



Resource Allocation 2015-2017



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Resource Allocation Process Considerations

I. UW System Charge

In September 2015, UW System Administration assembled a cross-office team to review the current process for allocating state (GPR) funds to UW system institutions, analyze models across the country, and recommend an allocation model specific to the needs of the University of Wisconsin System. (See Appendix A for the charge memo).

For many years, concerns had been raised about differences in the level of funding provided to institutions. The existing allocation process can be difficult to explain externally, primarily due to its dependence on historic decisions and the lack of connectivity with changes in enrollment. Previous reviews of the existing model concluded with the recommendation to make no changes due to the lack of new resources. Other states that implemented new allocation processes expressed concerns about starting a new model without new resources.

In the fall of 2015, the internal GPR Resource Allocation Team sent a survey to Chief Business Officers, Budget Directors, and Controllers to better understand the concerns with the current resource allocation model. A similar survey was sent to Provosts, Chancellors, and the Board of Regents. The surveys confirmed that the majority of institutional and System leadership believed there was a need for change. Survey results were used to generate discussion questions for individual institutional meetings about their concerns with the current allocation processes and what an alternative model should accomplish/address. (See Appendix B for a Summary of Survey Results).

Preliminary Steps

A tentative timeline for the development of a new resource allocation model was developed and subsequently shared with all of the institutions. (See Appendix C for the tentative timeline).

An internal GPR Resource Allocation Team began reviewing national models for higher education systems. The models reviewed included Alabama, Colorado, Florida, Illinois, Indiana, Louisiana, Massachusetts, Minnesota, Nevada, North Carolina, Ohio, Oregon, Pennsylvania, Tennessee, Texas, and Washington. These models were chosen based on national trends and comparability with the needs of the University of Wisconsin System. The Nevada study that includes information on approaches in other states can be found at this link: [[States' Method of Funding Higher Education](#)]. A subset of the GPR Resource Allocation Team then met face-to-face with the leadership of each UW institution to get an in-depth institutional perspective on current allocation practice and future considerations.

Discussions highlighted the need for a simple and easily explained process. The institutional discussions (as well as other state research) made it clear that certain costs might need to be considered outside of a formulaic model. The GPR Resource Allocation Team developed a list of these potential items, and started working on background papers explaining how these costs are currently handled in allocations, and in some cases offering options for how to consider these costs.

II. Resource Allocation Consultation Group

During the summer of 2016, Chancellors were asked to provide institutional nominations for a Resource Consultation Group from which one representative per institution was selected by UW System Administration. (See Appendix D for a list of Consultation Group members and the charge memo). The Consultation Group was asked to: 1) Review and advise on the development of draft

models/frameworks and related components. 2) Provide input and feedback on the parameters, weighting (etc.) of selected components. 3) Provide a campus perspective on draft models.

Principles were developed. (See Appendix E for the principles developed). The Resource Allocation Consultation Group met six times from August 2016 to February 2017. They reviewed white papers on the various components being considered for a potential model framework and considered how to operationalize various components of a potential allocation model.

III. The Core Distribution Model

The approach developed was envisioned as a way to distribute resources among the UW System four year institutions and the UW Colleges for instruction and related activities. (See Appendix F for a visual of the recommended model). The funding for this model would begin with the total amount of GPR available to the system. The set-asides and separately allocated amounts would be subtracted from this total. The remaining funding would then be allocated to the institutions using the Core Distribution Model (which is further explained below).

The funding available for the enrollment component would be distributed proportionally based upon weighted student credit hours (SCH) at an institution. Weighting factors would be obtained from the University of Wisconsin Instructional Analysis Information System (IAIS). (For a description of external weighting factors that were considered, see Appendix G). This system has been used for internal planning and management purposes at the University of Wisconsin System and by UW institutions and has been reviewed several times over the past 40 years. The data used in IAIS includes student and curricular data from the CDR (Central Data Request), faculty information from the October Payroll, and budgeted salary, capital, and Supply and Expense (S&E) amounts. Data from the three areas are joined by organizational structure or UDDS codes.

The student credit hours at an institution are divided into five levels (lower level, upper level, masters level, Ph.D., and clinical). Professional student enrollments are not included because the funding for professional schools has been determined to be a set aside (as agreed to by the Consultation group and Chief Business Officers). The student credit hours are weighted using three-year average cost ratios to help smooth some of the variation from year to year.

The total of the weighted student credit hours for each level and institution are added together to determine the total number of weighted SCH for a year. The available funding is then divided by the total weighted SCH to determine the amount of funding provided for each weighted student credit hour. These amounts are then multiplied by the weighted student credit hours at an institution to determine the Enrollment Based Funding component.

In addition to weighing factors for type of institution and student level, the consultation group considered weighting SCH by discipline as well. Weighting by discipline would result in higher cost programs receiving a larger share of funding than lower cost credits. There were seven disciplines considered that are grouped by curricular/subject areas:

- 0-Law and Medical School
- 1-Social & Behavioral Sciences
- 2-Humanities
- 3-Engineering and Physical Sciences
- 4-Agriculture and Life Sciences
- 5-Non-Clinical Health Sciences

6-Clinical Health Sciences

The Resource Allocation Team prepared two separate sample models (with and without discipline). The Consultation Group did not recommend the use of one versus the other, although preferences were expressed for both options. Enrollment considerations for this portion of the model are included below:

1. The Resource Allocation Consultation Group recommended including only resident student credit hours for undergraduates. The definition of residents extends to Minnesota and Michigan reciprocity students because Minnesota students are admitted using the same criteria as Wisconsin students and there is a formal agreement in place for both states.
2. The Resource Allocation Consultation Group also recommended including all graduate enrollments (resident and nonresident) in this model for comprehensive institutions (same as Doctoral) because of the need to recruit nationally for some programs. Additionally, this approach recognizes the incentives the UW System should be providing to increase “brain gain” from graduate students coming, and hopefully staying, in the State of Wisconsin and to address state needs in some areas such as health.
3. The following enrollments are included in this model after discussion within the Consultation Group: Funds 101-104 (GPR Block grant 111), Fund 131 (Academic Tuition), and Fund 189 (Extension Credit Tuition). Institutions will be asked to review the use of Extension Credit Tuition instead of Academic Tuition based upon changes that have occurred over the last decade in how these appropriations should be used.
4. The model(s) will not include self-supporting enrollments that can easily be identified and are not typically supported by GPR including: Fund 128 (mostly Study Abroad), Fund 136 (mostly remedial, which by Board policy is not funded with GPR), Fund 133 (Gift Funds), and Fund 144 (Federal funds, including TRIO). The Consultation Group agreed with this approach. There was an interest in the group in keeping self-supporting enrollments separate, but developing a consistent method of identifying these credits would require significant time and labor at the institutions along with a review process to ensure comparability.

The Resource Allocation Group has recommended two other core funding elements for a future model:

1. An access component designed to consider the additional cost to serve under-represented students and low income students as defined by a headcount of Pell grant recipients and underrepresented minority students. These would be unduplicated counts for students in these population groups at an institution. A set amount of funding (the exact amount of which would be subject to a future decision) would be dedicated to this component and divided among the institutions based on their proportional share of the designated student populations. This component was developed from feedback during institutional conversations as well as from analysis of other system models. The Consultation Group considered inclusion of other student populations, such as disabled students. However, these other populations were not included due to data integrity (challenges existed in ensuring unduplicated populations) as well as difficulties in recognizing what from a broad range of costs should be assigned to institutions for serving the populations. The costs to serve some students could be significantly higher than others making it difficult to determine the correct amount to provide. There was also a concern about the criteria that would be used for selecting populations and the decreasing impact as the number of students included grows but funding remains limited. Alignment with the UW System strategic plan also influenced the final decision to limit the access component to Pell-eligible and underrepresented minorities.
2. An economy of scale or size component that would recognize the need for a certain level of base funding to support a minimum level of programming at an institution. Two alternate approaches for this component included an approach with a fixed amount or an approach

that used a sliding scale. The fixed amount approach has two variations: one variation uses the same fixed amount for every institution while another variation of this same approach uses a fixed amount only for small institutions. A third approach uses a sliding base amount for each institution determined by the difference from a fixed total amount of SCH (the Consultation group was provided a model that used the SCH of the smallest UW System institution as the starting point). The Consultation Group recommended using a fixed SCH as the base in the developed model, not the SCH of the smallest institution, because that level can vary and as a result impact funding at other institutions. The total dollar amount to be used for this component would still need to be determined. However, for illustrative purposes, five and six million have been used thus far. To arrive at these amounts, the Resource Allocation Team developed a list of core functions necessary to provide basic university operations. An average cost for each function calculated from the smallest UW institutions was used to arrive at a total funding amount. That total was between five and seven million dollars. This approach was modeled after a similar approach taken in the Pennsylvania State System of Higher Education. (See Appendix H for supporting documents of various approaches).

IV. Separately Allocated Funding Elements

Based on input from the Chief Business Officers (CBOs) and the Resource Allocation Consultation Group, this model would recognize certain funding categories that would be allocated separately. (See Appendix I for white papers on each topic). These funding amounts would be distributed using a different method than the enrollment component:

1. Utilities Funding (Fund 109 within Block Grant 111) would be distributed annually but remaining balances would be shared among the institutions based on the currently existing GPR/Fee cuts base.
2. State supported Financial Aid funding would remain at current levels within the UW System and would be allocated based on current principles.
3. Fringe Benefits are funded partially by the state through the biennial budget and through supplements. In order to continue to be eligible for supplements of fringe benefits costs, UW institutions can't base reallocate state fringe dollars. Fringe benefits savings are held centrally for one-time distributions. Institutions would remain responsible for the tuition share of fringe benefit and cost to continue requirements.
4. Separate Funding in the state budget:
 - Debt Service (Fund 110)
 - SLH -State Laboratory of Hygiene (Fund 117)
 - VDL-Veterinary Diagnostic Lab (Fund 126)
 - Emergency Grants for the UW Colleges (Fund 112)

V. Set Aside Funding Elements

These functions (see Appendix J for issue papers on each topic) were considered funding areas that did not easily fit within a formulaic enrollment based approach and as such were not included in the Core Distribution Model:

1. Research and Public Service: The internal Resource Allocation Group observed that some state models included separate recognition and allocation of research or public service. In the UW System, research funds have often been legislatively provided for specific purposes and are also an important component of advancing the research missions of the doctoral

institutions. Research funding has also been provided for the Comprehensive institutions through specific DINs and grant programs. The workgroup recommended maintaining research funding at current levels to support the various missions of the institutions. Public Service funds have also been legislatively provided for specific purposes to advance the public service role the University of Wisconsin plays throughout the state. The workgroup recommended maintaining public service funding at current levels to support the various missions of the institutions.

2. Professional Schools: (Law, Med, Vet Med and Pharmacy) would be funded at current levels of GPR with adjustments for cuts or increases in costs to continue and pay plan.
3. System Administration and Systemwide have been reviewed three times in the past decade and, as such would remain funded at current levels with adjustments for cuts and increases in costs to continue and pay plan.
4. Extension would remain funded at current levels with adjustments for cuts and increases in costs to continue and pay plan. The amount set aside for Extension would not duplicate funds set aside for public service.

VI. Performance

A performance funding component has not been included at this point because the biennial budget request included a performance funding request. The group is waiting to hear further information about the requirements of such funding, if provided.

VII. Key Takeaways

The amount of funding available will change from year to year and, likewise, the amount of funding available for each component can change. There are many different ways that the model could work. There could be a fixed amount for each of the components. There could be percentages applied to the various components of the model. There could be formulas to determine amounts for certain components with the balance of funding being provided through the basic core distribution model. These decisions are yet to be made. The developed approach provides flexibility for adjustments.

While the Resource Allocation Team has developed these sample models for consideration, there are several limitations to the potential models. These models are a formulaic approach. Therefore, they limit the System's ability to adjust or be flexible to changing strategic financial priorities. Additionally, these models take into account GPR only per the charge for Resource Allocation. However, tuition structures and funding levels from tuition could have significant impact on the ultimate decisions. This group also did not account for the revenue-generating capacity of institutions which may influence decisions on how to allocate funds across the UW System. Therefore, the models discussed in this report also have the potential to serve as tools to inform leadership on decision-making for allocation approaches in the future that could better account for these limitations.



Office of Finance

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APPENDIX A: Charge Memo

Date: November XX, 2015

To: Freda Harris (Chair), Office of Budget and Planning
Sue Buth, Office of Policy Analysis and Research
Yufeng Duan, Office of Policy Analysis and Research
Ginger Hintz, Office of Financial Administration
Gilleen Kitchen, Office of Budget and Planning
Michael Kraus, Office of Finance
Adam Pfof, Office of Budget and Planning
Dennis Rhodes, Office of Financial Administration
Alexandria Roe, Office of Capital Planning & Budget
Renee Stephenson, Office of Budget and Planning

From: Julie Gordon
Interim Vice President for Finance

Re: Charge for the UW System Resource Allocation Team

Thank you for agreeing to serve on the UW System Resource Allocation Team. The charge for this group is to review the current process for allocating state/GPR funds to UW system institutions, analyze models across the country, and recommend an allocation model specific to the needs of the University of Wisconsin System. Additionally, the team should develop a strategy to effectively communicate the new model to stakeholders both within and outside the System.

The team will develop a process to engage institutional stakeholders including, but not limited to, chief business officers, provosts, chancellors, and budget directors. The engagement process will provide the opportunity for the team to gather important feedback on models that have been used or are under consideration, understand individual institutions' needs and priorities, and consider implications of proposed models.

The Resource Allocation Team will be working in parallel with the Tuition Setting Policy Task Force, another UW System working group. The Resource Allocation Team will communicate with the Task Force on issues that impact both groups. The Tuition Setting Policy Task Force is charged with providing recommendations on policy affecting tuition-setting and tuition increases.

The Resource Allocation Team will seek and value input from stakeholders, be transparent in its work and communication, be committed to the success of the project, and view the work of the group through both a System-wide and an institutional lens. The group is asked to understand historical models and agreements but is not expected to feel constrained by them. For historical context, the current allocation process is based on several principles, including:

- Distributing costs-to-continue to fully fund each institution's actual costs.
- Maintaining institutional tuition revenue targets.
- Retaining all tuition at the institution and allocating GPR where needed.

- Allocating resources to balance out the effect when mandates, adjustments, or cuts impact institutions disproportionately.
- Allocating GPR cuts so that institutions are impacted proportionately.

After a period of engagement, research and review, the Resource Allocation Team is expected to identify various frameworks for consideration. Once the frameworks have been identified, a second stage of review and input will begin that will result in the system reaching consensus around a single type of framework. The final stage will consist of building a specific model around the agreed upon framework while gathering input from institutions, with the intention that the team will offer a recommended funding process by the end of the 2015-17 biennium.

