. On average, this tuition increase would represent an approximate $15.10 annual increase for each FTE student in 1997-98 and an additional $9.80 annual increase for each FTE student in 1998-99, based on Fall 1996 systemwide FTE enrollment data.

3. Under the 1993-95 state budget, UW-Madison was granted the authority to assess a 1.5% student technology fee which increased student fees at UW-Madison by $4.46 million over the 1993-95 biennium. At the time, UW-Madison indicated that it would utilize the increased revenues to expand student access to various technologies as well as provide support for curriculum development by faculty and staff. The student technology fee was expanded to the other campuses for similar purposes under the 1995-97 state budget.

4. The UW System indicates that revenues from the student technology fee have primarily been used for student technology needs, which has resulted in inadequate resources for faculty curriculum development projects. Arguably, since a designated revenue source was established for this purpose, the UW should provide for its technology needs from the technology fee without seeking an increase in tuition revenues or additional state GPR funding. On the other hand, as technology needs for higher education expand, arguably funding outside of student fees and tuition should be provided to meet these needs, particularly to fund faculty technology needs that might only indirectly benefit students.

Student Information System

5. The SIS project, which includes the Higher Education Location Program (HELP On-Line), an electronic application to the UW System, and pre-college, academic and career electronic advising, is currently being implemented incrementally by UW. In 1996-97, development is being supported by $74,200 in UW funds, a $255,000 grant from the Information Technology Investment Fund under DOA and a $521,800 grant from Ameritech. Funds have supported hardware and software purchases and licensing, position support for the development and administration of the project, K-12 and UW training on the SIS, general development activities and educational activities to promote the new system to UW students and high school pupils.

6. The electronic application was initially implemented at four UW campuses in Fall, 1996. The UW indicates that continued development will include the electronic submission of student transcripts, counselor evaluation forms and admission fees. Additionally, as all of the campuses begin to offer the electronic application process, they will need to establish links to the components of the system which will require extensive programming. The UW indicates that the one-time funding in 1997-98 of $854,900 GPR and $515,100 PR from tuition revenues provided under SB 77 for the SIS would support these initiatives, including approximately $1.0 million for institutional funding. The on-going application fee revenues, estimated at $630,000 PR annually under SB 77, would fund equipment purchases and maintenance as well as support staff to provide training on the SIS and continued development of the advising components of the SIS. The UW has completed planning and budgeting for this project and based on the information provided by the UW, this provision appears reasonable.

BadgerNet Access

7. The UW System's portion of BadgerNet, the state's new telecommunications network that will transport voice, data, video and eventually broadcast formats, will consist of an OC-3 synchronous network (SONET) ring with connections to the OC-3 ring and shared asynchronous transfer modes (ATM) points of presence at nine of the thirteen four-year UW campuses including, Madison, Milwaukee, Parkside, Oshkosh, Green Bay, Stevens Point, Eau Claire, La Crosse and Platteville. DOA will contract with various telecommunications vendors to provide the SONET backbone, network management, long distance voice services, data transport, broadcast interconnect and access to the network. Currently, only the contract for the SONET ring has been finalized.

8. SB 77 would provide UW with $530,000 PR from tuition and $1,470,000 GPR annually to establish BadgerNet nodes at the nine campuses, DS-3 connections at the four other four-year campuses and T-1 connections at each of the 13 two-year centers, as well as telecommunications service fees for the System that would be paid to DOA. While the results of most of the BadgerNet bids are pending and therefore complete data on UW costs for

BadgerNet access is not available, DOA indicates that based on data gathered throughout the request for proposals (RFP) process and comparisons of contracts secured by other states, the funding proposed for UW under SB 77 would meet UW BadgerNet access needs.

9. UW indicates that the funding provided under the bill as well as the results of the SONET ring bid would be insufficient to achieve their goal of full OC-3 access at each of the four-year campuses. DOA indicates that the UW BadgerNet funding was budgeted without nodes on the OC-3 ring at Superior, Stout, River Falls and Whitewater, because including these campuses at this time would be too costly. DS-3 connections for these four campuses will be included in DOA's access contract which will be determined during the summer of 1997. Further, DOA indicates that service at these four campuses should be sufficient to meet the capacity needs of the campuses and surrounding communities without OC-3 nodes due to the lower population demands in those areas.

