
Wisconsin Legislative Council

STUDY COMMITTEE MEMO



Memo No. 1

TO: MEMBERS OF THE STUDY COMMITTEE ON THE FUTURE OF THE UNIVERSITY OF WISCONSIN SYSTEM

FROM: Scott Grosz and Katie Bender-Olson, Principal Attorneys, and Emily Hicks, Staff Attorney

RE: Information Requested by Chairperson on Specified Topics

DATE: August 22, 2024

This memo was prepared at the direction of the chair to address the following topics raised by committee members at the August 8, 2024 meeting: (1) outcomes-based funding (OBF); and (2) reporting actual University of Wisconsin (UW) System spending to the Joint Committee on Finance (JCF).

Specifically, the memo provides background on the UW System's existing OBF formula. The memo also provides background on the UW System's required reports to JCF, and raises questions the committee may wish to consider if it chooses to pursue legislation to require the UW System to report its actual spending prior to JCF's consideration of the UW System's biennial budget request.

OUTCOMES-BASED FUNDING

Currently, the UW System distributes \$48.75 million of the UW System's general program revenue (GPR) appropriation according to an OBF formula. Of the \$48.75 million, state statute requires the UW System to allocate \$26.25 million according to an OBF formula, and the UW System distributes an additional \$22.5 million for OBF each year. The additional distribution recognizes legislative intent following the vote by JCF to release \$22.5 million in supplemental OBF funding in the 2019-20 fiscal year; this amount has since been incorporated into the UW System base funding.

The Board of Regents must distribute OBF to individual institutions based on how the institutions perform on specified metrics. State law sets forth four goals for the UW System and requires the Board of Regents to establish four metrics for measuring institutional progress toward each of these goals. Those goals and the metrics chosen by the Board of Regents are as follows:

- **Goal:** Growing and ensuring student success:
 - *Metric 1:* Wisconsin high school graduates enrolled as degree-seeking undergraduates.
 - *Metric 2:* Pell-eligible students enrolled as undergraduates.
 - *Metric 3:* Under-represented students enrolled as undergraduates.
 - *Metric 4:* Transfer students enrolled as undergraduates.

- **Goal:** Improving and excelling at student progress and completion:
 - *Metric 1:* Undergraduates who achieved 30 credit hours.
 - *Metric 2:* Undergraduates who achieved 90 credit hours.
 - *Metric 3:* Undergraduate degrees awarded.
 - *Metric 4:* Post-baccalaureate degrees awarded.
- **Goal:** Expand contributions to the workforce:
 - *Metric 1:* Graduates in STEM disciplines.
 - *Metric 2:* Graduates in health-related disciplines.
 - *Metric 3:* Pell-eligible graduates.
 - *Metric 4:* Research and public service expenditures.
- **Goal:** Enhance operational efficiency and effectiveness:
 - *Metric 1:* Core expense ratio.
 - *Metric 2:* Average number of credit hours required for an undergraduate degree.
 - *Metric 3:* Average student debt on baccalaureate graduation.
 - *Metric 4:* Degrees awarded per 100 full-time equivalent (FTE) enrollments.

Distributions are made based on choices among metrics made at each institution, and according to a formula developed by the Board of Regents and approved by JCF. Institutions determine how much weight to assign to changes in individual metrics. Each institution must weight each metric under the following conditions: (1) the weights for the four metrics in each goal area must add up to 25 percent; and (2) no weight can be less than one percent.¹ This means each goal area is weighted as 25 percent of total performance, but an individual institution can assign between one percent and 22 percent weight to a metric. For instance, under the “Expand contributions to the workforce” goal, one institution could assign the weighting as follows: (1) graduates in science, technology, engineering, and math (STEM) disciplines – five percent; (2) graduates in health-related disciplines – five percent; (3) Pell-eligible graduates – 12 percent; and (4) research and public service expenditures – three percent. Another institution could assign weights of one percent, one percent, one percent, and 22 percent to these same metrics.