The group will be asked to provide regular updates to key stakeholders including the Chief Business Officers and the Chancellors. The goal for this allocation process is to develop a recommended model for consideration by the Board of Regents.

This working group will be an important part of the process for developing a sustainable infrastructure for the future of the University of Wisconsin System. Thank you in advance for your contributions to this team.

APPENDIX B: Summary of Survey Results

Survey 1 Report: CBOs, Budget Directors, Controllers- 2015

Below are the results from the survey on resource allocation from the perspective of chief business officers, budget directors, and controllers. There was participation at some level from every institution with an overall response rate of more than 50 percent from those surveyed.

There was concern that institutional input did not play a role in the allocation of the restoration of funding to the system and the distribution of System-wide resources this year. There appeared to be relatively high understanding of the distribution process with an average rating of 8.4 out of ten, but a lack of clarity regarding its evolution and why the base is not reviewed according to changing circumstances at an institution.

The majority of respondents believe that a reassessment of the allocation process is important with an average response of 7.6 on a scale from one to ten.

In assessing the historic process, respondents commented on areas of improvement. They want to see increased collaboration and advance notice for institutions receiving decreased resources. Various respondents suggested allocations be linked to enrollment, and consideration of other factors such as System-wide goals, missions, how institutions serve regional or state needs, and incorporation of economies of scale. Respondents also suggested the historic model does not fully reflect today's realities. Some institutions expressed a desire to address lack of funding for salaries or to sustain programming if enrollments are declining.

Some of these themes were later repeated in what respondents viewed as priorities.

While respondents raised concerns about the current process, they also found some positive and effective features in the historic model, such as the ability to retain tuition dollars. Some respondents feel the following areas function effectively: fringe benefits, utilities, costs to continue, and the GPR/Fee pool for unavoidable costs. Additionally, some respondents appreciated the stability provided by an efficient and predictable method.

When asked about priorities, respondents suggest the process should be incentive-based, be equitable, be efficient, and take into account institutional fiscal realities. Some respondents suggest linking the process to student FTE. Other notable feedback includes reallocation aligned with strategic initiatives and making the process incentive or mission-driven to accommodate System/state goals. Suggestions include evaluating objectives such as retention, graduation, or other growth factors, a focus on new state funding, equitable pay plans, and conducting evaluation based on cost per student.

Survey 2 Report: Chancellors, Provosts, Cabinet, Regents- 2015

Below are the results from the survey on the resource allocation of GPR from the perspective of chancellors, provosts, cabinet, and regents. There was participation from 12 of the 14 chancellors and 12 of the 15 provosts. A third of the cabinet and of the Regents participated in the survey as well.

Levels of understanding across all of the groups was comparatively low suggesting a need for improvement in the channels used to communicate the allocation process. Comments reflected a concern about the ability to clearly connect the model to current financial realities.

The majority of respondents believed that a reassessment of the allocation process is a priority. The average ranking for the importance of a reassessment was 7.9 out of ten.

In response to how improvements could be made to the historic process, respondents pointed to various target areas. Some of the comments focused on linking decisions to enrollments, to research missions, and incorporating economies of scale. Some respondents suggested the need to reassess differential tuition. One respondent expressed frustration at the lack of funding for maintenance and facility repair. Some felt the ability to access outside funds hurt their ability to gain state dollars for core functions. Respondents reemphasized the need to understand the model and suggested that the historic model is inflexible and tied to history rather than outcomes.

While most respondents felt there was little rewarded in the current model, some respondents pointed to areas that were helpful. Some respondents appreciated the allotments for differential tuition, the ability of campuses to retain additional tuition above the targeted amount, and assistance in managing budget cuts. Other respondents felt the process effectively managed cuts to smaller institutions. One respondent felt the allocations for debt service and utilities were fair.

When asked about modifications and priorities, respondents suggested the process be outcome or performance-based, centered around mission, transparent, understandable, and equitable. Respondents wanted to see the model tied to understandable factors that reflect today's realities. However, respondents demonstrated caution in creating budget holes for institutions. There seemed to be consensus on making the process incentive or mission-driven to accommodate System/state goals. Suggestions included evaluating objectives such as retention, graduation, enrollments, accountability to mission and growth factors.

The Regents that responded to the survey reflected a different perspective. One of the respondents called for continuation of the approval of allocations by the Board of Regents. All of the Regents suggested the process was not entirely clear. They called for transparency, predictability in any changes, and the ability to hold institutions harmless during any transition. One of the Regents reflected fear that dissatisfaction on the part of the institutions surrounding a new model could lead to a negative image of UW System on the part of individual legislators.

APPENDIX C:
Tentative Resource Allocation Timeline

GOALS	TARGET DATES	SUMMARY
1) Preliminary planning, research, and evaluation of requirements for development of new resource allocation model. This includes gathering perceptions of the current funding model as well as documenting individual institutions' concerns, and researching nation-wide approaches.	Oct. 2015 - Feb. 2016	Planning and Engagement (10 months)
2) Assessment of base expenditure components: Establish and understand preliminary base components. Provide regular updates on progress to Board of Regents.	Mar. 2016 - July 2016	
3) Design framework of the new allocation model(s) based on items 1 and 2 that address the needs of each institution. Engagement of campus constituents in the model construction. Provide updates at the Business and Finance Committee Meetings.	Jul. 2016 - Mar. 2017	Model Construction (9 months)
4) Deliver a final report.	Jun. 2017	
5) Communication with System and Board leadership of the allocation model.	Jun. 2017 - Jul. 2017	Review (4 months)
6) Approval and communication of the new allocation model.	Jul. 2017 - Aug. 2017	
7) Planning Year/Phase-in a piece of the model.	Aug. 2017-Jun. 2018	
8) Implementation of new allocation model.	Fiscal Year 2018-19	

APPENDIX D: RESOURCE ALLOCATION CONSULTATION GROUP

Consultation Group Institution Representatives

Institution	Representative	Title
UW-Eau Claire	Kristen Hendrickson	Executive Director, The Administrative Services and Knowledge Center
UW-Green Bay	SuAnn DeTampel	Controller
UW-La Crosse	Bob Hetzel	Vice Chancellor for Administration and Finance
UW-Madison	Tim Norris	Associate Vice Chancellor, Finance & Administration
UW-Milwaukee	Jerry Tarrer	Associate Vice Chancellor of Business and Financial Services
UW-Oshkosh	Lori Worm	Interim Vice Chancellor for Administrative Services
UW-Parkside	Scott Menke	Controller
UW-Platteville	Liz Throop	Acting Provost and Vice Chancellor for Academic Affairs
UW-River Falls	Wes Chapin	Associate Provost and Professor of Political Science
UW-Stevens Point	Erin Hintz	Budget Director
UW-Stout	Phil Lyons	Vice Chancellor for Administration and Student Life Services
UW-Superior	Jackie Wiessenberger	Interim Provost
UW-Whitewater	Aimee Arnold	Director, Budget Office
UW Colleges	Colleen Godfriaux	Associate Vice Chancellor for Administration and Finance
UW-Extension	Mark Dorn	Associate Vice Chancellor for Administration and Finance
UW System		
	Julie Gordon	Interim Vice President for Finance
	Freda Harris	Assoc. Vice President, Budget & Planning
	Alex Roe	Assoc. Vice President, Capital Planning & Budget
	Sue Buth	Int. Asst. Vice President, Policy Analysis & Research
	Renee Stephenson	Director, Budget Planning & Development
	Ginger Hintz	Int. Asst. VP & Controller, Financial Administration
	Mike Kraus	Special Asst. to the Int. Vice President for Finance
	Yufeng Duan	Sr. Institutional Planner, Policy Analysis & Research
	Dennis Rhodes	Program & Policy Analyst-Sr., Financial Administration
	Gilleen Kitchen	Program & Policy Analyst, Budget & Planning



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Date: June 20, 2016

To: Chancellors

From: Julie Gordon

A handwritten signature in black ink that reads "Julie Gordon". The signature is written in a cursive, flowing style.

Re: Request for GPR Resource Allocation Consultation Group Representatives

Background

In September 2015, UW System Administration began discussions on GPR resource allocations and assembled a cross-office team to develop alternative models.

In Fall 2015, the Resource Allocation Team sent a survey to Chief Business Officers, Budget Directors, and Controllers to better understand the concerns with the current resource allocation model. A similar survey was sent to Provosts, Chancellors, and the Board of Regents. Following a review of the survey information, Freda Harris, Adam Pfost, Gillean Kitchen, and Julie Gordon had face-to-face meetings with the leadership of each UW institution to get an in-depth institutional perspective on current allocation practice and future considerations.

Using the input from the face-to-face visits, the Resource Allocation Team began to prepare discussion papers that addressed significant policy decisions. The first papers on utility allocations and separate GPR appropriations (debt service, State Laboratory of Hygiene, and the Veterinary Diagnostics Laboratory) were presented to the CBOs in February with follow-up papers on financial aid and fringe benefits presented in April.

To promote communication, the Resource Allocation Team plans to provide updates to chancellors, provosts, chief business officers, budget officers, controllers, and chief student affairs officers at their regular meetings throughout the development stages. The regents will be introduced to the process later at a board meeting.

By early Fall, the Resource Allocation Team expects to have defined several broad frameworks of resource allocation models.

Consultation Group Nomination Request

To best assess allocation frameworks/models and ensure they effectively incorporate institutional perspectives and meet UW System needs, the Resource Allocation Team is requesting the assistance of a Consultation Group that will consist of institutional representatives identified and nominated by the Chancellors.

Expectations:

The Consultation Group will:

- Review and advise on the development of draft models/frameworks and related components
- Provide input and feedback on the parameters, weighting (etc.) of selected components
- Provide a campus perspective on draft models.

Meetings of the Consultation Group will be once a month with the expectation of possible intermittent electronic communication. Between meetings, representatives are asked to consult with their campus leadership and staff on concepts reviewed during the meetings to provide the most effective campus representation. While the members of the Consultation Group are welcome to join discussions in person, all meetings will be available through videoconference or teleconference.

The group members will assist in the detailed process of narrowing frameworks into a final model. Updates will continue to be provided and feedback will continue to be gathered at the regular meetings for Chancellors, Chief Business Officers, Provosts, Budget Officers, Controllers, and Chief Student Affairs Officers.

Selection Criteria:

Nominees should possess a general understanding of **campus budgeting, enrollment management, and/or academic and program planning from a budget perspective**. Nominees should understand the **impacts** of these areas on institutional operations and funding and be able to provide a representative perspective from their campus as well as consider the overall needs of the System.

Nomination Recommendations:

Each Chancellor is asked to identify 2-3 individuals to serve as a representative from their institution no later than July 1st. Nomination recommendations can be emailed to Gilleen Kitchen at gkitchen@uwsa.edu.

At the conclusion of the selection process, every institution will have at least one representative on the Consultation Group which will convene for its first meeting in July.

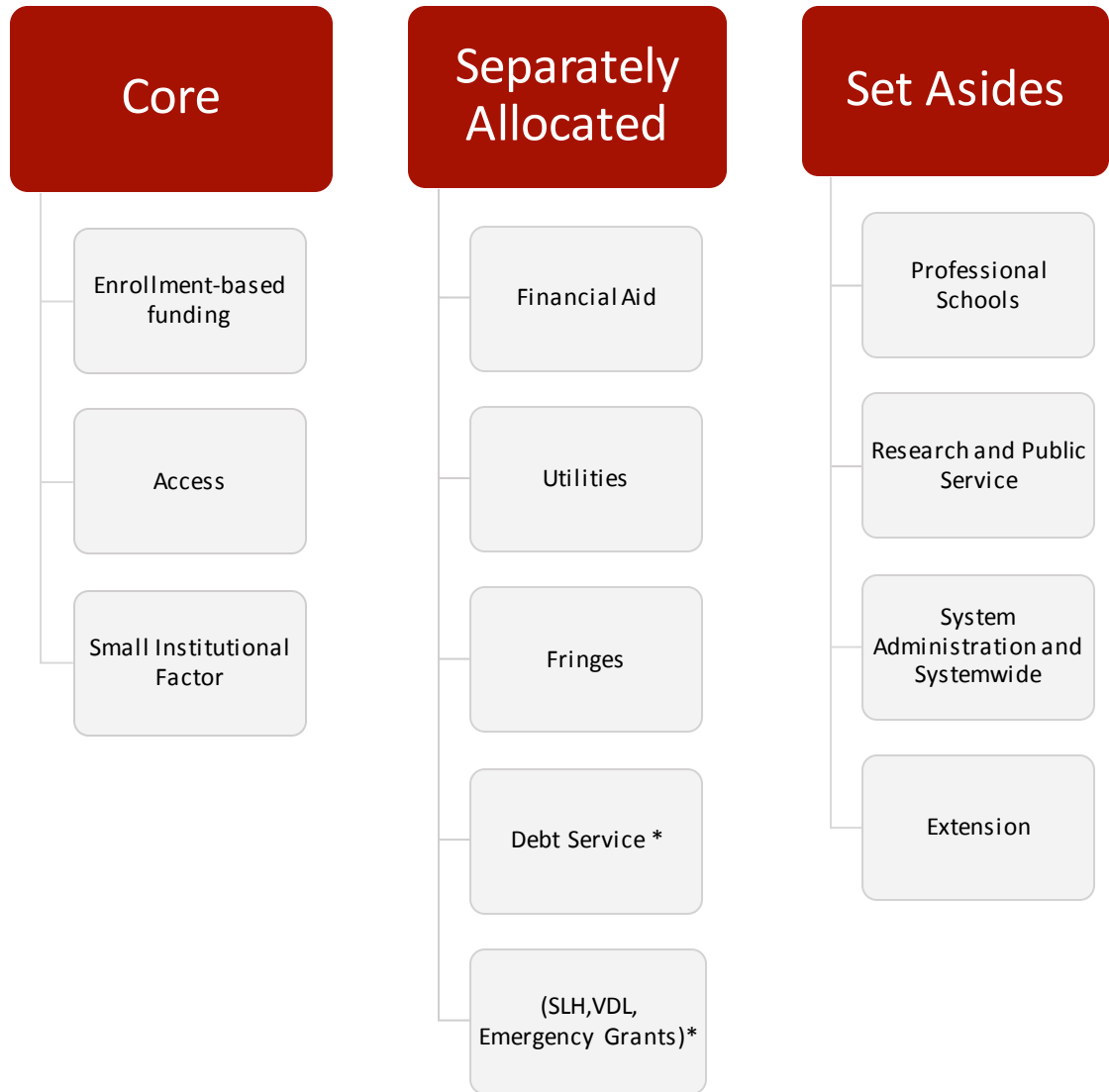
Again, thank you in advance for your willingness to have institutional representatives contribute to this group. The Consultation Group will be an important part of the process for developing a versatile long-term resource allocation model for the entire University of Wisconsin System.