10. If the Committee would wish to provide sufficient funding to UW to ensure that Superior, Stout, River Falls and Whitewater are connected to the OC-3 SONET ring in the same manner that the other nine four-year campuses are connected, it could provide $740,900 GPR and $267,100 PR from tuition in 1997-98 and $635,000 GPR and $229,000 PR from tuition in 1998-99. This would provide one-time funding of $360,000 in 1997-98 to purchase four ATM switches, as well as monthly access fees for each of these campuses. The GPR/tuition split would be consistent with the funding proposed for UW BadgerNet access under SB 77.

11. In addition to the UW part of BadgerNet, DOA will be responsible for a portion of BadgerNet that will provide access for the other state agencies, school districts, WTCS campuses, municipalities and public libraries. Currently, definitive cost estimates for the complete BadgerNet project as well as firm agreements between DOA and UW regarding appropriate technology investments are not available. Arguably, because of the magnitude of this major new initiative, it would be desirable to ensure coordination, interconnectivity and consistent planning between DOA and the UW System. To accomplish this, the Committee could place the UW's BadgerNet funding in its appropriation and require the UW and DOA to submit a joint report regarding the costs and technology needs of the BadgerNet initiative. The Committee could release UW's BadgerNet funding when it has determined that the UW and DOA portions of BadgerNet are consistent and warrant funding.

UW System K-12 Technology Initiatives

12. While the UW has not completed a plan for how it would utilize funding in this area, UW System staff indicate that a team of faculty from the schools of education and the colleges of letters and sciences across the System are working to identify specifically how K-12 teachers could most productively access, assess and utilize technology in their classrooms. This team would incorporate the core K-12 academic standards currently being developed by the Governor's Council on Academic Standards, and collaborate with school districts, CESAs, the

Department of Public Instruction and the proposed TEACH Board. Arguably, these efforts should be supported through additional state GPR revenues due to the recognized need for preservice and in-service training for K-12 teachers in the area of educational technology.

13. On the other hand, because the education of teachers is currently under the purview of the schools of education and UW-Extension, arguably the UW should be supporting K-12 teacher educational technology training from its existing resources. Another source of potential revenue in this area would be the $2 million GPR in 1997-98 and $4 million GPR in 1998-99 provided by the Committee for teacher training and technical assistance under the TEACH program. It is likely that a portion of this funding would flow to the UW System in the form of contracts for training programs, and thus this UW-specific funding would be unnecessary.

Technology Infrastructure and Faculty Technology Initiatives

14. The UW indicates that the technology funding requested in September, 1996 is the first of a multi-biennial request for educational technology funding. However, the UW indicates that faculty technology projects and technology infrastructure development at the UW are still in the preliminary planning stages.

15. UW staff report that the University is working to develop a more specific sense of what its current educational technology needs are and of its eventual educational technology goals. Further, the UW is unable to provide a specific budget of its current spending on educational technology, but estimates expenditures of approximately $150 million annually from all funding sources. UW System staff indicate that the UW System will be taking an inventory of technology needs in the Summer of 1997 in order to determine the UW System's needs in this area and to develop a plan for how those needs could be met. Due to the current lack of information regarding UW's technology needs and plans, it may be difficult to determine the appropriate level of additional funding to provide to the UW.

16. Arguably, the UW should complete this study of its technology needs as well as a plan of how it could best allocate these additional technology funds before the Legislature appropriates technology funding to the UW. The Committee could place the GPR funding in its appropriation and require the UW to request release of this funding from the Committee under the s. 13.10 process, indicating where its technology needs lie and how it would allocate this additional funding in order to meet its goals of technological advancement for the entire System. Acting under s. 13.10, the Committee could approve the UW's technology plan and release the GPR funding to the UW as well as provide related tuition and fee spending authority.

17. Currently, the UW is estimating its faculty technology needs based on a survey of faculty technology access indicators across the System. While the UW reports that the survey provides a solid estimate of UW System faculty technology access, it cautions that detailed comparisons between campuses should not be made because institutions may have interpreted or

measured data in varying ways. However, the UW cited this study both in its agency budget request and during public testimony before the Joint Committee on Information Policy; thus, the current faculty survey at least indicates that there may be significant variations across both four-year campuses and two-year campuses. For example, although these numbers may be preliminary, the survey indicates that 100% of the faculty/instructional staff at UW-Platteville have their own personal computer (PC) compared to only 57% of the faculty/instructional staff at UW-Milwaukee; 98% of the faculty/instructional staff at both UWC-Baraboo and UWC-Manitowoc have their own PC, compared to only 46% at UWC-Waukesha County.