As described by the Legislative Fiscal Bureau, “[w]ithin each goal, institutions weight individual measures to reflect institutional mission. Performance on the OBF measures is calculated by comparing two overlapping three-year periods to ensure that allocation is driven by sustained improvements over time, rather than one-time fluctuations.”²

Under the formula, institutional performances according to the above OBF goals and metrics are applied to a beginning appropriation share that is calculated annually for each institution. The UW System describes the computation of the beginning appropriation share as each “institution’s share of adjusted GPR/fee base, which varies year to year based on enrollment, pay plan, and other factors. Beginning appropriation for FY24 includes the FY OBF allocation, the FY23 redistribution of UW System Administration and UW Systemwide from the UW System Restructure, and the 2022-23 adjusted GPR/fee base.”³ Then, each institution’s beginning appropriation share is adjusted by the

¹ See Legislative Fiscal Bureau, [*University of Wisconsin: Section 13.10 Request for Approval of Outcomes-Based Funding Formula -- Agenda Item XI*](#) (April 18, 2018).

² See [UWS Report to JCF](#) (December 1, 2023).

³ See the attachment to this memo.

institution's results on the performance metrics to come up with the institution's final funding share for that fiscal year.

PROPOSAL TO REQUIRE SPENDING REPORTING TO JCF

At the August 8, 2024 meeting of the study committee, members expressed interest in requiring the UW System to provide JCF with actual spending numbers when JCF is considering the UW System's budget request. State law currently requires the UW System to submit various reports to JCF, though no single report summarizes total spending to date. The following table outlines reports the Board of Regents must submit to JCF:

Report Frequency	Report Due Date	What Must Be Included	Statute
Biennially	September 1 of each even-numbered year	The purpose, duration, cost, and anticipated completion date of all research and public service projects supported by GPR funding.	s. 36.45 (3) , Stats.
Annually	September 1	The number of research contracts considered under the classified research process.	s. 36.45 (4) , Stats.
Annually ⁴	September 30	The number of GPR positions, funded from its general program operations appropriation, that the Board or UW-Madison Chancellor has created or abolished during the preceding fiscal years.	s. 16.505 (2p) (a) , Stats.
Annually	October 1	The amount and purpose of all federal moneys accepted by the Board for the purposes of instruction, extension, special projects or emergency employment opportunities during the preceding fiscal year.	s. 16.54 (8r) (b) , Stats.
Annually	October 1	The amounts of any salary increases granted to recognize competitive factors, and the institutions at which they are granted, for the 12-month period ending on the preceding June 30.	s. 36.09 (1) (j) , Stats.
Annually	October 15	All fees, including academic fees, tuition, segregated fees, and any other fees,	s. 36.65 (4) , Stats.

⁴ This report must be submitted by the Board of Regents or the Chancellor of UW-Madison.

Report Frequency	Report Due Date	What Must Be Included	Statute
		charged to students at each institution and college campus, and the amount by which the fees have increased in each of the preceding five years.	
Annually	November 1	Based on the October 1 payroll, for any positions not funded from the System's GPR general program operations appropriation, the number of such positions created or abolished by the Board of Regents in the previous 12-month period.	s. 16.505 (2m) , Stats.
Biennially	November 15	Specifying projects funded under the UW System's industrial and economic development research programs.	s. 36.25 (25) (c) , Stats.
Annually ⁵	December 1	Information about the Rural Physician Residency Assistance Program.	s. 36.63 (4) , Stats.
Annually	Not Specified	How the Board distributed moneys in the fiscal year from OBF and specific institutional and systemwide data.	s. 36.112 (5) , Stats.

Certain committee members expressed interest in requiring the UW System to report its actual spending prior to JCF consideration of the UW System's biennial budget request. If the committee wishes to draft legislation requiring such reporting, the committee should consider the following questions:

- What deadline should the UW System have to provide this information? For example, if the proposal seeks to require the UW System to provide current fiscal year spending as of April 1, should that information be due to JCF by May 1?
- How detailed should the information be? Should a report break down spending by campus? Should a report break down spending by categories? If so, should the report use current expenditure categories utilized by the UW System: instruction, research, public service, academic support, hospitals, farm operations, student services, financial aid, auxiliary enterprises, physical plant, institutional support, and debt service on academic buildings?