Cc: Members of the Resource Allocation Team
Chief Business Officers

APPENDIX E: 2016 Resource Allocation Principles

Characteristic	Description
1. Quality-Focused	Recognize institutional needs and ability to provide students with a quality education and the services to be successful regardless of institutional size, geography, or service area.
2. Performance Based	Provide incentives for addressing the strategic goals of the UW System and reward entrepreneurial approaches.
3. Mission Sensitive	Consider unique institutional resource requirements to fulfill Board-approved missions.
4. Understandable	Contain components that are understandable to internal and external stakeholders.
5. Stable	The allocation model should include a smoothing mechanism that mitigates dramatic shifts over short periods of time.
6. Responsive	Be responsive to changing environments and reflect those changes in the key parameters.
7. Predictive	Allow institutions to reasonably forecast future allocations.
8. Adaptable to the State Economy	Function when state appropriations for higher education are increasing, decreasing, and stable.
9. Explicit about Expectations	Be explicitly defined by new expectations with innovative solutions and not overly constrained by past decisions.
10. Guided by Policy	Reflect policy and strategic direction outlined by leadership.

APPENDIX F: Overview of Developed Model



*These funding amounts are separately appropriated by the state.

APPENDIX G: WEIGHTING SOURCES OF STUDENT CREDIT HOURS

Data Source Options for Weighting Cost per Student Credit Hour

The purpose of this analysis is to provide information about three potential data sources that have been identified for weighting student credit hours and to assist in discussions of a data source preference among the three.

Background

A UW System Administration Workgroup has been charged with reviewing the existing GPR resource allocation model and developing a new model that would be understandable, transparent, reflective of the current fiscal environment, and responsive to the existing state realities.

To best assess allocation frameworks/models and ensure institutional perspectives are incorporated, a Consultation Group that consists of a representative from each institution has been formed. The Workgroup and Consultation Group have agreed that a core component for the new GPR resource allocation framework should be student enrollment driven as measured by annual student credit hours (SCH). In previous discussions, the Consultation Group recommended that student credit hours should be weighted to acknowledge cost differences by type of institution, level of instruction, and academic discipline. For example, student credit hours are weighted more at graduate levels than at undergraduate levels.

To accomplish this, cost per credit data by type of institution, level of instruction, and academic discipline are needed. Based on cost per credit, relative cost ratios can be calculated and applied to student credit hours to get weighted student credit hours.

Three Options on a Data Source of Cost per Credit

What cost per credit data are available and can be used? Three data sources have been identified for consideration:

- Instructional Analysis Information System (IAIS), UWSA
- Delaware cost study results by discipline and type of institution
- Relative weights by discipline clusters for Nevada System of High Education (NSHE) by NCHEMS

1. Instructional Analysis Information System (IAIS)

IAIS, and its predecessor PMIS (Planning & Management Information System) developed in the early 1970's, has been used for internal planning and management purposes at the UW System

and UW institutions. Over the more than 40 years, it has been reviewed several times so the algorithms have been agreed upon and accepted. The data used in IAIS include student and curricular data from the CDR (Central Data Request), faculty information from October Payroll, and budget amounts. Data from the three areas are joined by organizational structure or UDDS codes.

In IAIS, cost per credit data by student level and by institution or cluster, are available. By academic discipline, there are seven disciplines grouped by CAC/UDDS codes:

- 1-Law and Medical School
- 2-Social & Behavioral Sciences
- 2-Humanities
- 3-Engineering and Physical Sciences
- 4-Agriculture and Life Sciences
- 5-Non-Clinical Health Sciences
- 6-Clinical Health Sciences

A previous resource allocation group, the UW System Integrated Planning Working Group (2004-2006), thought the cost data by seven disciplines in IAIS did not well reflect the cost differences by discipline and attempted to calculate cost per credit by a more detailed subject area or department based structure. However, the group identified some issues due to different organizational structures (i.e. school/colleges, combined departments) and business practices and were concerned that cost per credit results by detailed CAC/discipline were not always representative of the activity and might have unintended consequences.

Best practices in developing a new funding model in other states and conversations with consultants/experts in the area and senior leaders at the UW System, all emphasize that “a funding model should be simple”. Given the challenges to accurately calculate/identify cost per credit by detailed academic discipline, there is a concern that incorporating cost by discipline would introduce complexity into a new resource allocation model.

With these considerations, relative cost ratios by level and type of institution without incorporating the factor of academic discipline using IAIS have been calculated and shared with the Consultation Group (Table 1). For example, relative to undergraduate lower level, the cost ratio is 2 at the undergraduate upper level for doctoral institutions.

Table 1: Cost Ratios by Student Level and Type of Institution Using IAIS

Type of Institution	Undergrad Lower Level	Undergrad Upper Level	Master's	Ph.D.	Professional	Clinical/ Doctorate Practice
Doctoral	1.0	2.0	4.6	7.8	5.0	4.2
Comprehensive/Colleges	1.0	1.5	2.6	n/a	n/a	2.9

Note: based on three-year averages.

Without incorporating cost differences by discipline, it implies that an equal amount of GPR support is provided to each student credit hour when it is at the same level of instruction and

delivered at the same type of institution regardless of the academic program and regardless of the program array an institution has.

Some other limitations using IAIS identified by the previous resource allocation working group include:

- There are misalignments in data reporting from the three areas – budget, payroll, and CDR.
- Budget data don't reflect actual spending.
- It includes only GPR/Fee funding.

2. Delaware Cost Study Results

The UW System Consultation Group for GPR resource allocation identified the Delaware cost study results as another potential option for cost per credit data.

The Delaware Study of Instructional Costs and Productivity or Delaware Study began in 1992 in the Office of Institutional Research and Planning at the University of Delaware and has grown into a national data-sharing consortium among four-year colleges and universities with around 200 institutions participating annually. Since 1996, over 600 institutions have participated. At the UW System, ten institutions (Eau Claire, Green Bay, La Crosse, Madison, Milwaukee, Parkside, Platteville, River Falls, Stevens Point, and Whitewater) have participated at some point in time. Two institutions, UW-Parkside and UW-Platteville, are currently participating. Organizations, systems, and state agencies which have used the Delaware cost study include:

- Association of American Universities Data Exchange (AAUDE)
- Southern Universities Group (SUG)
- University of North Carolina (UNC) System
- Pennsylvania State System of Higher Education (PaSSHE)
- University of Missouri System
- University of Nebraska System
- Connecticut State University System (CSUS)
- City University of New York (CUNY) System

The primary objective of the Delaware cost study is to identify factors that contribute to direct instructional expenditures in the colleges and universities that participate in the Delaware study. The population for this study is self-selected, not a random sample. Based on an analysis by J. Barnshaw and T. Eleuterio, Higher Education Consortia, University of Delaware, the strengths and limitations of Delaware cost study are:

Strengths

- Ideal tool for benchmarking instructional costs, research, and public service expenditures at the academic discipline level

- Most systematic and rigorous conceptualization based on CIP levels
- Assists institutional data and unit alignment
- Assists in identifying cost distortions
- Ideal for program reviews and accreditation
- Ideal for establishing new program or department projections
- Higher Education Consortia is a useful intermediary partner

Limitations

- Not a “whole cost” benchmarking tool for expenditure or tuition
- Not a perfect 1:1 Program/Department/Academic Budget Unit match
- Not a tool for performance funding

The Delaware study is organized by academic discipline at the 4-digit CIP level and Carnegie classification. The cost study results are available only for participating institutions. Please see a sample example of the cost study results of national norms: <http://ire.udel.edu/index/t4a/>

If the results of national norms are used, cost per credit by type of institution and discipline can be acquired but not by level of instruction. However, the two variables - cost per credit by level and cost per credit by type of institution are highly correlated. A higher average cost or refined mean (average of the data points after eliminating the outliers) for a discipline at research universities have been affected/weighted by higher costs at graduate levels. As a result, the cost by level may have been incorporated into the costs by discipline and type of institution.

Compared with the IAIS, the Delta cost study uses expenditure data and includes all funds. In addition, Delaware cost study uses a methodology of “credits follow the instructor”, while IAIS uses a methodology of “credits follow the department”.

3. Relative Weights by Discipline Clusters for Nevada System of Higher Education (NSHE) by NCHEMS

During the process of developing a new funding model at the Nevada System of Higher Education, the National Center for Higher Education Management Systems (NCHEMS) developed relative weights by discipline cluster and level of instruction for NSHE (attached) based on a four-state cost study conducted by SHEEO along with cost and expenditures studies of Texas. The instructional cost ratios are divided into eleven discipline clusters that are assigned weights by course levels – lower division, upper division, master’s, and doctoral using relative cost data from studies conducted in Florida, Illinois, Ohio, and Texas. These are states that have successfully used cost studies in formula funding¹.

¹ A report “Higher Education Funding Formula Summary” <http://system.nevada.edu/Nshe/?LinkServID=88AA9E28-E383-647E-9323AB47126E98B1>

For more details, see the four-state cost study – Florida, Illinois, New York-SUNY, and Ohio conducted by the State Higher Education Executive Officers (SHEEO): <http://www.sheeo.org/resources/publications/four-state-cost-study> and the cost and expenditures studies of Texas Higher Education Coordinating Board: <http://www.thecb.state.tx.us/index.cfm?objectid=50067F8C-D180-18DE-B88C060BCE74E409>

In the four-state cost study, the level of instruction was disaggregated into four categories: lower division undergraduate, upper division undergraduate, graduate I, and graduate II. In terms of academic disciplines, the cost study data for Florida, Illinois, and Ohio were available for 28 disciplines (organized by the first two digits of CIP) over the five-year period from 2002 to 2007; while the cost study data for New York-SUNY were available for 19 disciplines (organized by the first two digits of the Higher Education General Information Survey - HEGIS) over the nine-year period from 1995 to 2004.

The four states vary in regards to their cost allocation methodology. Illinois allocates student credit hours by student level and Ohio allocates by course level. Both Florida and New York – SUNY use the course level to determine undergraduate lower and upper division student credit hours, but use the student level for making the division between graduate I and graduate II.

In addition, the cost data vary. The cost data reported by Illinois in this study include only those funds distributed directly by the state to campuses for operating subsidies, and don't include funds paid directly by the state to pension funds or group insurance programs on behalf of faculty and staff. In contrast, the cost data reported for Ohio include funds that are paid to pension and group insurance programs. Additionally, the cost data for all four states include direct costs (primarily salaries) and direct support costs (primarily department-level overhead) associated with cost of instruction. For Illinois, Florida, and Ohio, the total cost of instruction also includes institutional-level overhead. The New York-SUNY data do not include institution-level overhead.

For comparative purposes, cost per student credit hour was indexed to lower division undergraduate (Tables 11, 12, 18 in the four-state cost study). It has been indicated in the four-state cost study: "Since the states represent large centers of the U.S. population across different regions and have differing higher education finance and governing structures, the similarities in their data suggest the fundamental structure of higher education costs is likely similar in most places. This study, therefore, may be useful to states with less fully developed information about expenditures by discipline and level of instruction".

The NSHE relative weights developed by NCHEMS have also been used by states - Mississippi, Colorado, Nevada, and Massachusetts other than the states participating in the cost study. There might be some further adjustments when a state uses it.

Compared with IAIS, the four-state cost study and the cost studies of Texas use expenditure, not budget data. The limitations of this data source are:

- There are not enough details on how the relative weights by discipline clusters were developed from the cost study results and how they were adjusted based on the realities at NSHE.
- It seems the relative weights were not totally calculated from cost study results. Conversations with some staff at NSHE and NCHEMS indicated that some judgments and other factors were incorporated into the relative weights.
- The data and methods are not consistent across states.

Items to Consider

At their October 28 meeting, the Chancellors expressed their interest in a simpler model with fewer components and less complexity. They did not appear to support a by discipline approach. Given that discussion, should we eliminate discipline from the requirements for weighting and instead focus on institution type and level?

APPENDIX H: Basic Fixed or Small Institution Factor Potential approaches for discussion

Fixed Amount to All Institutions

Under an approach of this type, all institutions would receive a fixed amount (e.g., \$5M) as a basic element of their institution's core GPR funding. This approach might alleviate some concerns about only a few institutions receiving funding while others do not. It does not, however, fully address the challenges faced by smaller institutions which produce lower numbers of Student Credit Hours (SCH) and may, in fact, exacerbate some of those challenges by diverting limited GPR resources to institutions which currently benefit from economies of scale, and/or other operational advantages.

Fixed Amount only to small/at risk institutions

An approach of this type would direct a fixed amount of base funding (e.g., \$5M) to only a limited number of institutions deemed challenged by their size (as measured by SCH production) and/or structure/mission. Such a targeted approach may address some of the challenges faced by small institutions by providing funding support not generated through other elements of a GPR funding model. The approach may, however, create potential concerns from institutions not included in the group receiving funding through this component.

Prorated amount of funding based on level of Student Credit Hour Production

An approach of this type would allocate a prorated portion of a fixed amount (e.g., \$5M) based on levels of student credit hour production. In the example provided, institutions producing less than 100,000 SCH would receive the full amount, institutions producing between 100,000 and 250,000 SCH would receive 50% of the fixed amount, institutions producing between 250,000 and 500,000 SCH would receive 25% of the fixed amount, while institutions producing over 500,000 SCH would not receive any funding through this component. However, institutions with greater SCH would receive more funding than others through the enrollment driven component. This approach could be modified in any number of ways through changes in the fixed dollar amount (e.g., \$5M, \$3M, \$6M, etc.), the percentage made available at various SCH levels (e.g., 25%, 50%, 75%, 100%), and/or the number of SCH

All of the above possible approaches could have multiple variations.

APPENDIX I: SEPARATELY ALLOCATED FUNDING ELEMENTS

UW System Utilities Summary and Proposed Allocation Options (March, 2016)

Intro: This paper provides an overview of how UW System Administration receives and allocates funding for utility costs and provides options for changing the allocation process in a new funding allocation model. This paper is designed to be a discussion tool. Any of the outlined options highlighted in this paper can be modified and additional options can be added.

