



## Fiscal Estimate Narratives

UWS 4/13/2005

LRB Number	05-1495/2	Introduction Number	AB-239	Estimate Type	Updated
<b>Subject</b>					
Capping tuition increases by rate of inflation					

### Assumptions Used in Arriving at Fiscal Estimate

This fiscal estimate is based on the following assumptions: 1) The Governor's budget recommendations and a 3% annual faculty and academic staff pay plan increase will be approved. Changes in classified staff pay plan and health insurance costs may result in an increase in the state costs noted in the worksheet attached. 2) Tuition and Fees will be capped at 3% as proposed in the legislation. 3) The State will provide the additional GPR necessary as a result. The latter is based on the precedent established in the 1999-2001 biennial budget in which the legislature enacted a tuition freeze which was offset by \$28 million of additional GPR funds.

For each year of the 2005-07 biennium, the proposed legislation limits any increase in the sum of UW system resident undergraduate tuition and non discretionary segregated fees to 3%.

The Governor's 2005-07 budget recommendations for the UW System includes an increase of \$32.2 million in tuition revenue for year one of the biennium. If a 3% pay plan increase for faculty and academic staff is approved, this will require an additional \$8.1 million in tuition. The Governor's recommendations for year two include a \$29.7 million increase and another 3% pay plan increase would add \$8.6 million. According to UW System estimates, each 1% increase in resident undergraduate tuition provides \$5.5 million. Therefore, funding the Governor's recommendations and a 3% annual pay plan increase for faculty and academic staff (assuming that pay plan increases would be funded by the traditional 67.27% GPR and 30.73% Fee split) would result in 7.3% and 7% increases in undergraduate resident tuition in year one and in year two of the biennium, respectively.

If resident undergraduate tuition increases were to be capped at 3% each year and the Governor's recommendations and 3% annual pay plan increases were approved, the UW System would require additional GPR support of \$23.8 million in year one and an increase over that amount of an additional \$21.8 million in year two of the biennium for an ongoing cost of \$45.6 million. The total 2005-07 biennial cost would be \$69,400,00. Additional GPR would be needed for classified staff pay plan and health insurance cost increases.

If resident undergraduate tuition increases were capped at 3% each year and no additional GPR support is provided, the UW System would be able to fund only approximately one half of the Governor's recommendations and no pay plan increases.

If a similar cap were placed on non discretionary segregated fees, the University System would lose between \$3 and \$5 million dollars per year across all of its campuses. In many case, the dollars lost represent dollars that students themselves have voted to expend to obtain additional facilities and services. Many of these projects involve construction which has already been planned and approved and in some cases, contracts have been let.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Subject</b>			
Capping tuition increases by rate of inflation			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs	45,600,000		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$45,600,000</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	45,600,000		
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS		-53,600,000	
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-53,600,000</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$45,600,000	\$	
NET CHANGE IN REVENUE	\$-53,600,000	\$	
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>		<b>Date</b>
UWS/ Leslie Perelman (608) 262-5850	Freda Harris (608) 263-5679		4/13/2005