Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2009 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **09-0616/1**	Introduction Number **AB-0226**

Description
Increases in undergraduate resident tuition and nonallocable segregated fees at the University of Wisconsin System

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate
- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☒ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☐ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☐ Counties ☐ Others
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☒ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

UWS 5/7/2009

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Description Increases in undergraduate resident tuition and nonallocable segregated fees at the University of Wisconsin System		

Assumptions Used in Arriving at Fiscal Estimate

Under 36.27(1), the Board may not increase tuition for resident undergraduate students by more than an amount sufficient to cover 1) the amount shown in the state appropriation schedule for the tuition appropriation; 2) approved recommendations of the director of the Office of State Employment Relations for compensation and fringe benefits for staff; 3) projected losses of revenue caused by enrollment declines; 4) state-imposed costs not covered by general purpose revenue; 5) distance education, nontraditional, and intersession courses; and 6) differential tuition.

AB-0226 limits tuition increases to the consumer price index (CPI) of the previous fiscal year. It should be noted that the CPI from the previous fiscal year will not be available when tuition is determined, and an estimate will need to be used.

CPI accounts for inflationary factors on household purchases like food, housing, and clothing. CPI does not take into account expenditures that are relevant to institutions of higher education. Major inflationary drivers at institutions of higher education occur on expenditures like salaries, fringe benefits, health insurance, contracted services, library acquisitions, and utilities. Over the last decade, growth in higher education expenses has exceeded CPI in all but one year.

The following table shows the historical increases in tuition revenue that were required to fund university operations, fringe benefits, healthcare, utilities, and initiatives passed by the legislature. The "Estimated Tuition Revenue" column shows an approximate amount of revenue that would have been generated if tuition increases were limited to the CPI index for the previous fiscal year. The calculations assume that a 1 percent increase in tuition will generate $6 million in revenue. The final column shows the revenue shortfall.

	Tuition Revenue Requirement	Estimated Tuition Revenue with CPI Ceiling	Shortfall.
FY 2009	$41,780,557	$22,200,000	($19,580,557)
FY 2008	$28,359,214	$15,600,000	($12,759,214)
FY 2007	$45,783,622	$22,800,000	($22,983,622)
FY 2006	$45,677,621	$18,000,000	($27,677,621)

Note that the revenue shortfalls are cumulative. In FY 2009, the total revenue shortfall would have reached approximately $83 million. Based on this data, AB-0226 would result in a continuing cut to base resources.

CPI for 2008-09 is expected to be 1.0 percent. A 1.0 percent tuition increase in 2009-10 is unlikely to meet expected cost increases. Due to recent reductions in GPR funding (2003-04, 2004-05, 2008-09, 2009-10, 2010-11), tuition revenues have also become increasingly important for maintaining existing instruction and student services.

AB-0226 also limits the implementation of differential tuition programs for the next four years. A differential tuition program would be limited to the difference between the CPI of the previous academic year and the percent increase in tuition needed to fund increased costs. Notably, the proposed Madison Initiative for Undergraduates that would take effect in Fall 2009 would be substantially reduced or eliminated.

Long-Range Fiscal Implications