Background: Under the current allocation model, institutional utility budgets are allocated to cover prior year estimated costs adjusted for the estimated cost of new space that will be added. Utilities are budgeted and expended on Fund 109, which is a part of the Fund 111 block grant. At the end of each fiscal year, institutions are provided the amount of money required to cover actual expenditures (treated as sum sufficient). Savings from the appropriation are held centrally and distributed as agreed upon by the Chief Business Officers. The total Fund 109 annual budget has been held constant at \$139,800,000 since 2012-13 when the state converted most UW GPR appropriations into a block grant.

The utility appropriation was developed by the state based on the following:

- The state started with actual expenditures for the first year of the preceding biennium (2010-11 for the 2013-15 biennium) for various types of fuel, energy, and utilities including electric, gas, heating, cooling, water, sewage, coal, fuel oil, pellet fuel, and other types of fuel.
- An adjustment of the total expenditures was made for degree days.
- The state would then adjust total expenditures for inflation factors.
- The state would add institutional estimate changes to expenditures associated with new space in future years (collected and provided by System Administration), and
- Changes in funding needed for energy efficiencies projects that were financed through the Master Lease agreements of the state.

The utilities funds are then allocated to institutions based on a prior year's expenditures adjusted for new space. Any funding that is left over is then budgeted in Systemwide for distribution as needed. Net savings between the appropriated utilities amount and actual expenditures are pooled at the system level and distributed back to the institutions as a pro-rata share of the GPR/fee base. The methodology for this distribution is subject to consensus decisions by the chief business officers every year. (See APPENDIX A for FY 2016 utilities budget).

Other States: In some states, models also include utility costs under some form of physical plant operation and maintenance. Some states allocate utilities based on a formula for physical plant that includes factors like percentage of instructional budgets, a space prediction based on full-time student equivalents with accommodation for degree level, supplements added to account for rising utility costs, and square footage calculations. Georgia uses a formula approach that is funded based on square feet of instructional space.

Other states allocate utilities entirely separately. Alabama for example allocates their utility costs based on expenditures for heating, electricity, and the gross floor area (divided into education or general space). Minnesota uses a formula approach that incorporates a three-year average of utility expenditures and allocates additional funding for leases, multiple campuses, or living factors. Some states, such as New York, provide the actual cost of utilities as part of plant operation and maintenance of plant.

1. Continue with the current process

Pros:

- This approach provides predictable funding for variable utilities expenses.
- Institutions are not responsible for reallocating resources due to utilities changes beyond their control. New space can be more expensive than older space, a particularly cold winter can impact areas of the state differently. The state may purchase utilities at a time that is not in sync with institutional needs and funding, etc.
- Sharing responsibility for utilities at the system level recognizes that institutions have limited control over fuel purchasing and utility costs.
- This approach recognizes that utilities depend on facility use, condition, and age, which are often factors that institutions cannot control.
- When an institution receives new GPR space, the institution does not need to reallocate operating funds for utilities.
- Maintaining a separate funding allocation for utilities reinforces the state's responsibility to fund utilities.

Cons:

- While the state has historically funded utilities, it may not continue to do so in the future. This approach does not address how to allocate potential state shortfalls in utility funding.
- Because savings are distributed to institutions on a pro rata basis, the financial incentive to conserve utilities, operate facilities more efficiently and effectively or to perform energy efficiency projects may be diminished.
- Under the "No New Square Feet" policy, the benefit of receiving utility funding for new space is reduced.

2. Continue with the current process for now, but explore other alternatives going forward

This option acknowledges that there may be value in exploring another allocation approach, but that the process will be time consuming and may require a consultant. The current approach would be used for implementing the new allocation model, but a working group could be established to reevaluate the process in the future. Because utilities would be addressed as a distinct component in the new allocation model, it would be relatively easy to implement a change in the future. This option would also allow the possibility of including utilities in a more general allocation. See the reference to general maintenance in the Other States section of this paper.

Pros:

- This approach has the same advantages as Option 1.
- Delaying the discussion allows for more thoughtful consideration of the issue without holding back the larger resource allocation process.

Cons:

- Without the current impetus to discuss resource allocation, a future discussion may not occur in a timely manner.
- The future discussion will be time consuming for staff and consulting resources can be expensive.

3. Fixed utility budget

utility needs.

Pros:

- This approach creates a clear financial incentive to reduce utility expenditures.
- This approach provides increased autonomy for the institutions to manage their own resources giving them greater control over their future utility trajectories.
- With authority resting with the institutions, Ssystem could use this option to demonstrate institutional accountability to sustainability efforts.
- Without additional maintenance funding being added from the state, this option shifts fiscal responsibility to the institutions.

Cons:

- It is unclear how the base utility allocation would be determined. Some institutions have already invested in energy savings and would advocate for the base to reflect those efforts. Some institutions have facilities that may have a lower return on investment for energy efficiency projects. It is unlikely that all institutions would be satisfied with a particular initial allocation.
- This approach is likely to delay the development of the larger resource allocation model.
- Institutions will be required to evaluate their long-term utilities needs and to prepare for unanticipated increases in utilities (e.g., rapid fuel increases, severe weather)
- This approach does not provide institutions with fuel purchasing flexibility or control over the sale of plants.
- This approach may diminish the expectation that the state fund utilities as part of a cost to continue allocation.

4. Develop alternative uses of net savings. These options could be decided upon by the CBOs from savings that are currently generated and include the following approaches:

a. *Energy conservation fund*

Under this option, utilities are allocated using the current methodology. Any utilities carry over would be invested in a system energy conservation fund. Institutional efficiency projects with the largest return on investment would be funded.

b. *Incentive funding*

Any utilities carry over would be invested in the performance incentive fund of the new resource allocation methodology.

c. *State needs\innovation fund*

Any utilities carry over would be used to create an innovation fund. This fund would support one-time seed funding to institutions for proposals that met state needs.

Cons:

- It is unlikely that all institutions would agree on what qualifies as a state need and the relative importance of the needs.
- There would be very little incentive for utility conservation under the state needs option.
- This approach may diminish the expectation that the state fund utilities as part of cost to continue.
- Institutions would invest time into proposals that may not be funded in the end.
- Institutions would not benefit equally from utilities savings.

APPENDIX A: FY 2016 Utilities' Allocation:

University of Wisconsin System 2015-16 Annual Budget Utilities Allocation			
		2016	
	2015	Estimated	2016
<u>Unit</u>	<u>Budget Total</u>	<u>Change in Expenditures</u>	<u>Budget Total</u>
UW-Madison	77,867,714	7,874,261	85,741,975
UW-Milwaukee	12,603,730	166,641	12,770,371
UW-Eau Claire	2,518,705	265,849	2,784,554
UW-Green Bay	2,139,052	93,289	2,232,341
UW-La Crosse	2,951,708	-256,848	2,694,860
UW-Oshkosh	3,366,003	692,243	4,058,246
UW-Parkside	2,250,796	345,276	2,596,072
UW-Platteville	2,735,127	116,992	2,852,119
UW-River Falls	2,098,210	60,086	2,158,296
UW-Stevens Point	3,128,631	-78,240	3,050,391
UW-Stout	2,246,017	-48,132	2,197,885
UW-Superior	1,661,346	-265,314	1,396,032
UW-Whitewater	3,377,060	-11,350	3,365,710
UW Colleges	3,653,255	141,286	3,794,541
UW-Extension	272,611	13,781	286,392
UW System Admin.	64,100	0	64,100
UW-System-wide*	16,865,935	-9,109,820	7,756,115
Total	139,800,000	0	139,800,000

FINAL OUTCOMES: At the February 2016 CBO Meeting, the majority of CBOs determined that option 1 (Continue with the Current Process) would be the option in the new allocation model. In the discussion of the current process and year-end distribution of surpluses, the option notes that “The methodology for this distribution is subject to consensus decisions by the chief business officers every year.” Instead of reconvening the CBOs to decide how to distribute the savings each year, the CBOs collectively determined that they preferred to just automatically distribute the surplus as System has in the past; there’s no need to continue to ask them each year. The decision was made with the goal of providing the maximum flexibility to address institutions’ priorities especially under the tight budget conditions that they are operating under. The outcome was also shared at the February, 2016 Chancellor meeting and met with no objections or comments.

UW System Financial Aid Summary and Proposed Options

Intro: This paper provides an overview of how the UW System allocates GPR funding provided directly to the UW System for financial aid and proposes options for distributing these resources in a new funding allocation model. This paper is designed to be a discussion tool. Any of the outlined options highlighted in this paper can be modified and additional options can be added.

Current Process:

The UW System receives funding from state resources for financial aid as part of its largest GPR appropriation – Fund 111 (1)(a) and through the Higher Educational Aids Board (HEAB). The largest source of state financial aid comes from HEAB for the Wisconsin Grant for UW Students which provides \$58,345,400 annually. This paper does not discuss, or provide options for, the distribution of Financial Aid funds from HEAB.

The UW System currently distributes \$23,333,300 in GPR annually for financial aid, even though there is not a statutory requirement to fund a certain level of financial aid. After the state established a block grant for most GPR appropriations in the 2011-13 biennial budget, all separate appropriations for financial aid were deleted and funding was placed in the GPR operations appropriation 20.285(1)(a). To determine how to move forward, the UW System established a financial aid workgroup. The group considered whether UW institutions should continue to budget and manage financial aid programs separately or if funds should be distributed to institutions as part of the base.

The workgroup recommended, and the Chief Business Officers supported, an approach that would maintain the level of GPR financial aid that was included in the 2011-12 UW System budget at the time the block grant was created. Funding that had been allocated as base resources to institutions for Student Aid (Fund 107) and Study Abroad (Fund 173) would remain with those institutions for use as general need-based financial aid. Funding for Tuition Remissions (Fund 175) would be held centrally for distribution to institutions as needed based on enrollments of students meeting the criteria. Funds for the Lawton Undergraduate Minority Retention Grant (Fund 406), the Advanced Opportunity Program (Fund 403), and the Tuition Assistance Grant (Fund 111) would be reallocated each year based upon the criteria recommended by the Financial Aid directors for Board approval.

Background:

GPR funding for financial aid within the UW System has remained at the same level since 2011-12 when the Tuition Assistance Grant fund was reduced to remove the program revenue funded financial aid amounts (amounts from UW auxiliaries). The financial aid block grant workgroup discussed whether funding should be allocated as base to UW System institutions for any purpose or outside of the block for financial aid use only. Funding for AOP, Lawton, and the Tuition Assistance Grant are allocated annually.

State statutes 36.25 (14) for **AOP** and 36.34(1)(b) for **Lawton** require the UW System to provide grants (amounts not specified) and identifies the targeted populations to be served under the programs. The statutory language follows:

36.25(14) GRADUATE STUDENT FINANCIAL AID. The board **shall establish** a grant program for minority and disadvantaged graduate students enrolled in the system. The board shall give preference in awarding grants under this subsection to residents of this state.

36.34 Minority student programs.

(1) BEN R. LAWTON MINORITY UNDERGRADUATE GRANT PROGRAM.

(a) In this subsection "minority undergraduate" means an undergraduate student who:

1. Is a Black American.
2. Is an American Indian.
3. Is a Hispanic, as defined in s. 16.287 (1) (d).

4. Is a person who is admitted to the United States after December 31, 1975, and who either is a former citizen of Laos, Vietnam or Cambodia or whose ancestor was or is a citizen of Laos, Vietnam or Cambodia.

(b) The board **shall establish** a grant program for minority undergraduates enrolled in the system. The board shall designate all grants under this subsection as Lawton grants.

While not **required** by statute, the Tuition Assistance Grant (Academic Fee Increase Grant) is still included in statute, which defines how the funds were to be utilized. The population of students in the eligible group is no longer relevant so institutions have been provided the authority to utilize funding for financial aid for needy students.

36.25(49) ACADEMIC FEE INCREASE GRANTS. The board **may make grants** to resident undergraduate students who do not receive grants under s. 39.435 that are payable from the appropriation under s. 20.235 (1) (fe), whose annual family income is less than \$60,000, and who have unmet financial need. Beginning in fiscal year 2011-12, the board may make a grant under this subsection only to those students enrolled in the system during fiscal year 2010-11 who maintain continuous enrollment. A grant to a student under this subsection shall be in an amount determined by the board that corresponds to any increase, or any portion of an increase, in academic fees charged to the student, but may not exceed the amount of the student's unmet need..

Student Aid and Study Abroad are no longer required programs in statute. However, the programs are still supported by the UW System based on the prior distributions.

Considerations

As previously discussed, funding is allocated to institutions based on the 2010-11 distribution of Student Aid and Study Abroad funds and the established allocation formulas for AOP, Lawton and TAG. If funding for financial aid were to be included within a new allocation model, decisions would need to be made about 1) whether institutions would be required to maintain a certain level of need based aid and 2) how to manage and fund the AOP and Lawton programs that are statutorily required. Further, there would need to be decisions made about whether GPR funded financial aid, currently provided based on need, could be used for merit purposes.

Additional decision items include—How would future funding for financial aid be requested and/or distributed if some funding is used for other purposes? Would the funding be adjusted or redistributed on a periodic basis? How would the Board of Regents, students and the general public view decisions related to reducing funds available for financial aid overall?

How should funding for the Tuition Assistance Grant be treated? This funding is currently allocated annually to institutions based on the number of institutional Pell Grant recipients with an Expected Family Contribution below the level used in the Wisconsin Grant program (for this year EFC below \$4,501). This program is no longer statutorily required. Should this program be discontinued in future years and the funds allocated to institutions with a provision that the moneys be used for need-based financial aid? Or, should a new program be created that provides greater flexibility with regard to who receives aid (need-based still) with funds transferred annually to institutions?

Option 1: Continue the Current Approach of holding financial aid outside the block

- Financial Aid funds that were previously allocated for Study Abroad and Student Aid would remain at the institutions they are at for need based aid.
- AOP (graduate aid) and Lawton would continue to be redistributed annually based upon the change in population of affected students.
- TAG funds would continue to be redistributed annually based on the recommendations of the financial aid directors and the Board's approval for need based aid.
- GPR Financial Aid funds must be used for financial aid.

Option 2: Include financial aid resources in a new funding model

Decisions would need to be made about whether:

- Financial aid is generally distributed or if there is a special weighting for students with financial need.
- There is an agreement on a level of spending for financial aid – need based or merit based within the system.
- The AOP and Lawton programs are required at each institution and at what level.

Option 3: Continue the Current Approach for AOP and Lawton

- Funding for TAG, Study Abroad and Student Aid would be included in the new funding model for some type of general distribution.
- AOP and Lawton would continue at current levels with annual redistribution.
- Institutions would be able to decide how much of their general GPR would be used for additional financial aid distribution.

