



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #797

Fuel and Utility Offset for General Purpose Revenue Funds (UW System)

[LFB 2003-05 Budget Summary: Page 450, #7]

CURRENT LAW

Fuel and utility costs for instructional buildings represent part of the costs which are funded through GPR and tuition. The UW System budget was last adjusted in 1999-01 to reflect revenue from fuel and utility charges. Annual base level funding for fuel and utilities is \$50,082,300 GPR.

GOVERNOR

Provide \$8,077,700 GPR in 2003-04 and \$6,838,900 GPR in 2004-05 for fuel and utility expenses for the UW System.

DISCUSSION POINTS

1. In the UW System, instructional costs are shared between GPR (65%) and tuition (35%). The Board of Regents sets tuition based on a calculation of total instructional costs which include direct and indirect costs.

2. Utilities costs are funded through a combination of GPR and PR tuition and fee revenues. In general, utility costs are paid out of a GPR fuel and utilities appropriation. The payment of the tuition share of utility costs is accomplished by increasing the PR tuition appropriation and making a corresponding decrease in the GPR general program operations appropriation. In this way, when all three appropriation are considered, 27% of the fuel and utility costs are paid from PR and 73% from GPR.

3. The tuition revenues generated by the fuel and utility charge and corresponding PR funding increase are taken as a direct GPR offset to instructional funding because the costs of fuel

and utilities are not included in the University's operating budget.

4. While a charge for fuel and utilities will be assessed to students in the 2003-05 biennium, the bill does not include additional tuition revenues which will be generated from such a charge, nor have such funds been used to offset GPR. Since the charge to students and related PR funding increase for the UW system is intended to be a GPR offset, the Committee could increase the PR tuition appropriation and reduce the GPR instructional budget for the UW System by an equal amount. Prior to 2001-03, this type of adjustment had been made in each biennia in which fuel and utilities funding increased.

5. As noted, the estimated increases in fuel and utilities expenditures are \$8,077,700 in 2003-04 and \$6,838,900 in 2004-05 above base funding of \$50,082,300. These estimated increases are attributable both to new space utility needs and projected fuel price changes. Based on the traditional 73%/27% split of these fuel and utility costs, the offset would reduce the UW System's largest general program operations appropriation by \$2,181,000 GPR in 2003-04 and \$1,846,500 GPR in 2004-05, and increase the tuition appropriation by \$2,181,000 PR in 2003-04 and \$1,846,500 PR in 2004-05.

6. Given the Governor's proposed \$250 million GPR base budget reduction for the UW System and tuition offset with undergraduate tuition increase limits, the Committee could forgo the tuition offset for fuel and utilities during the 2003-05 biennium. The tuition limit for resident undergraduate students would prohibit the UW System Board of Regents from increasing tuition in order to offset an additional GPR reduction related to the fuel and utilities tuition revenue offset. However, as part of its budgetary planning for 2003-04, the UW System has included the offset for fuel and utilities as part of its estimated additional tuition related expenditures of \$20.5 million in 2003-04 and \$29.2 million in 2004-05.

ALTERNATIVES

1. Reduce the University's largest state operations appropriation by \$2,181,000 GPR in 2003-04 and \$1,846,500 GPR in 2004-05 and provide \$2,181,000 PR in 2003-04 and \$1,846,500 PR in 2004-05 in the tuition appropriation to reflect the application of revenues to be received in 2003-05 from fuel and utilities charges assessed to students.

<u>Alternative 1</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	- \$4,027,500	\$4,027,500	\$0

2. Maintain current law.

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