18. If there are variations between campuses, it may be desirable for the UW to distribute funds to campuses based on technology needs or with the goal of achieving technological equity across the System. However, the UW indicates that it will distribute the majority of the additional technology funds as a lump sum to institutions based on the number of FTE students at each campus. The Committee may wish to direct that the UW plan to distribute these funds considering the goal of achieving greater equity across campuses.

ALTERNATIVES TO BILL

A. Student Information System

1. Approve the Governor's recommendation. - Default

2. Delete the Governor's recommendation.

Alternative A2	GPR	PR	TOTAL
1997-99 FUNDING (Change to Bill)	- $854,900	- $1,775,100	- $2,630,000

B. BadgerNet Access & motion #1628

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation by placing $1,470,000 GPR annually in the Committee's appropriation for release under s. 13.10 when the UW and DOA submit a joint report on the costs and technology needs of the BadgerNet initiative and the Committee determines that plans for the UW and DOA components of BadgerNet will achieve a consistent and workable system. Specify that $530,000 PR annually of related tuition funding would be placed in unallotted reserve for release at the time JFC acts on the GPR funding.

3. Provide $740,900 GPR and $267,100 PR in 1997-98 and $635,000 GPR and $229,000 PR in 1998-99 to provide BadgerNet access for UW-River Falls, UW-Stout, UW-

Superior and UW-Whitewater in a manner equivalent to the access funded for the nine other four-year campuses.

Alternative B3	GPR	PR	TOTAL
1997-99 FUNDING (Change to Bill)	$1,375,900	$496,100	$1,872,000

4. Delete the Governor's recommendation.

Alternative B4	GPR	PR	TOTAL
1997-99 FUNDING (Change to Bill)	- $2,940,000	- $1,060,000	- $4,000,000

C. UW System K-12 Technology Initiatives

see motions #3055 #3095

1. Approve the Governor's recommendation.

2. Delete the Governor's recommendation.

Alternative C2	GPR	PR	TOTAL
1997-99 FUNDING (Change to Bill)	- $1,248,000	- $752,000	- $2,000,000

D. Technology Infrastructure and Faculty Technology Initiatives

1. Approve the Governor's recommendation.

2. Place $1,060,800 GPR in 1997-98 and $3,307,200 GPR in 1998-99 in the Committee's program supplements appropriation for release to the UW. Specify that $639,200 PR in 1997-98 and $1,992,800 PR in 1998-99 of related tuition funding would be placed in unallotted reserve for release at the time JFC acts on the GPR funding. Require the UW System to assess its educational technology needs across the System, including its goals for educational technology procurement, utilization and curricular design, prior to release of these funds under s. 13.10. Specify that this plan would have to inventory current UW System technology and present a detailed budget of how the System would allocate this funding, including a consideration of technological equity across the System.

3. Delete the Governor's recommendation.

Alternative D3	GPR	PR	TOTAL
1997-99 FUNDING (Change to Bill)	- $4,368,000	- $2,632,000	- $7,000,000

Prepared by: Ruth Hardy

MO# Alt #B2

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS ____

MO# Alt #D2

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
2 KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS ____

Senator Jauch

UNIVERSITY OF WISCONSIN SYSTEM/PUBLIC SERVICE COMMISSION

BadgerNet Access for River Falls, Stout, Superior and Whitewater from the USF
and Recovery of USF Assessments
to Support UW BadgerNet Access from Certain Rates

Motion:

Move to create a segregated appropriation in the UW System for funds from the universal service fund (USF) in the Public Service Commission (PSC) and provide $1,008,000 SEG in 1997-98 and $864,000 SEG in 1998-99 to provide BadgerNet access for UW-River Falls, UW-Stout, UW-Superior and UW-Whitewater in a manner equivalent to the access funded for the other nine four-year campuses. Specify that the purposes of the USF would be amended to allow for the use of the fund for this purpose. Specify that this funding would be placed in the Committee's appropriation for release at the time the UW and DOA submit a joint report.