Option 4: Continue the distribution of AOP and Lawton but at a reduced level

- Funding for TAG, Study Abroad and Student Aid would be included in the new funding model for some type of general distribution.
- AOP and Lawton would continue at a reduced level (e.g. 75-25%) with annual redistribution and the balance of funding included in the new funding model.
 -
- Institutions would be able to decide how much of their general GPR would be used for additional financial aid distribution.

Pros:

- *Current Model*
 - Continues to ensure that the university has a stable funding base for financial aid to address access and some degree of affordability.
 - Maintains funding for financial aid for Minority and Disadvantaged students.
 - Allows the university to make future financial aid requests based on knowing current funding is being utilized for aid.
 - The amount of financial aid funding adjusts as associated student populations change at individual institutions.
- *Options 2 through 4*
 - Provides more institutional flexibility with regard to revenue.
 - Provides more institutional autonomy related to who receives financial aid how much is made available.

Cons:

- *Current Model:*
 - Reduces institutional ability to decide which groups of students receive aid.
- *Options 2 through 4*
 - Changes might result in significant funding changes for students currently receiving funding.
 - These options reduce our ability to talk about prioritizing financial aid across the system if decisions are made institutionally.
 - Options 2 and 3 could reduce funding for aid to minority and disadvantaged students while institutions are trying to close the retention and graduation gaps.

FINAL OUTCOMES: At the April in-person CBO meeting, the CBOs agreed to hold financial aid funding outside the model and to maintain allocation as it is currently distributed.

UW System Fringe Benefits Summary and Proposed Options

Intro: This paper provides an overview of how the UW System receives and allocates funding for fringe benefits and proposes options for distributing these resources in a new funding allocation model. This paper is designed to be a discussion tool. Any of the outlined options highlighted in this paper can be modified and additional options can be added.

Current Process:

The UW System allocates GPR/Fee fringe benefits to the UW System institutions but the allocation acts as a placeholder and the funding is treated as sum-sufficient. An institution is provided fringe benefit funding to cover the amounts expended in a fiscal year. Amounts not expended are used to fund institutions that do not have sufficient funding or held centrally to address future needs.

Institutions are responsible for paying the first two months of health insurance for new faculty and academic staff, fringe benefits associated with shifting base dollars onto the salary line, and for the full cost of fringe benefits for separately budgeted (non-pooled) tuition expenditures.

Background:

Fringe benefits are payments in addition to salaries and wages that are provided by an employer to an employee. The employer share of the UW System's costs for items such as Wisconsin Retirement, Social Security, Health Insurance, Life Insurance, and other benefits are the part of the fringe costs that are described in this paper. Fringe benefits are currently allocated to institutions as a proportion of the prior year's fringe benefits expenditures. Fringe benefits for employees paid using GPR/Fee funds are based upon the amount of money included in the biennial budget, estimated changes in fringe benefits and the variable fringe cost for pay plan increases (variable fringe benefits are those whose costs increase with salary increases like retirement).

The GPR fringe amount that is included in the biennial budget request is calculated as follows:

- The state starts with actual fringe benefit expenditures for the first year of the preceding biennium (2011-12 for the 2013-15 biennium) for all funds.
- Fringe benefits costs as a percentage of salaries is computed.
- Estimated changes (as a percent of salaries) for health, retirement, prior service, sick leave conversion and any other known factors that will impact fringe costs in the second year of the current biennium (2012-13 is used for 2013-15) are calculated by the Department of Administration and added to the fringe percentage.
- The new fringe benefits rate is applied to the GPR/Fee salary lines in the adjusted base budget for the UW System (excludes student help and LTEs) to determine the amount of money needed for GPR/Fee funded staff in the upcoming biennium.
- These amounts are compared with the funding in the previous biennial budget on the fringe benefits lines to determine the change in funding (increase or decrease) needed for the base.
- The GPR share of the combined funding is applied to GPR/Fee salaries using a historical formula, to determine the amount that will be paid using GPR.

The fringe benefit amounts included in the annual operating budget are calculated as follows:

- Funding for fringe benefits in the approved biennial budget for a fiscal year are the beginning point.
- Variable fringe benefits are calculated for known pay plan increases and added.
- The impact of benefits improvements are added, ex., retirement changes.
- The fringe costs associated with health insurance cost are calculated for the years beyond the base year for the biennium. For example if the base is for 2011-12, health insurance costs will need to be added

for 2012-13 as well as 2013-14 in the 2013-14 annual operating budget. For the 2014-15 fiscal year, an additional year of estimated health insurance costs would need to be added. (The estimated increase in health insurance costs are the average statewide increases, not based on the region that an institution or UW staff are located.)

Once the total fringe benefit amount has been calculated, funding is allocated to institutions (this is generally the last allocation to an institution and occurs after approval by the Board of the annual operating budget).

- Fringe benefits are distributed to institutions proportionally as a share of their expenditures by fund in the most recently completed fiscal year.
- These numbers are estimates, including a combination of GPR and Tuition and need to be adjusted at the end of the fiscal year to reflect actual costs as part of the supplement process.

Supplement Process

- Each biennium, the state of Wisconsin establishes a Compensation Reserve which includes funding for pay plan and fringe benefit cost increases for agencies for the two year period included in the biennial budget. Funding for state agencies is provided prior to the end of a fiscal year. In June of each fiscal year DOA asks the UW System to provide them with the amounts needed to fully fund pay plan and fringe benefits cost increases during the year. Financial Administration, using actual expenditures adjusted for items the UW may not request supplemental funding for (1st two months of health insurance pick up and shifts onto the salary line), compares the biennial budget allotment for fringe benefits to the actual expenditures systemwide. If there is not sufficient funding in the biennial budget a supplement is requested from the compensation reserve. Assuming the request is fully funded all institutions are made whole, and if any institution underspent their allocation the amount is redistributed to those with need. Net savings are held centrally.
- The amounts provided as supplements to the University are not automatically built into the budget. This is done through the establishment of the next biennium's fringe benefit rate setting process and the Full Funding of Fringe Benefits DIN. For the 2015-17 biennium, the UW System was provided GPR for estimated fringe benefit cost increases and will not receive supplements. The biennial budget states that the UW System will be part of the Compensation Reserve in future and therefore would continue to receive supplements.

Options:

1. Continue with the current process and allocate fringe benefits outside of a new model

Pros:

- This approach provides predictable funding for variable fringe benefit expenses.
- Institutions are not responsible for reallocating resources due to health insurance rate changes beyond their control. Health insurance rates vary by region and provider. Significant changes can occur if a current provider decides not to continue under the current process.
- Sharing responsibility for fringe benefits at the system level recognizes that institutions have limited control over health insurance, retirement and other benefit changes.
- Institutions can't control family size or availability of spousal insurance coverage outside the system. They can however, control how many part time employees they hire who are eligible for insurance.
- This approach includes shared responsibility for shortfalls. If there is insufficient funding, all institutions share in the cost of the shortfall, limiting individual exposure.

- The state has typically prioritized funding fringe benefits in the supplement and budget building DIN (decision item narrative) process.

Cons:

- In 2011-13 and 2015-17, the Governor has recommended funding the UW System in the block grant instead of the Compensation Reserve. If that process were to continue, the UW System might not receive sufficient funding to cover its salary or fringe benefit needs.

2. *Include fringe benefits in the pool of dollars to be allocated using a new model.*

Under this option, fringe benefits would not be allocated separately. Block grant funding provided to the institutions would include resources that would need to cover all costs, excluding those that were provided separately.

Pros:

- Institutions would see increased one-time funding when fringe benefits costs decreased.

Cons:

- The UW System might not receive a supplement when costs increase because dollars provided by the state for fringe benefits may have been used for other purposes. Under that scenario, institutions would be responsible for reallocating dollars to cover cost increases.

FINAL OUTCOMES: At the April in-person CBO meeting, the CBOs agreed to hold fringe funding outside the model.

March, 2016

GPR Debt Service

Wis. Stat. 13.48(1) defines the policy for Wisconsin's long-range building program:

The legislature finds and determines that it is necessary to improve the adequacy of the public building facilities that are required by the various state agencies including the educational institutions, for the proper performance of their duties and functions, and that it is in the interest of economy, efficiency and the public welfare that such improvement be accomplished by means of a long-range public building program, with funds to be provided by successive legislatures. The long-range program shall include the necessary lands, new buildings, and all facilities and equipment required and also the remodeling, reconstruction, maintenance and reequipping of existing buildings and facilities, as determined by the building commission.

The state issues general obligation bonds, which are backed by the full faith and credit of the state, to build state-supported university buildings. As part of the state's biennial budget, the UW System receives full support – or sum sufficient funding – for the cost of debt service on the bonds.

With the consolidation of state appropriations in 2011, and the changes included in 2015, the UW System will be operating with four GPR appropriations in fiscal year 2017:

- 20.285(1)(a) – The broad GPR appropriation or “block grant” for the UW System
- 20.285(1)(d) – The sum sufficient debt service appropriation
- 20.285(1)(fd) – State Laboratory of Hygiene
- 20.285 (1)(fj) – Veterinary Diagnostic Lab

Because the state provides debt service as a separate appropriation, the UW System cannot transfer these funds for other purposes. And, if debt service funds were transferred for other purposes, it would result in a shortfall in paying debt service costs because the funds are sum sufficient.

Further, the GPR appropriation for debt service insulates the university from debt restructuring. The state issues the bonds for university buildings, and the university does not control whether the debt is restructured. Because the state provides sum sufficient funding, changes in debt service do not directly impact institutional operating budgets.

The table on the following page shows budgeted GPR debt service by institution. Please note that the UW Colleges operate their capital program differently than the four-year institutions. The counties and, in some cases, the cities in which the campuses are located own and maintain the buildings, facilities, and grounds. In 2013, cities and counties budgeted a total of \$11.3 million for debt service, small projects, and operations related to the UW Colleges.

2015-16 GPR Debt Service Budget

UW-Madison	\$102,440,148
UW-Milwaukee	\$22,638,847
UW-Eau Claire	\$10,083,424
UW-Green Bay	\$7,150,020
UW-La Crosse	\$10,040,153
UW-Oshkosh	\$11,909,621
UW-Parkside	\$6,203,213
UW-Platteville	\$8,121,118
UW-River Falls	\$5,780,659
UW-Stevens Point	\$8,503,241
UW-Stout	\$10,052,230
UW-Superior	\$6,274,729
UW-Whitewater	\$13,316,818
UW Colleges	\$2,679,762
UW-Extension	\$2,014,217
Total	\$227,208,200

State Laboratory of Hygiene and Veterinary Diagnostic Lab

As detailed in the preceding paper, the State Laboratory of Hygiene, 20.285(1)(fd) and the Veterinary Diagnostic Lab, 20.285(1)(fj) are not included in the block grant for the University of Wisconsin System. They are attached entities with funding specifically appropriated by the state for those operations. The UW System would need to work with the legislature to make any changes to those appropriations, which would probably not be well received by the state or the entities.

As separate appropriations, it is recommended that we also exclude these funds from the Allocation Resource distribution. The GPR appropriations for these entities for the 2016-17 fiscal year are shown below:

State Laboratory of Hygiene	\$11,037,300
Veterinary Diagnostic Lab	\$4,974,800
Combined GPR	\$16,012,100

FINAL OUTCOMES: At the February 2016 CBO Meeting, the CBOs agreed to exclude Debt Service, the State Laboratory of Hygiene, and the Veterinary Diagnostic Lab from the model. Any changes in these areas would require a statutory change. No UW institution expressed a desire to do so. The outcome was also shared at the February, 2016 Chancellor meeting and met with no objections or comments.

APPENDIX J: SET ASIDE FUNDING ELEMENTS

Options for Funding the Research Mission

The University of Wisconsin System's 2015-16 GPR research budget was \$82.6 million. The majority of the research funding (71.1 percent) was in the UW-Madison budget, and the second largest pool at UW-Milwaukee. Currently, funding for research makes up about 8% of the total GPR funds available for the UW System.

TABLE 1
RESEARCH GPR FUNDING BY INSTITUTION
2015-16

INSTITUTION	FUNDING	PERCENT
Madison	\$58,773,057	71.1%
Milwaukee	\$21,640,176	26.2%
Comprehensives	\$1,530,104	1.9%
Systemwide	\$673,239	0.8%
Totals	\$82,616,576	100.0%

*GPR estimates were produced from the Red Book and presented to contextualize the issues in the paper. More comprehensive estimates would require additional input from the UW-Madison and UW-Milwaukee budget offices to determine if there are other costs associated with research that are coded under different departments.

Table 1 provides GPR estimates of the research enterprise across the System. The GPR research funding functions as an investment in the research enterprise. It provides the core support and basic infrastructure that are required for the continued operation of sponsored research programs. GPR research funds support the salaries of staff responsible for core functions related to external grants, the preparation of grant applications, and required correspondence related to grant activities, etc. as well as technical support staff that provide broad-level support of the research enterprise to ensure continuity and growth.

However, the above amounts do not reflect the fact that graduate programs play an integral role in the research enterprise and are significantly more expensive than undergraduate programs, requiring greater amounts of GPR to sustain them than the amounts specified above. Given recent budget constraints, some departments have intentionally restricted growth of their programs to be responsive to financial realities, further limiting growth opportunities without additional GPR investment. If consideration of the additional costs for graduate programs is not taken into account within a research component, it should be accounted for in another portion of the model.

Additionally, some GPR funds have been historically designated for specific uses. While those legislative requirements may or may not still be in place, funds may still sustain these types of programs.

Although approximately 97 percent of the UW System's GPR research funding is budgeted at UW-Madison and UW-Milwaukee, faculty at the comprehensive institutions also engage in research in order to remain current in their fields. The comprehensive institutions have established internally funded programs designed to encourage and support faculty and academic staff members to engage in research and other scholarly and creative activities, as well as to provide research experiences for their undergraduate and graduate students.

While state funding for research at the comprehensives represents a very small proportion of the overall

spending, it should not be thought of as representative of the overall research enterprise that exists at the comprehensives. Several institutions receive external funding for research activities on their respective campuses.

The majority of research funding within the UW System comes from federal funding with contributions from other private sources. Research expenditures from all funding sources totals \$1,038,983,520 with \$960,963,518 for UW-Madison, and state funding only represents about eight percent of that total funding. However, with overall decreasing federal funding support over the past ten years, institutions have increasingly sought additional funding resources.

It is also worth noting that any significant reallocation of funds may have a dramatic impact on specific research programs as state funding plays a key role in leveraging additional federal and outside funding.

This paper attempts to outline options for how to address the research enterprise, integral to the core mission of the UW System, within the development of a new resource allocation model of GPR.

Option 1: Incorporate Research Funding into a Formula Portion of the Model

Percentage of base formula

- Research allocations could be based on a percentage of operating expenditures, or a subset of expenditures, at an institution.