SG:KBO:EH:jal
Attachment

⁵ This report must be submitted by the Department of Family Medicine in the University of Wisconsin School of Medicine and Public Health.

Report on UW System Outcomes-Based Funding, FY24

Background

The 2017-19 State of Wisconsin Budget created Wi. Stats. 36.112, directing the UW System Board of Regents to establish an outcomes-based funding (OBF) formula for the purpose of distributing \$26.25 million among UW institutions in fiscal year 2018-19 (FY19). In the 2019-21 budget, the Wisconsin Joint Committee on Finance approved an additional \$22.5 million in fiscal year 2019-20 (FY20) and \$22.5 million in fiscal year 2020-21 (FY21) to be distributed through the OBF formula. The combined \$48.75 million was ongoing in the 2021-23 and 2023-25 budgets. This document describes the performance on OBF measures and the resulting distribution of funds in FY24.

The OBF formula was developed prior to the UW System restructuring of UW Colleges and UW Extension, and the OBF measures apply to University main campus activity only. Following the UW System restructure, funding from former UW Colleges and UW-Extension was distributed to receiving institutions, as detailed at the August 1, 2019 UW Board of Regents meeting.

OBF Measures and Methodology

The OBF formula was developed in 2017 by a UW System working group. The working group met with the offices of Rep. Mark Born, Rep. John Nygren, Sen. Alberta Darling, and Sen. Sheila Harsdorf during the development of the model. The group also consulted with national experts on outcomes-based funding from HCM Strategists to develop a model consistent with national best practices. The UW Board of Regents approved the formula at its December 7, 2017, meeting. It was transmitted to the Joint Finance Committee (JFC) on February 15, 2018, and subsequently presented in a meeting with JFC in late March of 2018.

As specified in statute, the outcomes-based funding formula uses 16 measures, four each within goals for Access, Success, Workforce, and Efficiency:

1. Grow and ensure student access
 - a. Wisconsin high school graduates enrolled as degree-seeking undergraduates
 - b. Pell-eligible students enrolled as undergraduates
 - c. Under-represented students enrolled as undergraduates
 - d. Transfer students enrolled as undergraduates
2. Improve and excel at student progress and completion
 - a. Undergraduates who achieved 30 credit hours
 - b. Undergraduates who achieved 90 credit hours
 - c. Undergraduate degrees awarded
 - d. Post-baccalaureate degrees awarded
3. Expand contributions to the workforce
 - a. Graduates in STEM disciplines
 - b. Graduates in health-related disciplines
 - c. Pell-eligible graduates
 - d. Research and public service expenditures

4. Enhance operational efficiency and effectiveness
 - a. Core expense ratio
 - b. Average number of credit hours required for an undergraduate degree
 - c. Average student debt on baccalaureate graduation
 - d. Degrees awarded per 100 full-time equivalent (FTE) enrollments

In the OBF formula, each of the four categories is assigned a weight of 25%. Within each category, institutions weight each of the individual measures to reflect institutional mission. The default weight of each individual measure is 6.25%, the minimum possible weight is 1%, and the maximum possible weight is 22%. Overall performance on the OBF measures is driven by change in the measures as weighted by institutional mission.

Change is measured in the OBF formula between two overlapping three-year periods: a current period including the most recent year of available data, and a base period of three prior years. The three-year periods ensure that allocation is driven by sustained improvements over time, rather than one-time swings. For example, the FY24 allocation included data from 2020-21, 2021-22, and 2022-23 for the current period and data from 2019-20, 2020-21, and 2021-22 for the base period.

OBF Distributions by Institution

The table on the next page shows the amount distributed to each institution using the OBF formula for FY24.

The OBF formula starts with each institution's beginning appropriation share, which is its proportion of base GPR/fee funding. The beginning appropriation share is a major factor in the OBF distribution. In FY24, UW-Madison had the largest beginning appropriation share (42.9%), and UW-Superior had the smallest beginning appropriation share (1.9%).