Include statutory language stipulating that a telecommunications utility may fully recover its share of assessment costs for USF expenditures that support BadgerNet access for the UW System through adjustments applied only to basic local exchange service rates. Provide that the recovery of such costs may be effected by the telecommunications utility notwithstanding any other rate adjustment provisions under Chapter 196 of the statutes affecting telecommunications utilities. Further, direct that the PSC report to the Joint Committee on Finance in each fiscal year of the 1997-99 biennium the amounts required to be assessed against each telecommunications utility subject to these cost recovery provisions for the purpose of funding the educational telecommunications access program. Finally, specify that these reports would have to be submitted no later than 90 days after establishing the USF assessments in each fiscal year for the purpose of funding BadgerNet access for the UW System.

Note:

BadgerNet, the state's new telecommunications network that will transport voice, data, video and eventually broadcast formats, will consist of an OC-3 synchronous network (SONET) ring with connections to the OC-3 ring and shared asynchronous transfer modes (ATM) points of presence at nine of the thirteen four-year UW campuses including, Madison, Milwaukee, Parkside, Oshkosh, Green Bay, Stevens Point, Eau Claire, La Crosse and Platteville. DOA will contract with various telecommunications vendors to provide the SONET backbone, network

management, long distance voice services, data transport, broadcast interconnect and access to the network. Currently, only the contract for the SONET ring has been finalized.

SB 77 would provide UW with $530,000 PR from tuition and $1,470,000 GPR annually to establish BadgerNet nodes at the nine campuses, DS-3 connections at the four other four-year campuses and T-1 connections for each of the 13 two-year centers, as well as telecommunications service fees for the System that would be paid to DOA.

The cost recovery part of this motion would apply to telecommunications utilities (such as Ameritech and GTE North, which generally provide local exchange service) and would not apply to telecommunications carriers (such as AT&T Communications of Wisconsin, MCI and Sprint, which generally furnish telecommunications services within the state to the public but do not provide basic local exchange service).

Currently, certain large telecommunications utilities that have elected to become price-regulated telecommunications are subject to a rate freeze for three years and thereafter are subject to statutory caps on the amounts by which they may adjust their rates. Other telecommunications utilities that do not elect to become price-regulated may adjust their rates pursuant to a formal or expedited rate review by the PSC (depending on the size of the telecommunications utility and the magnitude of the proposed increase).

Under current law, any assessments to support the additional costs of the educational telecommunications access program would have to be accommodated within the frozen or capped rate structure for price-regulated utilities or would have to be recovered through a rate adjustment for utilities that are not subject to price regulation.

The second part of this motion would allow the automatic "pass-through" of the USF assessment costs for the educational telecommunications access program, notwithstanding the current law rate freeze or rate increase caps for price-regulated telecommunications utilities or the rate increase procedures required for telecommunications utilities that are not price-regulated.

Under the motion, the "pass-through" amounts would be applied solely to basic local exchange rates. These costs could not be passed on to intraLATA long-distance rates. Current law prohibits telecommunications utilities from establishing a surcharge on customers' bills to collect from customers the assessments required for the Universal Service Fund. This provision would not be affected by the motion.

This motion would provide $1,872,000 SEG annually in order to provide BadgerNet access for UW-River Falls, UW-Stout, UW-Superior and UW-Whitewater in a manner equivalent to the access funded for the other nine four-year campuses. Telecommunications utilities would be subject to assessment for an estimated 75% to 80% of these total costs, and it would be these amounts that would be subject to this "pass-through" provision.

[Change to Bill: $1,872,000 SEG]

VOTE Attached →

Motion #1628

MO# #1628

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
2 HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
1 JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 14 NO 2 ABS 0

Representative Gard

UNIVERSITY OF WISCONSIN SYSTEM

UW System K-12 Technology Initiatives

Motion:

Move to provide an additional $158,300 GPR and $85,200 PR in 1997-98 and $644,800 GPR and $347,200 PR in 1998-99 for K-12 teacher professional development and schools of education curricula development.

Note:

Under SB 77, the UW System would receive $1,248,000 GPR and $752,000 PR, or a total of $2.0 million, in 1997-99 for K-12 teacher professional development and schools of education curricula development.

This motion would provide an additional $803,100 GPR and $432,400 PR, or a total of $1,235,500, in 1997-99 for this purpose. Total funding for K-12 teacher professional development and schools of education curricula development would be $3,235,500 over the biennium.

[Change to Bill: $803,100 GPR, $432,400 PR]

MO# 2095

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 14 NO 2 ABS ____

Motion #2095

Senator Wineke
Representative Gard

UNIVERSITY OF WISCONSIN SYSTEM

Allied Health Programs

Motion:

Move to provide $229,800 GPR and $123,900 PR in 1997-98 and $1,231,100 GPR and $663,000 PR in 1998-99 for occupational therapy and physical therapy programs at UW-Milwaukee and UW-La Crosse.