Percentage of sponsored research

- Institutions could receive research support based on their total sponsored research as a form of state match.

Pros:

- This approach allows each institution an opportunity to receive funds to support the research enterprise they are currently managing.
- Under this method, every institution that conducts research would receive a portion of the funding.
- Each institution would have a predictable and stable funding source for research every year that would be transparent and easy to understand.

Cons:

- This method may disproportionately negatively impact smaller institutions whose research enterprise may be reduced in times of budget cuts and then further reduced if funded through expenditure percentages.
- Additionally, this method could make it challenging for smaller institutions with fewer resources to truly grow their research enterprise.
- While this method offers an opportunity for every institution to receive funding, it may detract from the doctoral institutions whose mission is integrally tied to research.

Option 2: Incorporate Research as a Metric of Performance Funding

Research could be included as a metric in a performance funding model for all institutions.

- Metrics could include the number of prestigious awards received by faculty, total research expenditures, percent of R&D expenditures funded from external sources, and/or the number of postdoctoral appointees.

Research could be included as a metric in a performance funding model for only the doctoral institutions.

Pros:

- By incorporating research into a performance metric, it incentivizes institutions to grow their research enterprise and recognizes research as a key priority of the University of Wisconsin System.
- Depending on the metric selected, this methodology allows the System to incentivize very specific goals for research (i.e. increase external funding, or grow undergraduate research, etc.)

Cons:

- By incorporating research as a performance metric, the model would put institutions in direct competition, or at least direct comparison, with each other for research dollars. Given that the research done at each institution is unique, and not necessarily directly comparable, this could create strategic and political challenges.
- In tight budget cycles, this method makes it difficult to plan and predict the amount that will be received to support research.
- By including research as a performance metric, it makes it harder to coordinate research efforts as a System and may make the research enterprise as a whole less strategic and difficult to grow for institutions with historically newer programs.

Option 3: Provide a Fixed Amount of Base Funding for Research in Recognition of Institutional Missions

R1 institutions may receive a block of resources as leveraging funding for the enterprise.

- UW-Madison and UW-Milwaukee would each receive a pre-determined amount of funding that could be based on previous levels, growing needs, or a variety of other factors.

R1 institutions receive a fixed amount, and specific strategic research centers across the comprehensives receive a fixed amount.

Pros:

- By concentrating funds in specific institutions or centers, the model would allocate a greater amount to research and allow the contribution to be more impactful.
- This approach would also allow System to be more strategic in the funding of specific centers that contribute to System priorities and would demonstrate to external stakeholders a deliberate strategy focused on those targeted priorities.
- This strategy requires little manipulation or complex calculation, and provides a stable predictable funding mechanism for the research at supported institutions or centers.

Cons:

- This method does not incentivize smaller institutions to pursue research.
- This method would require continual review of the funded centers if funding extended beyond doctoral institutions to ensure the centers still warranted funding (i.e. were still in existence, or they still aligned with strategic priorities, etc.)
- If multiple centers were funded, it would be challenging to close the center if funding or priorities shifted.
- By setting aside a fixed amount for research, the model provides little flexibility for this pool of funding.
- By limiting the institutions or centers that receive research funding, the model would potentially raise questions or concerns over institutional equity.

Public Service Option

Public Service represents a pillar of the UW System and one of the critical missions it serves. While many resource allocation models incorporate some form of enrollment-based funding, many also recognize other components important to mission such as public service. Public service is difficult to measure within the limiting constraints of a traditional formula. Therefore, this paper attempts to provide a definition for GPR-supported public service within the UW System, background on the activities provided under these services, and recommendations for how to treat these types of activities under a new resource allocation proposal.

The University of Wisconsin System's 2016-17 GPR public service budget was \$69.3 million (Table 1). UW-Extension's budget accounts for the majority of the public service funding (64.86%).

TABLE 1
PUBLIC SERVICE GPR FUNDING BY INSTITUTION
2016-17

INSTITUTION	FUNDING	PERCENT
Madison	\$20,741,447	29.92%
Milwaukee	\$1,222,246	1.76%
Comprehensives and Colleges	\$2,247,825	3.24%
Systemwide	\$150,871	0.22%
Extension	\$44,962,771	64.86%
Totals	\$69,325,160	100%

The University's GPR budget for extension and public service activities in FY 2015-16 included \$1,523,968 for special legislated projects, and \$66,343,050 for ongoing programs. These amounts are not yet available for the 2016-17 budget. Extension faculty and staff, who are physically located on every campus of the UW System and in county extension offices throughout the state, develop and teach extension programs. To fulfill its mission, UW-Extension develops statewide plans and priorities based on the emerging needs affecting individuals, families, labor, business, agriculture, youth, the environment, the economy, communities, the professions, and senior citizens. Planning involves faculty and staff, public representatives, cooperating agencies, and clientele groups. These plans are the basis for reallocating base funds from lower to emerging higher priorities. UW-Extension also meets the needs of public service through legislated projects.

The four UW-Extension programming units include:

- Cooperative Extension
- Continuing Education, Outreach and E-Learning
- Broadcasting and Media Innovations
- Business and Entrepreneurship

UW institutions other than UW-Extension manage \$24.4 million in extension and public-service funds. Most of these funds are at UW-Madison, where they support the State Laboratory of Hygiene, the Wisconsin Veterinary Diagnostic Laboratory, and other ongoing programs in the School of Veterinary Medicine, the State Cartographer's Office and the LaFollette Institute. The largest non-UW-Extension program is the State Laboratory of Hygiene (\$11.0 million), which provides highly complex laboratory

testing services.

Other programs at UW System institutions support institution-based extension program activities, public-service radio station operations and programming, community-service forums and programs, and business awareness and development outreach efforts in communities.

Potential Options for Public Service in the Resource Allocation Model:

- 1) Setaside funding for Public Service in the Resource Allocation Model and recognize all public service activity at the 2016-17 funding level subject to budget adjustments for cost-to-continue, proportional budget reductions and specifically allocated new resources (through the budget or system prioritization).
- 2) Establish separate appropriations (funding) for public service programming (i.e. Agricultural Centers)
- 3) Establish a separate taskforce to identify the appropriate level of funding for public service activities within the UW System.

UW-Madison Professional Schools Summary and Proposed Allocations Options

Introduction

As Wisconsin's only public producers of specialized doctoral degrees that confer credentials necessary to enter a highly regulated professional field, four professional schools based at UW-Madison are frequently viewed as distinct operational units with unique missions and roles in Wisconsin's economy. These include the Schools of Medicine and Public Health, Veterinary Medicine, Law, and Pharmacy. The professional schools have a long history in the state. The Law School dates from 1809, Pharmacy from 1883 and Medicine from 1907. The School of Veterinary Medicine was not formally established until 1979, but the campus has a long tradition in veterinary science, hiring veterinarians as early as the late 1800s in its Department of Animal Husbandry.

The School of Veterinary Medicine is the only institution in Wisconsin that offers a Doctor of Veterinary Medicine (DVM) degree and one of only 30 DVM granting schools in the country recognized by the Association of American Veterinary Medical Colleges.

There are private schools in Wisconsin that graduate doctors, lawyers and pharmacists. The private Medical College of Wisconsin (MCW) trains doctors, and Marquette University Law School offers a Juris Doctor (J.D.) degree. The private Medical College of Wisconsin plans to open a pharmacy program in 2017. Additionally, private Concordia University in Mequon established a pharmacy program in 2011.

In terms of access on the basis of cost, the Medical College of Wisconsin, Marquette University, and Concordia University charge substantially more tuition than their UW counterparts.

Labor Market Needs

The Wisconsin Hospital Association (WHA) has warned that Wisconsin faces a shortage of physicians, particularly in rural areas, and that the state's two medical schools produce an insufficient number of physicians annually to meet demand in both urban and rural markets. The WHA has recommended increasing medical school class sizes and providing tuition incentives for doctors who commit to practicing in Wisconsin. The UW Medical School's Wisconsin Academy for Rural Medicine (WARM) program is designed specifically to increase the number of physicians practicing in rural Wisconsin.

While detailed labor market analysis is beyond the scope of this paper, it is safe to say that a range of stakeholders value the Medical and Veterinary schools for the critical nature of the work their graduates do and the relative lack of other affordable institutions in the state with the capacity to train doctors and veterinarians. In the case of Veterinary Medicine, there is no other school in the state accredited to train veterinarians. Similar to concerns around shortages of doctors in rural areas, stakeholders worry that the state's dairy and food industries will suffer if there is an insufficient number of large animal or food animal veterinarians graduating from the Veterinary school and choosing to work in agricultural areas.

In terms of the Law and Pharmacy schools, the perception of labor market demand and the economic impact of graduates on the state's economy is not cited by stakeholders in the same manner as those in the Medical and Veterinary fields. The drop in labor market demand for law school graduates in particular has drawn attention nationally. In response to concerns about the employment outlook the American Bar Association reported that first year enrollment at the nation's 204 accredited law schools

is at its lowest level since 1973 when there were only 151 accredited law schools.¹ In line with national trends the Law School at UW-Madison has also experienced declines in applications and enrollments over the past decade. There are some indications that declines in applications and enrollments nationally have hit bottom and are stabilizing or trending up.²

Professional School Funding in a National Context or Other States

Funding for graduate medical education in particular is complicated and typically includes federal funding from the National Institutes for Health (NIH) and the Medicaid program. To the extent the UW has a single medical school, the environment is simpler in Wisconsin but any GPR set aside will need to be sensitive to changing caseloads, changes in federal funding, and the desire to increase the supply of doctors in underserved areas of the state. A recent scandal in Ohio related to medical school funding formulas emerged when allocations were insensitive to changes in state goals, caseloads and federal funding. The state formula produced hugely inequitable allocations according to critics.³

Current GPR Allocations

The professional schools at UW-Madison do not have separate state GPR appropriations and their budgets have always been subject to internal budget development processes at UW-Madison. In light of their unique character the internal UW-Madison budget process historically has exempted the professional schools from the formulas used to allocate funding to other traditional academic departments.

Support Function Costs

As with all academic units at UW-Madison, a portion of GPR allocated to the professional schools supports the cost of libraries, research compliance, building maintenance, public safety and other shared business services. The UWSA recognizes that a final GPR estimate should consider those amounts for improved accuracy, or alternatively, a system wide funding formula that included professional schools would necessarily factor in a reasonable level of support costs. If GPR supporting those services in the professional schools were not taken into account and subtracted from the overall pool dedicated to supporting undergraduate instructional costs, the result would overinflate the amounts perceived to be used for instruction of undergraduates.

¹ Law Schools Cut Back to Counter Tough Financial Times, The Chronicle of Higher Education, <http://tinyurl.com/jk27xdm>

² Law Admissions Trends 2015 Applicants Should Know About, US News & World Report, <http://tinyurl.com/gro9xdq>

³ Millions of dollars misdirected for graduate medical education; state pursues reform; The Cleveland Plain Dealer, <http://tinyurl.com/gp9covu>

Annual GPR & Enrollment UW-Madison Professional Schools (GPR estimated*)

	<u>Medicine and Public Health School</u>	<u>Veterinary School</u>	<u>Law School</u>	<u>Pharmacy</u>	Total
Annual GPR	\$23,026,300	\$8,136,600	\$8,093,000	\$4,425,000	\$43,680,900
Professional Student Enrollment	874	331	571	539	2,315
Cost per Credit**	\$585	\$773	\$477	\$348	
Cost per FTE Student**	10,927	13,938	7,154	5,218	

*GPR estimates were developed internally by UWSA and presented to contextualize the issues in the paper. More comprehensive estimates will require detailed input from the UW-Madison budget office.

** The instructional cost data for professional students only in each school from the Instructional Analysis Information System (IAIS) at UWSA represent state-funded activity only and do not include fringe benefits.

Options

1. *System will review funding to determine a base amount of GPR allocated to UW-Madison professional schools and remove that amount from the total amount of funding to be allocated through the Systemwide formula.*

Pros

- Assuring a steady and predicable base of GPR funding for the unique and economically critical professional schools is prudent given their historic position and specialized connection to the state's labor market and core industries.
- A System wide formula will be simpler and more transparent without the requirement to account for highly technical and costly professional education, particularly in the medical and veterinary fields.
- A GPR set aside acknowledges that the professional schools at UW-Madison operate in a national and even global market for students and faculty and consequently, face pressures that other programs do not.

Cons

- Removing professional schools from a Systemwide funding formula reduces the comprehensive scope of the formula.
- If new state resources become available to support salary and fringe benefit costs, allocations to the professional schools will need to be administered separately.
- A static GPR set-aside potentially reduces flexibility to respond to changes in enrollment and changes in other funding sources for those professional schools.
- Creating a separate GPR set aside may lower the level of administrative integration between the professional schools and the rest of UW-Madison that is subject to a funding formula.

2. *Develop the Systemwide allocation formula to include the professional schools and make appropriate adjustments for their higher costs.*

Pros

- A Systemwide formula is more comprehensive and robust if it includes major academic functions such as the professional schools.
- A Systemwide formula will be less vulnerable to questions about equity if professional schools are included.
- New funding, if available, will be distributed to the professional schools on the basis of a Systemwide formula and will not require a separate process.

Cons

- A Systemwide formula that results in reduction of funding to the professional schools is potentially harmful to the state's economy and may exacerbate labor market shortages in critical fields.
- The level of complexity in a Systemwide formula will increase if it is required to account for the higher instructional costs inherent to the professional schools.
- Potentially volatile patient caseloads, labor market needs, and federal funding adjustments may not be adequately accounted for in a Systemwide formula. For example, a funding formula in Ohio that supported graduate medical education was not adjusted for years and consequently misallocated funding relative to state goals.

3. *Create a GPR set-aside for the Medicine and Public Health and Veterinary schools only.*

Pros

- A specific set aside would acknowledge that Instructional costs are higher in the Medicine and Public Health and Veterinary schools than in Pharmacy and Law.
- The Medical and Veterinary schools have been identified as playing a critical role in the labor market for doctors and veterinarians, particularly in rural parts of the state.
- The Veterinary school has been identified as playing a critical role in supporting key agricultural industries in the state.

Cons

- Excluding Pharmacy and Law may create the perception that their contribution the state and its economy is not being fully recognized.
- Limiting number of professional school designation to only two at UW-Madison may encourage programs at other UW institutions to question the methodology for selecting professional schools and make arguments for similar treatment.
- Excluding Pharmacy and Law may prompt calls for time consuming and detailed analysis of program economic impacts and labor market trends.