An institution's beginning appropriation share is modified by its performance on the outcomes-based funding measures. In FY24, performance on OBF measures had the largest impact on UW-Madison's appropriation share, increasing it from 42.9% to 44.5%. UW-Milwaukee had the next largest effect, decreasing from 15.0% to 14.5%. Change at all other institutions was 0.22 percentage points or less. As a result, UW-Madison had the largest OBF distribution of any UW institution (\$20.9 million), and UW-Superior had the smallest OBF distribution (\$0.9 million).

Summary of UW System Outcome Based Funding Distributions, FY24

UW Institution (main campus only)	Allocation for FY24			
	Beginning Appropriation Share*	Change in Outcomes	Outcomes Funding Share	Outcomes Funding Allocation**
UW-Eau Claire	5.7%	-1.66%	5.6%	\$2,612,919
UW-Green Bay	2.9%	1.34%	2.9%	\$1,375,310
UW-La Crosse	4.8%	-0.64%	4.7%	\$2,194,610
UW-Madison	42.9%	4.86%	44.5%	\$20,879,582
UW-Milwaukee	15.0%	-2.20%	14.5%	\$6,818,692
UW-Oshkosh	4.9%	-0.95%	4.8%	\$2,271,166
UW-Parkside	2.7%	-2.17%	2.6%	\$1,207,908
UW-Platteville	3.3%	-5.63%	3.1%	\$1,443,422
UW-River Falls	3.1%	-3.03%	3.0%	\$1,392,864
UW-Stevens Point	4.0%	-2.35%	3.9%	\$1,834,807
UW-Stout	3.9%	-3.13%	3.7%	\$1,740,846
UW-Superior	1.9%	-1.52%	1.8%	\$854,968
UW-Whitewater	5.0%	-1.32%	4.9%	\$2,284,174
Institution Total	100.0%	-0.05%	100.0%	\$46,911,268

Allocation for FY4 was established 09/18/2023.

*Beginning appropriation share is institution's share of adjusted GPR/fee base, which varies year to year based on enrollments, pay plan, and other factors. Beginning appropriation for FY24 includes the FY23 OBF allocation, the FY23 redistribution of UW System Administration and UW Systemwide from the UW System Restructure, and the 2022-23 adjusted GPR/fee base.

**In FY24, an additional \$1,838,732 was distributed from former UW Colleges and former UW Extension for a total of \$48.75 million. See appendix.

Systemwide Results on OBF Measures

Performance on OBF measures in FY24 systemwide primarily was driven by the cumulative effect of many years of declining enrollments. Decreases in enrollment-related and degree-related measures were countered by increases in a few individual measures.

Enrollment-related OBF measures declined systemwide, with the exception of underrepresented minority undergraduates. Transfer student enrollment and Pell recipient enrollment were among the worst-performing metrics systemwide. Degrees declined at the undergraduate level and among Pell recipients, increased at the post-baccalaureate level, and were essentially unchanged in STEM and health-related disciplines.

The remaining OBF measures were research and public service expenditures – the measure with the biggest increase – and the efficiency measures of core expense ratio (unchanged), average credit hour requirements (unchanged), student debt (improved), and degrees per FTE (improved).

Performance on OBF Measures UW System	FY24 Allocation	
	% change in OBF measure	UW's with improvement (# out of 13)
ACCESS		
Wisconsin resident new freshmen	-1.3%	4
Pell recipients enrolled	-4.6%	1
Underrepresented minorities enrolled	1.4%	2
Transfer students enrolled as undergraduates	-5.4%	1
SUCCESS		
Undergraduates who have achieved 30 credits	-2.1%	2
Undergraduates who have achieved 90 credits	-2.3%	2
Undergraduate degrees awarded	-2.6%	2
Post-baccalaureate degrees awarded	5.2%	11
WORKFORCE		
Graduates in STEM disciplines	-0.3%	4
Graduates in health-related disciplines	0.8%	7
Pell recipients graduated	-5.4%	1
Research and public service expenditures	6.7%	8
EFFICIENCY		
Core expense ratio	0.0%	6
Avg. # credits required for an undergrad degree	0.0%	9
Avg. student debt on baccalaureate graduation	1.6%	13
Degrees awarded per 100 FTE	1.4%	10

Note: Percent change is calculated from the base period to the current period. The goal is to increase each measure, except for average credit hours required and average student debt, where reductions are sought. Therefore, average credit hours required and average student debt have been inverted to translate reductions in these measures into positive percent change.