Note:

This motion would provide funding for allied health programs at UW-Milwaukee and UW-La Crosse which was requested by the UW System in its 1997-99 biennial budget request, but was not included in SB 77. Over the biennium, this motion would provide additional funding of $1,460,900 GPR and $786,900 PR from tuition revenues. Based on the UW's budget request, of the total, $1,078,500 would be allocated to La Crosse to expand an existing physical therapy program ($597,400) and to establish an occupational therapy program ($481,100). The remaining $1,169,300 would be allocated to Milwaukee to expand an existing program in occupational therapy ($383,100) and to establish a physical therapy program ($786,200). The funds would be used for salaries and fringe benefits for 27.0 FTE faculty and support staff. No positions would be provided, because the campuses would reallocate position authority from existing vacancies.

[Change to Bill: $1,460,900 GPR and $786,900 PR]

MO# 3055

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
1 WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 13 NO 3 ABS ____

Motion #3055

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Auxiliary Enterprises (UW System)

[LFB Summary: Page 630, #24]

CURRENT LAW

Funds for UW auxiliary enterprises are provided in a continuing, program revenue appropriation within the University's budget. The UW is required to maintain a separate account for each campus, the center system and UW-Extension. The UW Board of Regents may temporarily transfer program revenues from any of the UW's PR appropriations for operations to other program revenue appropriations, provided that the funds are repaid to the appropriation from which they were transferred prior to the end of the fiscal year in which the transfer was made.

The Board of Regents is prohibited from accumulating any auxiliary reserve funds from student fees unless the fees and the reserve funds are approved by the Secretary of Administration and the Joint Committee on Finance (JFC). A request for such approval must be submitted no later than July 10 of the preceding academic year. The request must include a plan specifying the amount of reserve funds the Board wishes to accumulate and the purposes to which the reserve funds would be applied. The Secretary of Administration has 14 working days to notify the Co-Chairs of JFC in writing whether the Secretary proposes to approve the requested fees or reserve fund accumulation. The request is approved by the Committee under a 14-day passive review process.

GOVERNOR

Allow the Board of Regents, upon the request of the UW Extension or any UW System institution or center, to transfer surplus revenues from an existing PR appropriation for auxiliary enterprises to a new, continuing appropriation for the one-time, fixed-duration costs of any student-related activity. Provide that monies transferred to the new appropriation would not have to be repaid to the auxiliary enterprises appropriation.

Delete the provision which prohibits the Board of Regents from accumulating any auxiliary reserve funds from student fees unless the fees and the reserve funds are approved by the Secretary of DOA and JFC.

DISCUSSION POINTS

Transfer of Auxiliary Revenues

1. Each UW campus operates auxiliary enterprises, which are non-instructional facilities that provide services to students. These operations, including residence halls, dining halls, parking and bookstores are supported solely by user fees. Other noninstructional activities, such as student government, transportation, student organizations, unions and intramurals, are funded, at least in part, through a segregated fee assessed to all students. In 1996-97, total revenues from auxiliary enterprises are estimated at $362.8 million, consisting of $52.2 million from student segregated fees and $310.6 million from other auxiliary enterprises.

2. Currently, any excess revenues collected are applied to the auxiliary's operating budget to reduce fee increases in the following year, or are placed in reserve. According to UW-System staff, the current authority of the Board of Regents to temporarily transfer program revenues for operations to other program revenue appropriations has not been exercised.

3. According to UW System staff, the Board of Regents would adopt internal policy guidelines for campuses which request the transfer of surplus auxiliary revenues. Staff indicate that approval of campuses' requests by the Board would occur only once per year and would coincide with the approval of the annual budget for the UW System. While the bill does not distinguish student segregated fee revenues from other auxiliary revenues, UW staff indicate that campuses would not be permitted to request the use of surplus segregated fee revenues for other purposes; surplus revenues generated by other auxiliary enterprises, however, could be used to supplement segregated fees.

4. While auxiliary fees are determined independently by each campus, the Board of Regents has established a rate increase threshold for major auxiliary categories (total segregated fees, room and board, apartment rates, parking and textbook rental). The threshold, which will

be 4% in 1997-98, is based on the average change in Wisconsin per capita disposable income for the past three years. Campuses may exceed this threshold with the Board's approval.