4. *Create a GPR set-aside for the Medicine and Public Health, Veterinary and Law schools only.*

Pros

- A specific set aside would acknowledge that Instructional costs are higher in the Medicine and Public Health, Veterinary and Law schools than in the Pharmacy school.
- The Medical and Veterinary schools have been identified as playing a critical role in the labor market for doctors and veterinarians, particularly in rural parts of the state.
- The Veterinary school has been identified as playing a critical role in supporting key agricultural industries in the state.
- While the labor market for lawyers has been challenging in recent years, the UW-Madison Law School is the only public institution producing lawyers in Wisconsin has been celebrated for its close connection to the legal challenges communities face and its emphasis on a practical approach to teaching and practicing law.

Cons

- Excluding the School of Pharmacy may create the perception that their contribution to the state and its economy is not being fully recognized.
- Limiting number of professional school designation to only two at UW-Madison may encourage programs at other UW institutions to question the methodology for selecting professional schools and make arguments for similar treatment.
- Excluding Pharmacy and Law may encourage calls for time consuming and detailed analysis of program economic impacts and labor market trends.

UW System Administration and UW Systemwide Funding

Introduction

This paper is intended to provide general background information regarding the University of Wisconsin System Administration and its Systemwide functions as well as the sources and uses of funding for these activities. The summary also seeks to offer some brief context for how central administrative functions are handled in other large university systems by presenting funding information and expenditure levels for a sample of such university systems.

Background

While the vast majority of University of Wisconsin System funding is allocated to individual UW institutions in support of their instruction, research, public service and related support activities, a portion of the overall funding is held centrally for functions and activities that are performed by and/or funded through the central UW System Administration. This activity is comprised not only of what are often thought of as typical central administrative functions, but also enterprise-wide service operations and certain other funding activities that are managed for the benefit of all UW System institutions.

Some of the more common central administrative functions funded here include the Board of Regents Office, the Office of the President, System-level government and public relations, System-level legal affairs, and System-level academic affairs activities, among others.

The UW System also houses service operations like the UW Service Center which provides and manages the Human Resource System (HRS) and the Shared Financial System (SFS) within the central administration to allow more efficient and cost effective approaches to managing these large enterprise operations. Additional examples of these system-wide service operations include Capital Planning & Budget and the Office of Internal Audit.

The Systemwide business unit also includes funding for UW System grant programs (e.g., Applied Research, Growth Agenda Grants, etc.) as well as centrally managed funding activities like the Common IT Systems portfolio, certain electronic resources shared among all UW System libraries, UW Network funding and the like. As with the direct service operations described earlier, managing these activities centrally helps reduce the overall cost of acquiring licenses, equipment, consulting services, and the general management of these activities.

In addition to the functions described above, certain aspects of the UW System budget have historically been managed on a central, System-wide basis for all UW institutions. To the extent of available funding, this approach provides a sum sufficient allocation to each institution for specific costs which allows individual institutions to avoid the impacts of relatively uncontrollable costs affecting their GPR/Fee operations. Major examples include GPR fringe benefits (fringe benefit packages are controlled by the State), GPR funded utility costs (impacted by weather patterns, age of physical plant, etc.), and GPR funded financial aid (fluctuates with local student populations)

While some believe that central system offices provide little more than executive and/or policy guidance, a March 2012 National Association of System Heads (NASH) survey found that two-thirds of all system offices had a majority of their total staff headcount in broadly defined services and administration. Such findings would seem to support a premise that the UW central System Administration performs a similar, if different set of functions as other systems and that it is more typical than not in its approach to funding and management of Systemwide activity.

Appendix A provides a complete budget Summary, along with sources of funding, for both System Administration and the Systemwide activities managed centrally.

Funding of Central University System Offices in Other States

Typical funding models based on enrollments and the like do not lend themselves to the funding of central administrative and support functions. For these reasons, funding models in other states generally provide support to the central system offices as a set-aside or fixed base amount outside any formulaic funding models.

Central Expenditures at Other State Systems

A September 2014 research brief by the Educational Advisory Board (EAB) found that few metrics exist to benchmark System Office staffing and budgets. Further, the structure and functions of central system offices vary so widely that making direct comparisons is not possible. Developing in-depth, accurate analyses present significant challenges as it would require recognizing and/or eliminating certain functions and parsing out portions of others based on the level of support and/or control exercised.

Given the vastly different structures, functions and funding approaches used by university systems across the country, cost comparisons are difficult and generally not meaningful. Nevertheless, for the sake of context and to offer a general look at resources committed to central system office functions at other large university systems, the table below presents IPEDS expenditure data for 17 selected university systems. Note that this table includes only GPR/Fee funded expenditures for the systems presented as those are typically the only funds addressed by state funding models.

UNIVERSITY SYSTEM OFFICES AS A PERCENT OF TOTAL SYSTEM EXPENDITURES in FY14			
System Office	System Office GPR/Fee Expenditures	Total System GPR/Fee Expenditures	System Office Percent of Total
Pennsylvania State System of Higher Education-Central Office	4,920,874	1,222,061,141	0.4%
University of Massachusetts-Central Office	6,330,000	1,316,725,143	0.5%
The University of Texas System Office	17,141,718	3,301,856,879	0.5%
Arizona Board of Regents	19,558,179	2,298,799,531	0.9%
University System of Maryland	20,718,530	2,276,181,182	0.9%
University of Wisconsin-System Administration	27,718,030	2,115,331,419	1.3%
University of Nebraska-Central Administration System Office	16,064,337	871,568,302	1.8%
University of Missouri-System Office	20,355,068	1,039,971,313	2.0%
University of California-System Administration Central Office	130,720,000	6,224,214,000	2.1%
Oregon University System	9,364,833	409,137,939	2.3%
SUNY-System Office	141,258,779	4,182,277,430	3.4%
Board of Trustees-Mississippi State Institutions of Higher Learning	49,583,011	1,227,247,797	4.0%
University of Maine-System Central Office	17,412,000	385,422,000	4.5%
University of North Carolina System Office	232,478,110	4,047,359,684	5.7%
University of Alaska System of Higher Education	32,026,440	510,990,143	6.3%
California State University-Chancellors Office	251,795,385	3,336,060,266	7.5%
University of Illinois University Administration	149,082,340	1,663,771,071	9.0%
	1,146,527,634	36,428,975,240	
		Weighted Average	3.1%
		Median	2.1%

Structure and Function of UW System Administration Reviewed Several Times in Recent Years

The University of Wisconsin System Administration has been the subject of several internal and external reviews in the recent past including an April 2015 *Efficiency and Effectiveness Study* performed by Huron Consulting's Education Group. This probing review looked at key areas of the central administration whose collective activities comprise a significant majority of System Administration activity. Functional areas evaluated included:

Academic and Student Affairs	Financial Administration
Administrative Services	Learning & Information technology
Budget & Planning	Office of the President
Capital Planning & Budget	University Relations

The Huron Group identified a number of opportunities to improve efficiency and effectiveness in each of these areas. Implementation efforts are on-going as UW System Administration continues to evolve and adapt to the new economic and educational realities in the State of Wisconsin.

Only a few years prior to the Huron review, an August 2011 review by the *President's Advisory Committee on the Roles of System Administration* had engaged a group of Regents, Chancellors, Provosts, Chief Business Officers and others to review the structure and function of the central UW Administration. The advisory committee was formed in response to the significant budget reductions which were directed specifically at the UW central administration. This Regent-led review offered a series of 21 recommendations which encouraged the President "to lead a serious, long-term shift in the orientation and operations of the UW System" from a more centralized model toward one that includes much greater distribution of authority and responsibility to the UW System institutions. Most of the changes recommended by the Committee have since been incorporated into UW System operations to one extent or another.

Going back further, one finds a significant restructuring undertaken in February 2005 in response to significant budget cuts. This restructuring eliminated the entire Office of Market Research, included significant changes to the structure and reporting relationships of University Relations, and other organizational structure changes intended to streamline and consolidate management and performance of affected units.

These are only the most recent in what have been recurring evaluations of UW System Administration.

Recommended Approach for UW System Administration and UW Systemwide in a new Funding Model

Given the scrutiny of recent years, and the on-going nature of the UW System Leadership's change efforts, this may not be an appropriate time to again consider how the central University of Wisconsin administration is structured, how it functions and/or how it is funded. With that in mind, the Resource Allocation Team would propose that the UW System Administration and UW Systemwide be included in any new funding model at current funding levels as adjusted for future mandated budget reductions, pay plans, and/or new initiatives. This would essentially present it as a set aside allocation outside any formulaic funding approach adopted.

**UW System Admin and UW Systemwide Service Operations
Redbook Budget Summary by Function / Category
Fiscal Year 2015-16**

	FY 2015-16
System Administration	
Office of the President	1,032,216
University Relations	1,186,557
Vice President for Administration	511,275
Office of Economic Development	132,565
Vice President for Academic Affairs	1,112,623
Federal Relations	197,841
Budget and Planning	997,251
Vice President for Finance	338,447
Trust Funds	1,746,250
Administrative Services	129,878
Procurement	459,490
Office Services	227,822
General Counsel	1,061,234
OPAR	819,300
Human Resources and AA/EEO	920,734
Payroll & Staff Benefits	738,233
Cooperative Services	(639,077)
Fringe Benefits	2,051,238
Other System Admin Funding	<u>281,407</u>
	13,305,284

Funding Sources:

128 Auxiliary Enterprises	316,501
133 Private Grants & Contracts	504,801
136 General Operations	212,885
150 Federal Indirect Cost Recovery	3,000,000
161 Trust Funds	1,746,250
301 System Administration - State General Purpose Revenue	<u>7,524,847</u>
	13,305,284

Systemwide

Capital Planning and Budget	1,050,321
Academic Affairs	1,565,358
Board of Regents Office	410,565
Financial Administration and SFS Operations	1,677,555
Office of Risk Management	872,057
Office of Information Systems	1,514,526
Office of Learning and Information Technology	770,060
UW Service Center	14,766,134
Office of Internal Audit	2,147,194
Fringe Benefits	2,286,103
Other Systemwide Operational Funding	<u>1,282,969</u>
	28,342,842

Funding Sources:

106 Systemwide - State General Purpose Revenue (GPO)	13,100,462
109 Energy Costs - Utilities	64,100
128 Auxiliary Enterprises	691,334
136 General Operations	14,113,452
150 Federal Indirect Cost Recovery	93,579
190 Solid Waste Research	-
402 Minority and Disadvantaged Programs	<u>279,915</u>
	28,342,842

Total UWSA Service Operations

 41,648,126

**UW Systemwide Accounts
Redbook Budget Summary by Function / Category
Fiscal Year 2015-16**

FY 2015-16

Funding Housed in Systemwide which is Managed for the Benefit of All UW Institutions

Fee Contingency *	29,541,841
Fund 109 Utilities Holding Account	7,756,115
Common Systems	15,699,686
Systemwide Financial Aid Programs	6,413,118
Growth Agenda Grants	1,194,062
Library Resource Sharing	3,182,480
BadgerNet	2,703,463
ESEA Federal Grant Program	821,158
Systemwide Contingent Fund	838,588
PK-16 Initiatives and other Teaching & Learning Initiatives	581,627
Applied Research	608,577
Wisconsin Intercollegiate Athletic Conference (WIAC)	415,330
Systemwide GPO Carryover	34,966,460
Other Systemwide support	396,101
	<u>105,118,606</u>

* The fee contingency amount is comprised of \$20,000,000 veterans remissions and \$9,541,841 in general contingency

Funding Sources:

106 Systemwide - State General Purpose Revenue (GPO)	44,258,719
109 Utilities - State General Purpose Revenue	7,756,115
128 Auxiliary Enterprises	415,330
136 General Operations Receipts	15,699,686
144 Federal Grants and Contracts	821,158
190 Solid Waste Research	0
191 Telecommunications Services	1,054,800
231 GPO Carryover	34,966,460
402 Minority and Disadvantaged Programs	<u>146,338</u>
	105,118,606

Other Funding Housed in Systemwide - UWSA Service Operations
(See front page for summary of UWSA Service Operations)

28,342,842

Funding Sources:

106 Systemwide - State General Purpose Revenue (GPO)	13,100,462
109 Utilities - State General Purpose Revenue	64,100
128 Auxiliary Enterprises	691,334
136 General Operations	14,113,452
150 Federal Indirect Cost Recovery	93,579
190 Solid Waste Research	0
402 Minority and Disadvantaged Programs	<u>279,915</u>
	28,342,842

Grand Total Systemwide Redbook Budget**133,461,448**

UW-EXTENSION FUNDING

Chapter 36 in the Wisconsin State Statutes governs the UW System. 36.05 defines Extension as: “Extension” means the community outreach, public service and extension services of the system.

For the 2016-17 fiscal year, UW-Extension’s budget includes \$76,348,247 in GPR funds. Excluding Utilities (\$286,392), the Humanities Council (68,305), Debt Service (\$1,676,431) and Fringe Benefits (21,806,040), there is \$52,511,079 in GPR funding left in UW-Extension. UW-Extension is made up of four divisions with responsibilities and GPR funding as follows:

- **Cooperative Extension** (CO-OP)
Works with individuals, families, farms, local governments, business and communities, applying university knowledge and research to address issues in rural, suburban and urban settings. Locally-based Cooperative Extension staff collaborates with University of Wisconsin campus specialists to provide educational programming in Wisconsin’s 72 counties and within three tribal nations. The Wisconsin Geological and Natural History Survey is part of this division. In 2016-17, Co-op had \$21,161,297 in budgeted GPR excluding fringe benefits. \$7,361,495 of this amount was included in the inter-institutional agreements with five UW institutions.
- **Continuing Education, Outreach and E-Learning** (CEOEL)
Provides continuing education services through all 26 UW System campuses, including these leading-edge new online degrees as part of the Adult Student Initiative: bachelor of science degree in health and wellness management, bachelor of science in health information management and technology, bachelor of science in sustainable management, master of science in data science, master of science in sustainable management, and master of science in health and wellness management. The UW Flexible Option, HELP, and School for Workers are also located within CEOEL. For the 2016-17 fiscal year, CEOEL’s budget included \$15,508,679 in GPR excluding fringe benefits. \$8,009,178 was included in inter-institutional agreements.
- **Business and Entrepreneurship** (DBE)
Supports the Center for Technology Commercialization and the Wisconsin Small Business Development Center, with locations at the University of Wisconsin System four-year institutions. For the 2016-17 fiscal year, Business and Entrepreneurship’s budget included \$1,698,172 excluding fringe benefits. \$854,405 was included in inter-institutional agreements.
- **Broadcasting and Media Innovations** (BAMI)
Responsible for Wisconsin Public Radio and Wisconsin Public Television as well as distance-learning and conferencing technology services. For the 2016-17 fiscal year, BAMI’s budget included \$5,582,130 in GPR excluding fringe benefits.

