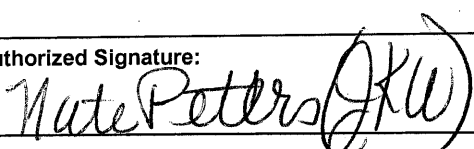


1999 Session		LRB Number -2967/1
FISCAL ESTIMATE DOA-2048 N(R06/99)		Bill Number AB 554
<input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> UPDATED <input type="checkbox"/> CORRECTED <input type="checkbox"/> SUPPLEMENTAL		Amendment No. if Applicable
Subject Tuition for Resident Undergraduates at the University of Wisconsin System		Administrative Rule Number
Fiscal Effect		
State: <input checked="" type="checkbox"/> No State Fiscal Effect Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.		
<input type="checkbox"/> Increase Existing Appropriation <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriation <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriation		<input type="checkbox"/> Increase Costs - May be possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
Local: <input type="checkbox"/> No local government costs		
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others _____ <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S		Affected Chapter 20 Appropriations
Assumptions Used in Arriving at Fiscal Estimate		
<p>Assembly Bill 554 would cap academic fees for resident undergraduates at a level not to exceed 40% of instructional costs.</p> <p>Figures for the 1999-00 academic year are not yet final but preliminary estimates indicate that systemwide average student share of instructional cost are approximately 37.6%.</p> <p>AB 554 limits state, student and UW System flexibility. The student share of instructional costs automatically increases when state resources (GPR) are reduced or enrollments, without full additional GPR, are increased. Either could result in the student share of instructional cost exceeding a 40% cap, without any change in tuition rates, and reduces the total instructional dollars available per student.</p> <p>Today, a 5% reduction in GPR would automatically increase the student's share of average instructional costs from 37.6% to 38.8%, without an increase in tuition rates. The authority of the Legislature to partially offset the GPR reduction by increasing tuition revenue authority would be limited to a tuition increase of 5% before the 40% cap would be reached. The tuition increase would not be sufficient to regain the instructional support per student that existed before the GPR cut. Achieving that support level would also require a reduction of 2,500 students systemwide. Even after the enrollment reduction and tuition increase, the resources available for resident undergraduate instruction would decrease substantially by \$15 million to \$20 million due to the GPR reduction.</p> <p>The State would lose some flexibility to use non-GPR resources to fund UW System budgets when other statewide funding priorities consume available GPR dollars. During the 1995-97 biennial budget, the state used this flexibility</p> <p style="text-align: center;">Continued</p>		
Long-Range Fiscal Implications		
Prepared by: Nathan Peters	Telephone No. 608/262-6423	Agency Univ. of WI System
Authorized Signature: 	Telephone No.	Date 2/22/00

Fiscal Estimate Form AB 554 (Continued)

to fund other priorities when it cut UW System's GPR base by \$43.8 million and increased its tuition revenue base by \$10.2 million to partially offset the cut. That reduction automatically increased the student share of instructional costs.

In the event that the student's share of instructional costs was near 40%, UW System would be unable to increase access for resident undergraduates unless full GPR support was provided.

AB 554 could limit the ability of future legislatures to set and fund statewide priorities, reduce GPR budgets, or provide access to additional students.

Students have initiated tuition increases of \$50 per semester - 4.1% increase – at UW-Eau Claire and 5% at UW-Stout in order to enhance educational quality and access. AB 554 could preclude the Board of Regents from approving new student initiatives such as these at other campuses.

The methods of delivering higher education courses and programs are quickly changing due to the advent of the internet and the new dynamics present in the economy. More courses and programs are being delivered "on-line" (over the internet, or audio and video lines), during evenings and weekends, and at off campus sites such as at the work place. At the same time, new specialized programs are being developed to meet the training needs of businesses, government, and individuals in local communities. These new programs and delivery methods are often more expensive to provide and therefore require higher tuition rates. Without the higher tuition rates, these activities could not be offered or would reduce the resources available to serve current students and eventually reduce educational quality for the System. The higher tuition rates and/or the impact of taking additional students without new state support could easily result in student share of cost ratios exceeding 40%. Therefore, even though students are willing to pay more for the convenience of internet courses and businesses for specialized programs for their employees, AB 554 would limit UW-System's ability to serve their needs without compromising educational quality.

Finally, UW System has identified programs, such as allied health, engineering, and pharmacy that are more expensive to provide, are in high demand by students, and whose graduates generally have higher than average starting wages. Currently, students in those programs are charged a higher, differential tuition to offset increased costs. AB 554 could limit UW System from charging these or new differential tuition levels. Such a limitation will either reduce access to those programs or financial resources for the rest of the System.