5. UW System staff indicate that this proposal is intended to promote more efficient use of auxiliary revenues by allowing campuses to expend excess revenues on high-priority activities. In addition, the University argues that the provision could reduce or delay future auxiliary fee increases. For example, if a campus' food service operation generated higher than anticipated revenues due to a greater number of students purchasing meal plans, the campus could request that these excess funds be transferred to the new appropriation and used to offset lower than anticipated housing revenues. Such a transfer could allow the campus to avoid raising student dorm fees in the following year to cover the loss. However, a delay or reduction in future auxiliary fee increases would only occur if funds were transferred between auxiliaries; the bill provision would allow auxiliary revenues to be transferred to any student-related activity. For instance, the use of excess food service revenues to purchase library materials is unlikely to affect future auxiliary fees.

6. Under current law, revenues from auxiliary enterprises are contained in a single appropriation within the University's budget and there is no statutory prohibition against the UW allowing a campus to transfer funds between auxiliary enterprises. At present, it is UW System policy that does not allow permanent transfers of this type, although campuses have been permitted to loan funds from one auxiliary program to another, provided that such loans are repaid within five years. Thus, it appears that in the area of transfers between auxiliaries the UW System has significant discretion under the statutes, which it has chosen not to use.

7. In public testimony on the bill, the United Council of University of Wisconsin Students, as well as individual students, have opposed this proposal on the basis that it would provide an incentive for campuses to increase certain fees in order to generate surplus revenues which could be used to fund other activities. Particular concern was expressed regarding housing fees. At all four-year campuses except Madison, Milwaukee, Green Bay and Parkside, freshman and sophomore students are required to live in campus housing provided that space is available. It has been argued that under the bill, campuses would have an incentive to increase housing fees, without undue concern for loss of revenues due to students choosing alternative housing.

8. Opponents of the provision also argue that it would be inappropriate to use fees paid by one group of individuals, which may include students, staff and/or community members, to support an activity which could benefit an entirely different group of persons. Further, beyond registering their support or opposition to such a transfer at the meeting of the Board of Regents, it would appear that students would have little input in determining whether auxiliary funds should be transferred or how such funds would be used.

9. Although not specified in the bill, UW System staff indicate that campuses would be allowed to request the transfer only of "unplanned" surplus revenues and therefore, could not increase fees for the express purpose of funding another activity. For 1995-96, the UW reported

a total of $5.8 million in such unplanned revenues. Of this amount, $3.6 million was carried over to reduce fee increases in 1996-97, and $2.2 million was placed in reserve. Presumably, if the proposed provision had been in effect at the time, campuses could have requested that all, or a portion, of the $5.8 million be used to fund other activities.

10. The University argues that the requirement that surplus funds be used only for one-time, fixed-duration costs would further discourage improper or continual use of these funds by the campuses. However, the bill does not specify what is meant by "one-time, fixed duration costs." Further, the bill does not define "student-related activity," which could conceivably include any or all University activities. Given the ambiguities of these terms, it may be reasonable to require the Board to promulgate administrative rules which would include specific definitions of these terms and the criteria the Board would use in approving campus requests.

11. In the past, the University has opposed the use of auxiliary funding for non-auxiliary activities. After a 1985 Legislative Audit Bureau (LAB) report which identified $22.5 million in excess auxiliary reserve funds, the Legislature used these funds to support library acquisitions and to temporarily reduce tuition increases. In its response to the LAB report which recommended such use of the funds, the University stated that "this option is...inappropriate and would violate students' choices in the activities they choose to support." and "if these funds were to be used for purposes other than auxiliary activities to which they relate, it will be extremely difficult, if not impossible, to receive student support for auxiliary activities."

12. In light of the concerns which have been expressed regarding the use of the proposed provision by UW campuses and the potential impact on auxiliary fees, the Committee could consider requiring the Board of Regents to report annually on the use of this authority.

13. An option which would provide some flexibility for campuses, yet would maintain legislative oversight, would be to require that requests to transfer surplus auxiliary funds for non-auxiliary purposes would be subject to approval by JFC under a 14-day passive review process. Transfers among auxiliary enterprises at a campus would not require legislative approval.

Auxiliary Reserve Funds

14. As a matter of policy, UW campuses maintain auxiliary reserves to ensure funds are available to support future auxiliary operations and capital costs. The current reporting requirement was instituted in response to a 1985, LAB 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 UW 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 the LAB identified $22.5 million as surplus. In the 1985-87 biennial budget (1985 Act 29), the Legislature applied these surplus funds to support library acquisitions and to temporarily reduce

tuition increases for resident undergraduates. Act 29 also created the provision requiring the approval of reserve accumulations.