UW-Extension is responsible for coordinating and overseeing the outreach and public service mission as defined in Chapter 36. One mechanism through which this is accomplished is through the IIA (inter-institutional agreement process) that has been established in accordance with UW System policy in the ACIS (Academic Information Series) 5 series. The IIA process facilitates the transfer of funding and spending authority between UW-Extension and other UW System institutions. Funding in the IIA is allocated to UW-Extension, and used to support non-credit activities at the institutions via program-level activity through its divisions (namely, CEOEL, CO-OP, and DBE). CEOEL uses some of its GPR as temporary start-up funding to initiate collaborative and Flexible Option degree programs at other institutions. This start-up money is not included in the IIA.

UW-Extension’s budget also includes General Administration (budgeted at \$7,212,560 GPR excluding fringe benefits) and Geological and Natural History (budgeted at \$1,348,241 GPR excluding fringe

benefits). In addition, each institution receives \$5,000 in the inter-institutional agreement for the Chancellor's office (totaling \$70,000 annually).

There are five major funding sources used to capture UW-Extension activities across UW institutions:

- General Purpose Revenue (GPR Fund 104)
- Extension Fees (Fund 189)
- Extension Non-Credit Program Receipts (Fund 132)
- Federal Aid Smith-Lever Land Grant; Cooperative Extension (Fund 143)
- Federal Aid Special Projects; Small Business Administration (Fund 144)

Prior to the annual budget process, inter-institutional agreements are formulated between most UW System institutions and UW-Extension through its programming divisions. These agreements reflect the outreach and public service programming agreed upon between the partners. Each institution budgets the agreed upon UW-Extension funding and FTE within its own programming areas. It offsets the total dollar amounts in a unit-wide department so that the total UW-Extension funding in the institutional budget nets to zero. UW- Extension's budget reflects the budgeted amounts for the entire system. For the past several years, each institution has had the option to pool (i.e. funds 104/132/189 are budgeted/expended as fund 104) or de-pool (i.e. funds 104/132/189 are budgeted/expended uniquely), the resources transferred from UW-Extension. UW- Extension continues to pool its resources for budgeting/expending purposes.

This approach to fiscal management for UW-Extension funds was put in place by the Regents and System Administration as an important way to preserve, and provide stewardship for, the outreach mission of the university.

The amounts reflected in the inter-institutional agreements are transferred to the institutions based on the funding sources and major classes agreed upon between the institutions. In addition, adjustments (i.e. addenda) may be made throughout the fiscal year. These adjustments may include items such as supplemented salary increases and fringe benefits.

While UW-Extension related expenditures are processed at the institutions, UW-Extension is ultimately accountable for the stewardship of the associated funding. Any GPR funding that is not used at an institution in any given year is returned to UW-Extension for redistribution.

As with all GPR appropriations, there is no ability to carry-forward Fund 104 dollars. However just as Fund 131 can be carried forward through 101, 102 or 103, Funds 132 and 189 can be carried forward through Fund 104. The "traditional" definition of Fund 189 is to provide credit instruction to adult students with time and place barriers that prevent them from attending on campus courses. These are self-supporting courses and programs targeted at non-traditional students. Institutions have the ability to establish the rates charged for these courses and programs at or above the Board of Regent approved tuition rates.

Chapter 36 references to UW-Extension:

- **36.05** (7) "Extension" means the community outreach, public service and extension services of the system.
- **36.25** Special programs.
 - (3) Agricultural Demonstration Stations, Experiments.
 - (b) The board may authorize experimental work in agriculture...The board may conduct extension schools and courses...to assist in the improvement of agricultural education.

- (d) The board may establish agriculturally related research and instructional programs at any institution.
- (5) BROADCASTING STATION WHA AND WHA-TV, EXPERIMENTAL TELEVISION.
 - (a) The board of regents, as licensee, shall manage, operate and maintain broadcasting station WHA and WHA-TV and shall enter into an affiliation agreement with the educational communications board pursuant to s. 39.14.
- (6) GEOLOGICAL AND NATURAL HISTORY SURVEY.
 - (a) The board shall have charge of the geological and natural history survey. Under the supervision of the state geologist, the survey shall study the geology, water, soils, plants, fish and animal life of the state and shall continue the topographic mapping of the state begun by the U.S. geological survey, but no money may be expended for topography unless an equivalent amount is expended for this purpose in the state by the U.S. government.
- (7) SOIL AND WATER CONSERVATION. The board is responsible for research and educational programs regarding soil and water conservation. The board shall cooperate with the land and water conservation board, the department of agriculture, trade and consumer protection and the counties in carrying out its soil and water conservation programs. The board shall prepare annually a written program of planned educational activities in soil and water conservation.
 - (9) State Soils Laboratory. The board shall establish a state soils and plant analysis laboratory in connection with CALS at UW-Madison and UW-Extension.
 - (24) Employee-Owned Businesses Program. The board shall create, as needed, educational programs to provide training and technical assistance to employee-owned businesses.
 - (25) INDUSTRIAL AND ECONOMIC DEVELOPMENT RESEARCH PROGRAM.
 - (a) The board shall award industrial and economic grants to fund industrial and economic development research projects and outreach activities. (30) Pollution Prevention. The board shall maintain in the extension a solid and hazardous waste education center.
 - (30g) Recycling Market Development Program. The board shall establish in the extension a program of education and technical assistance related to recycling market development.
 - (31) Biotechnology Education; Consumers. The board shall establish extension programs to educate consumers about biotechnology process and products and risk assessment techniques.
 - (32) Agricultural Safety and Health Center. The board shall establish an Agricultural Safety and Health Center in the extension.
 - (36) Higher Education Location Program. The board shall maintain in the extension a higher education location program.
 - (47) Discovery Farm Grants. The board shall make grants through the extension to operators of discovery farms.
 - (48) Lumber Grading Training Program. The forest products outreach program shall establish a basic lumber grading training program that shall be offered in the extension on an annual basis.
- **36.49(2)** The board shall annually provide annual scholarships totaling \$100,000 to students enrolled in the sustainable management degree program.

36.54 The environmental education board shall consult with the University of Wisconsin–Extension in identifying needs and establishing priorities for environmental education.

Other Policies Related to UW-Extension

- **Board of Regent Policy Section 18: Extension and Outreach** summarizes and adopts the recommendations of a 1982 Special Regent Study Committee on Extension. Some items in this policy that are relevant to this particular issue are:
 - Resolves that UW-Extension should continue as an institution of the UW-System
 - Further emphasizes the UW-System's commitment to a system wide, coordinated extension effort
 - Assigns leadership responsibility for program coordination and state wide planning of the UW-System Extension function to the Chancellor of the University of Wisconsin Colleges and Extension
 - Encourages the use of inter-institutional committees to review inter-institutional agreements
 - Requires that allocations from University of Wisconsin-Extension to institutions be based on inter-institutional agreements reached between the Chancellor of the UW Colleges and UW-Extension and the chancellor of the institution involved; that such allocations permanently retain their budgetary identity as funds in support of extension programs; and that they be accompanied by substantial and adequate assurance of continued performance of the extension function and fiscal commitment to existing personnel.
- UWSA Administrative Procedure 125.A Formerly [Academic Information Series \(ACIS\) 5](#) is an administrative guideline to assist in the implementation of Regent Policy Section 18 on the integration between UW-Extension and UW System institutions. Some items in this series that are relevant to this particular issue are:
 - The Chancellor of Extension shall annually review the program of extension and outreach activities in the UW System, including those not covered in formal inter-institutional agreements, to insure that a coordinated and responsive statewide extension program is available to the people and institutions of Wisconsin.
 - Following the approval of an inter-institutional agreement by the Chancellors and the allocation of resources from UW-Extension, **an accounting mechanism will be set up whereby the institution exercises its responsibility to balance all accounts (expenditures and receipts) by the UW-Extension divisional (i.e., General Extension and Cooperative Extension) structure and furnish fiscal information for the annual review of the inter-institutional agreement (see I.C., V.B. and C.). However, funds need to be separately identifiable for accountability purposes.**
 - The final level of responsibility and accountability for UW System resources dedicated to the extension function is in the office of the Chancellor of UW-Extension and UW Colleges.

Other Reporting Requirements

- UW-Extension produces the annual financial report for all the UW System related to extension activities.
- CO-OP and DBE use revenue and expenditure data from all institutions to demonstrate required matching funds for both federal and state grant fund programs including Small Business Administration and Smith Lever funding.

Considerations for Resource Allocation.

Utilities, Debt Service and Fringe Benefits have been determined by the CBO's to be separately distributed items for purposes of GPR Resource Allocation.

CO-OP, BAMI and DBE are distinct functions of UW-Extension primarily budgeted as public service and academic support that would be difficult to compare with instruction-related funding in the Resource Allocation model. There is a separate paper on public service that addresses these areas at all institutions.

A portion of CEOEL's activities is similar to the resources that have been considered in other areas of the Resource Allocation model, with some key differences.

CEOEL has \$15.5 million in GPR excluding fringe benefits. \$8 million of those monies is used to support noncredit programming at other UW institutions through the inter-institutional agreements. The use of these funds for noncredit programs has long, historical precedent. The remaining \$7.5 million within Extension supports the Dean's Office, the School for Workers, the Higher Education Location Program (HELP), the Flexible Options program, and the Adult Student Initiative. CEOEL provides financial and staff support for campus-based instruction and administrative and student services. CEOEL funds are used as temporary start-up funding for programs that are designed to become self-supporting within 5 years of inception. In addition, \$34 million of the GPO (GPR and pooled) funding for CEOEL (\$89.7 million) is budgeted as public service.

The Resource Allocation group had considered excluding Extension credit enrollments from the model because it is self-supporting. The assumption was that institutions receive funding from Extension. However, that assumption was not correct. Per staff at UW-Extension, the funding that is provided to the institutions through the inter-institutional agreements does not support credit activities. Instead it is used to support non-credit activities. As such, it may be more appropriate for Extension credit enrollment activity to remain in the model. Under this approach, the Extension GPR funding would remain outside of the model because it is not intended to support credit programs.

With regards to General Administration, each institution has to have some funds related to administration. Extension has a vast and unique program array, encompassing each county in the state. This group has not prepared an analysis of the appropriate cost of administering these programs.

The Wisconsin Geological and Natural History Survey and Humanities Council are separately budgeted items that are easily separated from the other Extension Operations and could easily be excluded from a funding approach if needed.

Because of the unique mission of UW-Extension, to coordinate and oversee outreach activity on behalf of the System, and because of the unique activity that UW-Extension generates, should we recommend that UW-Extension funding be set aside from the development of the resource allocation model? Should we further recommend that UW-Extension be directed to develop – in concert with the other institutions – its own resource allocation model that will allocate funds to best incentivize outreach activity on behalf of the entire System and in fulfillment of its statutory mission.

Finally, and as a separate issue, the committee wants to raise the question about how institutions account for credit activity using Fund 104/189. The wide variance in activity between institutions raises the question that accounting practices may vary between those institutions.

University of Wisconsin System
Fund Consolidations Under the Block Grant
UW-Extension Funding Working Group
Meeting Date: September 15, 2011
Notes Prepared by: System Office of Budget and Planning

Meeting participants were:

Madison: Laura Ingram

Milwaukee: Don Weill, Dave Rice, Kathy Clark, Cindy Kluge

Eau Claire: Mark Reeves, Dorothy Nelson

Green Bay: N/A

La Crosse: Carrie Johnson

Oshkosh: N/A

Parkside: Scott Menke, Erin Schmidt, Jill Finger, Beth Frederick

Platteville: Marian Maciej-Hiner, Cathy Reidl-Farrey

River Falls: Katrina Larsen, Gail Armbrust

Stevens Point: Erin Hintz, Kim O'Flaherty, Faye Volk

Stout: N/A

Superior: N/A

Whitewater: Aimee McCann

Colleges: Laurie Grigg, Colleen Godfriaux

Extension: Daniel Malacara, Steve Hetzel, Carol Edquist

System Administration: Renee Stephenson, Ginger Hintz, Sue Buth, Gary Buehler, Paige Rusch

Fund 104 (University Extension)

- This group questioned if 104 could be transferred to the other institutions as their general program operation appropriation (Fund 101, 102, or 103).
- The majority of the institutions would like to keep 104 separate from their other GPR General Program Operations. It allows UW-Extension and the institutions to easily identify these dollars to ensure they are being used for the purposes for which they were intended and to identify expenditures for supplementation and allocation needs.
 - How would funding be tracked without retaining Fund 104 as a distinct Fund at the institutions?
 - Some institutions could identify these dollars using department ids but that is not the case for all institutions.
 - Some institutions could identify these dollars using project numbers but that is not the case for all institutions.
 - If the use of Fund 104 is not maintained UW-Extension staff indicated they would not be able to complete their financial reports because they would not be able to identify the funds.
- Transferring these funds as 104 results in additional work for the institutions; especially for late year end transfers and situations where institutions want to carryover 104. Expenditures must be shifted between two funds at the institutions to fully utilize the 104 they receive.
- It was suggested that the interinstitutional process be revisited (included in considerations for the CBOs above).

Fund 132 (Extension Non-Credit Revenue)

- The working group recommends that this fund be maintained.
- The majority of individuals from the accounting area were in agreement that changing the fund would require new accounting trees that could be problematic.
- The rationale for separately retaining Fund 132 are much the same as for 104.
- One item that is different from 104 was: Since the institutions generate the non-credit revenue, why should it be in the UW-Extension budget and expenditures? Should institutions budget the 132

amounts and not include the dollars in the interinstitutional agreement process?

Fund 189 (Credit Extension)

- The working group recommends that this fund be maintained.
- The programs and enrollments encompassed within the traditional definition of Credit Extension is continuing to grow and institutions need the ability to identify these dollars separately. However, allowing the use of these funds on programs other than instruction should be considered to more appropriately align budgets and expenditures with the program codes that support the credit outreach programming.
- At UW Colleges many of their students are considered adults and fall into the traditional definition of credit extension therefore it is difficult for them to differentiate between the appropriate uses of Fund 131 and Fund 189.
- A clear definition of the appropriate use of 189 should be established.

Funds 118 (Industrial & Economic Development Research), 158 (Extension Local Planning Program), 174 (Farm Safety Program Grants), 176 (Extension Outreach)

- The working group participants from the institutions that receive these funds recommend that they be rolled-up to Fund 104.
- The institutions that receive these funds will account for them using specific Department Ids to meet the statutory requirements related to the programs.