Appendix A: Institution Results on OBF Measures

Percent Change in OBF Measures	FY24 Allocation												
	EAU	GBY	LAC	MSN	MIL	OSH	PKS	PLT	RVF	STP	STO	SUP	WTW
ACCESS													
WI resident new freshmen	-3.9%	-1.1%	1.7%	-0.4%	-1.4%	-5.6%	-13.5%	0.6%	-6.6%	6.4%	-7.2%	-4.7%	0.8%
Pell recipients enrolled	-8.6%	-1.9%	-9.0%	6.1%	-4.7%	-8.4%	-10.3%	-9.2%	-12.1%	-3.5%	-9.8%	-5.4%	-5.7%
Underrepresented minorities	-3.6%	8.6%	-2.6%	13.2%	-1.0%	-2.4%	-4.9%	-9.4%	-4.6%	-2.8%	-6.4%	-0.2%	-2.0%
Transfer students	-6.5%	-3.1%	-4.5%	8.5%	-8.3%	-17.4%	-4.1%	-13.4%	-11.4%	-6.9%	-10.6%	-2.0%	-4.7%
SUCCESS													
Undergrads with 30 credits	-3.6%	-2.2%	-1.7%	3.9%	-4.2%	-9.2%	-6.4%	-7.1%	-7.3%	0.7%	-4.8%	-1.6%	-5.9%
Undergrads with 90 credits	-1.6%	-0.6%	-2.5%	1.6%	-3.4%	-6.1%	-5.2%	-5.8%	-3.9%	1.1%	-5.4%	-2.9%	-8.0%
Undergrad degrees awarded	-1.5%	2.1%	-1.0%	2.6%	-7.3%	-3.9%	-6.3%	-6.2%	-3.5%	-8.5%	-4.4%	-3.7%	-6.2%
Post-baccalaureate degrees	5.9%	2.4%	3.2%	5.4%	6.4%	-2.5%	25.2%	-9.5%	0.9%	18.1%	0.3%	8.5%	6.4%
WORKFORCE													
Graduates in STEM	-4.2%	4.1%	-3.2%	4.5%	-5.6%	-6.9%	-2.4%	-11.6%	-3.1%	-4.5%	0.2%	-3.3%	3.2%
Grads in health-related	2.2%	-1.8%	-1.3%	-1.1%	4.0%	3.4%	14.8%	100.0%	-7.3%	-6.8%	2.4%	-25.8%	11.2%
Pell recipients graduated	-3.6%	-0.8%	-3.9%	2.8%	-9.8%	-6.7%	-10.1%	-10.1%	-8.4%	-8.4%	-7.0%	-6.5%	-4.7%
Research and public service \$	-0.7%	-6.3%	-5.0%	7.4%	0.1%	2.6%	3.8%	15.1%	4.0%	-2.7%	-12.0%	27.7%	2.5%
EFFICIENCY													
Core expense ratio	-4.5%	7.3%	1.3%	-0.3%	-3.0%	5.0%	-19.6%	-2.0%	-2.4%	9.9%	3.5%	-10.8%	7.3%
Avg. # credit hours for undergrad	0.1%	-0.3%	-0.2%	0.0%	0.1%	0.1%	0.0%	-0.5%	0.3%	0.2%	0.0%	0.2%	0.0%
Avg. student debt	0.5%	1.2%	0.3%	2.6%	2.6%	0.5%	2.3%	0.6%	3.5%	3.2%	0.6%	1.3%	1.1%
Degrees awarded per 100 FTE	3.3%	2.7%	1.0%	0.0%	-0.1%	2.9%	7.8%	-0.9%	3.8%	-5.0%	1.9%	0.6%	0.2%
OBF measures that increased (# out of 16)	5	7	5	13	5	6	5	4	5	7	7	5	8

Note: Percent change is calculated from the base period to the current period. The goal is to increase each measure, except for average credit hours required and average student debt, where reductions are sought. Therefore, average credit hours required and average student debt have been inverted to translate reductions in these measures into positive percent change.