15. As a result of Act 29, the Board of Regents, in consultation with LAB, established reserve maxima for each campus and activity. 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. Since 1989-90, the actual aggregate reserve balance has been between $37.6 million and $52.2 million. For 1996-97, the UW requested approval of the accumulation of $39.7 million in reserve funds. While this total is well below the current aggregate maximum of $89.6 million, one campus exceeded its maximum due to a delay in a construction project.

16. Under current law, increases in an individual campus' reserve must be approved by JFC even if the net reserve balance for all campuses decreases. The UW has submitted a request for approval of auxiliary reserves in each year since 1987-88; each of these requests has been approved.

17. UW System policy requires campuses to submit reestimates of current year reserves and plans for the following year to System Administration by April or May. The plans are approved by the Board of Regents as part of the annual budget process in June or July. Actual reserve balances for the preceding fiscal year are not known until campus accounts are closed in September or October.

18. According to UW staff, campuses find the annual report particularly burdensome due to the complex calculation of reserve maxima and the timing of the report. Because institutions are required to report to UW System prior to the end of the fiscal year, they must estimate reserve accumulations for the following year before current year reserve balances are known. Ostensibly, the reporting date was set to allow any changes to auxiliary fees required by JFC to take effect prior to the beginning of the academic year. However, due to the timing of submittal of the report and JFC approval, any adjustments to room and board charges or other fees would have to be made in the second semester.

19. In its request to eliminate the report, the University cites the "substantial" amount of staff time required to collect and compile the necessary data and states that "the accumulation of auxiliary reserves would be subject to the same periodic review by the Legislative Audit Bureau as are all other financial transactions." While LAB does review appropriation levels and expenditures as part of its comprehensive annual financial report, auxiliary fees and individual campus reserves are not generally examined.

20. Should the Committee wish to maintain legislative oversight of accumulation of auxiliary reserves, there are two modifications that could be made to simplify this reporting and approval requirement. First, it may be reasonable to change the reporting date from July 10, to September 15, of each year. This would allow campuses to establish reserve plans using actual,

rather than estimated year end reserves. Second, the Board could be required to report and seek approval of reserve funds only for campuses which plan to accumulate reserves in excess of 15% of the prior year's total revenues from student segregated fees and other auxiliary enterprises. This amount should be easy to calculate, would generate an aggregate total significantly above the current level of reserves, and if exceeded by a campus would only require a report and approval of the plan for that campus. Other campuses could accumulate reserves up to this statutory maximum, and fee increases for major auxiliaries would remain subject to the limit imposed by the Board.

ALTERNATIVES TO BILL

A. Transfer of Auxiliary Revenues

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation by approving one or more of the following:

   a. Require the Board of Regents to promulgate administrative rules including definitions of "one-time, fixed duration costs" and "student-related activity" and the criteria which the Board would use in approving campus requests.

   b. Require the Board of Regents to submit a report to the Joint Committee on Finance by September 1, 1998, and each year thereafter, on campuses which requested the transfer of auxiliary funds during the prior fiscal year including the amount and source of the funds, the purpose for which the funds were to be used and whether the request was approved by the Board.

   c. Specify that any request to transfer surplus auxiliary revenues for the purpose of funding a non-auxiliary activity be subject to approval by JFC under a 14-day passive review process.

3. Delete the Governor's recommendation and, instead, provide explicit statutory authority for each campus to permanently transfer funds between auxiliary enterprises.

4. Delete the Governor's recommendation.

B. Auxiliary Reserve Funds

1. Approve the Governor's recommendation.

2. Delete the Governor's recommendation and, instead, modify current law relating to the accumulation of auxiliary reserves as follows:

a. Require that the Board of Regents request approval from DOA and JFC for any campus, or the UW Center System, which plans to accumulate a reserve in excess of 15% of the prior year's total revenues from student segregated fees and other auxiliary enterprises; and

b. Change the reporting date for this plan from July 10, to September 15, of the preceding year.

3. Delete the Governor's recommendation.

Prepared by: Merry Larsen

MO# Alt A2a,b&c

2 JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
1 HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 11 NO 5 ABS ____

MO# Alt #B2a&b

2 JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS ____