

### Fiscal Estimate - 2013 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>13-4395/1</b>	<b>Introduction Number</b> <b>AB-0889</b>
<b>Description</b> Providing free tuition and fees for resident students enrolled in technical colleges and University of Wisconsin college campuses and making an appropriation	
<b>Fiscal Effect</b>	
<b>State:</b>	
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
<b>Local:</b>	
<input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <b>5. Types of Local Government Units Affected</b> <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	
<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>
UWS/ Adam Pfost (608) 262-4836	Freda Harris (608) 262-2734
	<b>Date</b>
	3/26/2014

## Fiscal Estimate Narratives

UWS 3/26/2014

LRB Number	13-4395/1	Introduction Number	AB-0889	Estimate Type	Original
<b>Description</b> Providing free tuition and fees for resident students enrolled in technical colleges and University of Wisconsin college campuses and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

AB 889 creates a requirement that all resident students enrolled in a "college campus" attend free of academic and segregated fees. The bill also provides a \$50 million appropriation to the University of Wisconsin System designated for "college campus fees." The funding is established in a GPR annual appropriation.

Please note that the legislation does not include an exemption from the statutorily-determined application fee, special course fees, book rental fees, housing costs, or other administrative fees.

It is not immediately clear from the language of the bill if "college campus" includes courses offered online through the UW Colleges. For the purpose of this fiscal estimate, online courses are included.

In order to determine the fiscal impact of the legislation, actual tuition and fee collections from fiscal year 2013 (FY13) are used. UW Colleges collected \$52,168,000 in resident tuition revenue during FY13, which includes tuition for online courses. UW Colleges also collected \$3,502,400 in segregated fees during the same period. The segregated fee total includes both resident and nonresident collections as the revenue cannot be readily separated by residency; however, the vast majority of students enrolled at UW Colleges are resident students.

This data suggests that UW Colleges would see a \$5.7 million reduction in ongoing annual support (\$50,000,000 "college campus fee allocation" less \$52,168,000 in resident tuition revenue less \$3,502,400 in segregated fee revenue results in a -\$5,670,400 balance). This is the equivalent of a 4 percent budget cut (-\$52,168,000 reduction / \$143,542,578 total budget = -3.95 percent). This estimate also does not include the impact of any proposed segregated fee increases in the 2014-15 year.

It should also be noted that this legislation may result in a reduction in federal education funds to the state. For example, the federal Post-9/11 GI Bill can pay all of an eligible student veteran's tuition and segregated fees. Tuition payments under this program go directly to the UW institution. If there are no tuition and fees charged at the UW Colleges, the federal VA would not be responsible for the cost of the student's education. This would shift the responsibility for the cost from the federal government to Wisconsin. The amount remitted by the UW Colleges in the 2012-13 fiscal year was \$1.2 million, excluding the amounts covered by the federal government.

### Long-Range Fiscal Implications

Inflationary increases in base expenditures, like pay plan, utilities, and fringe benefits, have historically been funded through a combination of state GPR and tuition revenue. As annual costs have increased, tuition rates have increased to offset the balance.

This proposal does not provide a mechanism for increasing the "college campus fees" appropriation to account for the tuition share of inflationary costs or any proposed programmatic increases that would have been covered by segregated fees. If the appropriation did not increase, the ability of the UW Colleges to educate students would diminish over time due to growth in non-supplementable costs.

Additionally, the proposed allocation for "college campus fees" does not account for increased student demand. A 2012 study in the Economics of Education Review suggests that student demand increases when institutions do not charge tuition. This may be particularly true of online courses that can be taken anywhere, including while students are concurrently enrolled in another UW institution. While some UW Colleges may have the capacity to add enrollments at little additional cost, others cannot accommodate more students without additional resources.

Further, the estimate does not take into account the potential impact of shifts in student enrollment on other UW Colleges institutions. Additionally, students might opt to enroll at UW Colleges or Wisconsin Technical Colleges (WTC) rather than attending other UW institutions for the first two years, resulting in a loss of revenue for those institutions as well as pressure to extend the missions of some WTC institutions.

## Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> Providing free tuition and fees for resident students enrolled in technical colleges and University of Wisconsin college campuses and making an appropriation			
<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			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
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			-55,670,400
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$-55,670,400</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-55,670,400		\$
<b>Agency/Prepared By</b>			
UWS/ Adam Pfost (608) 262-4836		<b>Authorized Signature</b>	
		Freda Harris (608) 262-2734	
			<b>Date</b>
			3/26/2014