Appendix B: OBF Allocation Detail

UW System Outcomes Based Funding Allocation for FY24

UW Institution	2022-23 Percent of Adjusted GPR/Fee Base*	UW System Restructure**		Outcomes-Based Funding Adjustments (Main Campus Activity Only)							Total Allocation
		Distribution of Former UW Colleges	Distribution of Former UW Extension	Beginning Appropriation Share	Base Period Weighted Outcomes	Current Period Weighted Outcomes	Change in Outcomes	Appropriation Share Growth	Outcomes Funding Share	Outcomes Funding Allocation**	
UW-Eau Claire	5.0%	\$ 57,339	\$ -	5.7%	1,845.87	1,815.21	-1.66%	5.62%	5.6%	\$ 2,612,919	\$ 2,670,257
UW-Green Bay	2.5%	\$ 158,939	\$ -	2.9%	1,652.16	1,674.27	1.34%	2.96%	2.9%	\$ 1,375,310	\$ 1,534,249
UW-La Crosse	4.2%	\$ -	\$ -	4.8%	1,902.63	1,890.43	-0.64%	4.72%	4.7%	\$ 2,194,610	\$ 2,194,610
UW-Madison	38.9%	\$ -	\$ 604,426	42.9%	7,869.94	8,252.27	4.86%	44.94%	44.5%	\$ 20,879,582	\$ 21,484,009
UW-Milwaukee	14.0%	\$ 168,248	\$ -	15.0%	3,961.85	3,874.80	-2.20%	14.68%	14.5%	\$ 6,818,692	\$ 6,986,940
UW-Oshkosh	4.5%	\$ 145,242	\$ -	4.9%	1,820.81	1,803.60	-0.95%	4.89%	4.8%	\$ 2,271,166	\$ 2,416,408
UW-Parkside	2.4%	\$ -	\$ -	2.7%	1,152.12	1,127.07	-2.17%	2.60%	2.6%	\$ 1,207,908	\$ 1,207,908
UW-Platteville	3.0%	\$ 103,933	\$ -	3.3%	1,488.92	1,405.05	-5.63%	3.11%	3.1%	\$ 1,443,422	\$ 1,547,355
UW-River Falls	2.8%	\$ -	\$ -	3.1%	1,307.99	1,268.40	-3.03%	3.00%	3.0%	\$ 1,392,864	\$ 1,392,864
UW-Stevens Point	3.7%	\$ 125,644	\$ -	4.0%	1,744.80	1,703.77	-2.35%	3.95%	3.9%	\$ 1,834,807	\$ 1,960,451
UW-Stout	3.5%	\$ -	\$ -	3.9%	1,462.10	1,416.27	-3.13%	3.75%	3.7%	\$ 1,740,846	\$ 1,740,846
UW-Superior	1.7%	\$ -	\$ -	1.9%	844.02	831.23	-1.52%	1.84%	1.8%	\$ 854,968	\$ 854,968
UW-Whitewater	4.4%	\$ 72,010	\$ -	5.0%	1,795.87	1,772.13	-1.32%	4.92%	4.9%	\$ 2,284,174	\$ 2,356,184
Institution Total	90.6%	\$ 831,355	\$ 604,426	100.0%	28,849.07	28,834.48	-0.05%	101.0%	100.0%	\$ 46,911,268	\$ 48,347,049
UW Colleges	3.2%	\$ (831,355)								\$ 831,355	\$ -
UW-Extension	3.6%		\$ (1,007,377)							\$ 1,007,377	\$ -
UW System Admin.	0.0%										\$ -
UW Systemwide	2.7%		\$ 402,951								\$ 402,951
UW System Total	100.0%	\$ -	\$ -							\$ 48,750,000	\$ 48,750,000

*Includes the FY23 OBF allocation and the FY23 redistribution of UW System Administration and Systemwide from the UW System Restructure.

**Amounts for UW Colleges and UW-Extension were set aside for distribution from UW System Restructure as presented to the UW Board of Regents, August 1, 2019.

Final 09/19/2023