



**Fiscal Estimate Narratives**

**UWS 3/1/2010**

LRB Number	<b>09-1663/1</b>	Introduction Number	<b>AB-0738</b>	Estimate Type	<b>Original</b>
<b>Description</b>					
Limiting nonallocable segregated fee and resident tuition increases 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-0738 limits resident undergraduate tuition increases in fiscal years 2009–10, 2010–11, 2011–12, and 2012–13 to no more than 4 percent above the tuition in effect in the previous fiscal year. Due to recent reductions in GPR funding (2003-04, 2004-05, 2008-09, 2009-10, 2010-11), tuition revenues have become increasingly important for maintaining existing instruction and student services.

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 4% increase over the previous fiscal year. The final column shows the revenue shortfall.

Fiscal Year	Tuition Requirement	Revenue Increase	% Increase	Est. Rev. w/4% Cap	Difference
2009-10	1,012,243,726	66,447,405	7.03%	40,489,749	25,957,656
2008-09	945,796,321	41,780,557	4.62%	37,831,853	3,948,704
2007-08	904,015,764	28,359,214	3.24%	36,160,631	-7,801,417
2006-07	875,656,550	45,783,622	5.52%	35,026,262	10,757,360
2005-06	829,872,928	45,677,621	5.82%	33,194,917	12,482,704
.....Average.% Increase.....					5.25%.....Total.Difference..\$45,345,007

Note that the revenue shortfalls are cumulative. In FY 2010, the total revenue shortfall would have reached approximately \$45 million if there had been a 4% cap on tuition increases during the past five fiscal years.

Based on an average increase of 5.25% over the past five fiscal years, the table below shows the estimated shortfall from fiscal 2010-11 to fiscal 2012-13.

Fiscal Year	Est. Tuition Requirement	Est. Revenue Increase	Est. % Increase	Est. Rev. w/4% Cap	Difference
2012-13	1,180,037,586	58,813,914	5.25%	47,201,503	11,612,411
2011-12	1,121,223,672	55,882,587	5.25%	44,848,947	11,033,640
2010-11	1,065,341,085	53,097,359	5.25%	42,613,643	10,483,715
.....Total.Difference..\$33,129,766					

AB-0738 limits tuition increases in fiscal years 2009–10, 2010–11, 2011–12, and 2012–13 to no more than 4 percent above the tuition in effect in the previous fiscal year.

Based on this data, AB-0738 would result in an estimated shortfall of \$59 million.

AB-0738 limits any increase in total nonallocable segregated fees for resident and nonresident undergraduate students during those fiscal years to no more than 4 percent above the total nonallocable segregated fees in effect during the previous fiscal year. Based on non-allocable segregated fees for 2008-09 and 2009-10, if a similar cap were placed on nonallocable segregated fees, the University System would lose 2-5 million dollars per year across all of its campuses. In many cases, 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 set.

## **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Limiting nonallocable segregated fee and resident tuition increases at the University of Wisconsin System			
<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	64,000,000		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$64,000,000</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	64,000,000		
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			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State		Local
NET CHANGE IN COSTS	\$64,000,000		\$
NET CHANGE IN REVENUE	\$		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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