

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-4640/1	Introduction Number AB-1068		
Description Salaries of certain executive and administrative positions in, and the amount of nonresident tuition charged at, the University of Wisconsin System			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input checked="" type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs	
Local:			
<input checked="" type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue		<input type="checkbox"/> Counties <input type="checkbox"/> Others
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
Agency/Prepared By	Authorized Signature	Date	
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Fiscal Estimate Narratives

UWS 3/7/2006

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Description Salaries of certain executive and administrative positions in, and the amount of nonresident tuition charged at, the University of Wisconsin System					

Assumptions Used in Arriving at Fiscal Estimate

This bill prohibits the Board of Regents of the University of Wisconsin System from (1) increasing the salary of certain senior executive and administrator positions by more than 5 percent unless the increase is funded with gifts, grants, or federal revenue and (2) reducing nonresident tuition levels below the levels in effect for the 2005–06 academic year, until July 1, 2007.

The prohibition on salary increases will not have a fiscal impact because, at present, no salary increases are mandated. At this point, the UW System would not request new resources to fund any potential salary increases. These would be internally funded through reallocations. However, if the UW System is not able to provide competitive salaries for senior executives and administrators, it will become increasingly difficult to retain staff. Within the last two years, the UW System had to replace six chancellors. An additional chancellor is scheduled to leave by the end of the academic year. Each time a senior staff member is lost, there are significant costs in the search process. In addition, the resultant new hire often receives a significantly increased salary, from that of his/her predecessor. For the six most recent chancellor replacements, the UW System has incurred the following costs: (1) New hire salaries which were on average 9% above those of the individuals whom they replaced, (2) Costs involved in the search processes for these six positions which exceeded \$600,000, exclusive of moving expenses which are estimated to easily reach \$75,000, and (3) Extensive UW System staff costs which cannot be isolated.

The prohibition on setting nonresident tuition rates at competitive levels may result in revenue losses for the UW System. The 2005-06 nonresident rates are not competitive, and may result in the continued loss of nonresident enrollment. The revenue loss would result in reduced services for resident students, and may result in larger tuition increases for resident students to offset the loss of nonresident students.

Long-Range Fiscal Implications

The prohibition on salary increases will exacerbate a situation in which the UW System will not be competitive relative to the salary levels of its senior executives. This may result in continued searches and new hires at ever increasing costs to the system.

If the UW System is prohibited from setting nonresident tuition rates at competitive levels, the UW System's long range plans to increase access for resident students will be in jeopardy. Competitive nonresident tuition would increase the number of nonresident students in the UW System. Because competitive nonresident tuition rates would cover the full costs of educating the student plus the equivalent of the state support for a resident student, increases in the number of nonresident students will also increase access for resident students. If nonresident tuition is not set at competitive levels, access for resident students could not be increased without additional new state resources.