



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #760

Supplemental Pay Plan and Performance (UW System)

[LFB 2019-21 Budget Summary: Page 440, #11]

CURRENT LAW

Under 2017 Act 59 (the 2017-19 budget), the UW System was provided \$26.25 million GPR of ongoing funding beginning in 2018-19 to be distributed to UW System institutions as performance or outcomes-based funding. In Act 59, the Legislature established the following goals for the UW System: (a) growing and ensuring student access; (b) improving and excelling at student progress and completion; (c) expanding contributions to the workforce; and (d) enhancing operational efficiency and effectiveness. For each goal, the Board of Regents was required to identify at least four metrics to measure an institution's progress toward meeting the goal. Pursuant to Act 59, the Board received approval of its performance or outcomes-based funding formula from the Joint Committee on Finance on April 18, 2018.

GOVERNOR

Specify that the Board of Regents and the Chancellor of UW-Madison (subject to Board approval) may provide supplemental pay plans in addition to the 2019-21 state compensation plan. Prohibit the Board from requesting supplemental funding to pay the associated costs and prohibit the Board from requesting any funding of increases in salary and fringe benefit costs provided in these plans through the UW System agency budget request.

Provide that for each fiscal year of the 2019-21, instead of allocating \$26.25 million GPR of annual base funding for performance or outcomes-based funding, the Board of Regents could allocate all or a portion of that amount to fund the supplemental pay plans described above. Specify that the Board would be required to use the remainder the \$26.25 million for performance or outcomes-based funding.

DISCUSSION POINTS

1. At its meeting in December of 2018, the Board of Regents approved a resolution approving a pay plan request on behalf of all UW System employees of a 3% increase in 2019-20 and a 3% increase in 2020-21, fully funded from the state's compensation reserve. Data from UW System indicates that faculty compensation lags behind that of their peer institutions, with the percentage behind ranging from 10.8% at UW-Milwaukee, to 15.6% at UW-Madison, and 19.0% at the comprehensive institutions, using data adjusted for the cost of living.

2. The Joint Committee on Employment Relations (JCOER) approves the state employee compensation plans. The Administrator of the Division of Personnel Management in the Department of Administration is required to submit to JCOER any proposed changes to state employee compensation plans, including the compensation and benefit adjustments for employees of the UW System. The DPM Administrator submits the plan to JCOER after receiving recommendations from the UW Board of Regents and the UW-Madison Chancellor.

3. In the 2019-21 budget bill, the Governor has budgeted \$82 million in GPR compensation reserves for a general wage adjustment for state employees (including the UW System) of 2% on January 1, 2020, and an additional 2% on January 1, 2021. The Governor has also made the recommendations described above that would allow the UW System to provide self-funded supplemental pay plans in addition to the 2019-21 state compensation plan. Under the Governor's recommendations, the UW System could reallocate up to \$26.25 million of outcomes-based funding from its 2018-19 base to support this supplemental pay plan in the 2019-21 biennium.

4. In 2011 Act 32 (the 2011-13 budget), the UW System was authorized to provide supplemental pay plans during the 2011-13 biennium, subject to approval by JOCER. Similar to the current proposal, Act 32 prohibited the Board from requesting supplemental funding to pay the associated costs and from requesting any funding of increases in salary and fringe benefit costs provided in its subsequent budget requests. Staff from the UW System indicate that this Act 32 provision was not used by the Board of Regents in the 2011-13 biennium.

5. In developing the UW System's submission last year to the Committee relating to the \$26.25 million provided in 2018-19 under 2017 Act 59 (the 2017-19 budget) for performance funding, each institution assigned percentage weights to each of the four metrics for each of the four goals established by Act 59. This was done so that each institution could determine which metrics best suited their campus. Changes in the current three-year rolling average of each metric compared to the prior three-year rolling average were weighted by the percentages selected by each institution and the performance funding distributed accordingly.

6. Each institution received funding from the Act 59 performance funding, ranging from \$10.98 million for UW-Madison to \$4.03 million for UW-Milwaukee to a low of \$0.47 million for UW-Superior. This funding has been used by institutions to support their activities in 2018-19, as it is part of their base budget.

7. In the case of the UW System, performance funding of \$26.25 million represents less than 3% of the GPR received for operating costs. The effects of the marginal funding adjustments

that the outcome-based metrics will make to the GPR funding received by UW institutions may be slight. The UW System identifies faculty compensation as a significant issue across its institutions.

8. On the other hand, performance funding typically takes a number of years before its effects can be evaluated. The metrics were approved a year ago and 2018-19 represents the first year that institutions received moneys allocated using them. In its 2019-21 agency budget submission, the UW System requested \$27.5 million GPR in 2019-20 and \$55.0 million GPR in 2020-21 for performance funding and stated that the goals and metrics associated with this funding will be part of its future biennial budget performance measures. If there is an interest in determining whether performance funding can affect behavior at UW institutions, a proposal to allow this funding to be reallocated to support pay increases after only one year may be premature.

ALTERNATIVES

1. Approve the Governor's recommendation to specify that the Board of Regents and the Chancellor of UW-Madison (subject to Board approval) may provide supplemental pay plans in addition to the 2019-21 state compensation plan. Prohibit the Board from requesting supplemental funding to pay the associated costs and prohibit the Board from requesting any funding of increases in salary and fringe benefit costs provided in these plans through the UW System agency budget request. Provide that for each fiscal year of the 2019-21, instead of allocating \$26.25 million GPR of annual base funding for performance or outcomes-based funding, the Board of Regents could allocate all or a portion of that amount to fund the supplemental pay plans described above. Specify that the Board would be required to use the remainder the \$26.25 million for performance or outcomes-based funding.

2. Take no action.

Prepared by: Dave Loppnow