



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #821

UW-La Crosse (UW System)

Bill Agency

[LFB 2007-09 Budget Summary: Page 572, #3]

CURRENT LAW

In 2006-07, the adjusted base budget for the UW System totals approximately \$4,315.4 million of which \$1,044.9 million, or 24.2%, is funded by state, general purpose revenues (GPR) and \$909.2 million, or 21.1%, is program revenue (PR) from tuition revenues.

By statute, the UW System Board of Regents has the authority to allocate funds to and create budgets for each of the institutions in the UW System. In 2006-07, the UW-La Crosse has an operating budget of \$128.5 million of which \$35.3 million, or 27.5%, is GPR and \$40.6 million, or 31.6%, is tuition revenue. In the fall of 2006, 8,341 undergraduate students and 1,508 graduate students were enrolled at the La Crosse campus.

GOVERNOR

Provide \$4,363,400 PR in 2008-09 for UW-La Crosse to support its growth and access initiative. The request would be funded by increased program revenue resulting from increases in enrollment and tuition. Under this proposal, resident undergraduate tuition charged by UW-La Crosse would increase by \$440 annually in 2008-09, 2009-10, and 2010-11, for a total increase of \$1,320 per academic year when fully implemented, over and above regular tuition increases. Students enrolled in UW-La Crosse prior to the fall of 2008 would not be subject to these increases if enrolled continuously.

DISCUSSION POINTS

Overview of UW-La Crosse Initiative

1. The goals of the UW-La Crosse initiative are to: (a) increase access, particularly to students in the lower two economic quintiles, by providing tuition-funded financial aid; (b) increase the number of degrees awarded; (c) increase student diversity; (d) increase academic excellence; (e) maintain or improve retention and graduation rates; and (f) increase enrollment in certain disciplines, including programs in business, health, science, and technology. This initiative would be funded by increases in tuition revenue generated by the UW-La Crosse campus as the result of increases in enrollment and increases in tuition.

2. Under the UW-La Crosse proposal, annual tuition at that campus would increase by \$440 for all new students in 2008-09. According to the UW System budget request documents, UW-La Crosse would continue to increase tuition and enrollments in future biennia. In addition to the proposed increase in 2008-09, UW-La Crosse would increase annual resident undergraduate tuition by \$440 in 2009-10 and 2010-11 for a cumulative increase of \$1,320. This increase would be on top of any regular system-wide tuition increases imposed by the UW System Board of Regents. UW-La Crosse also plans to increase its enrollment by 1,000 to 1,100 full-time equivalent (FTE) students over the next six to eight years. Of these students, UW-La Crosse estimates that approximately 750 would be Wisconsin resident students or students enrolled under the reciprocity agreement with Minnesota. UW System staff indicates that any additional tuition revenue generated by an increase in enrollment related to this initiative would remain at that the UW-La Crosse campus.

3. UW-La Crosse estimates that if this proposal were to be fully implemented, it would generate an additional \$15 million annually in tuition revenue. Approximately two-thirds of this revenue would be attributable to the \$1,320 increase in tuition and one-third to the proposed increase in enrollment. This additional revenue would be expended as follows: (a) \$7.9 million to support approximately 104 new faculty positions; (b) \$3.8 million in financial aid and scholarships; (c) \$2.3 million to support recruitment and student success programs; and (d) \$1.1 million for academic supplies and support services and student support programs.

Funding Level

4. SB 40 would provide \$4,368,800 PR in tuition revenue authority to support the UW-La Crosse initiative in 2008-09. However, it does not appear that UW-La Crosse could generate this amount of additional tuition revenue in that year. According to UW System staff, the initiative was initially intended to increase resident undergraduate tuition beginning in 2007-08, instead of in 2008-09 as currently proposed. However, SB 40 includes PR funding consistent with two years of tuition increases, rather than the single increase proposed for 2008-09.

5. Budget documents originally submitted for 2007-08 give guidance on how much revenue a single year of the tuition increase would generate in 2008-09 and how those funds would

be used. As indicated in these documents, it was estimated that a single year of tuition increases would generate an additional \$901,400 in tuition revenue. This funding would be used to support 2.0 positions related to instruction and 6.0 positions related to student services. In addition, \$225,400 would be used for financial aid. To provide an amount of tuition revenue authority that would better match spending authority to the estimated amount of tuition revenue that would be generated by the proposed 2008-09 tuition increase at the La Crosse campus, the Committee could provide \$901,400 PR for UW-La Crosse in 2008-09, rather than \$4,368,800 PR as under SB 40.

6. By approving the total amount of PR funding provided for UW-La Crosse in SB 40, which is equal to the estimated amount of revenue that would be generated by two years of tuition increases at that campus, the Legislature would provide funding consistent with proposed tuition increases at the La Crosse campus in both 2008-09 and 2009-10. Although the La Crosse campus would not be able to generate this revenue in 2008-09, this amount would become part of the UW System's base budget in 2009-10 and UW-La Crosse would be able to plan future growth in advance of the 2009-11 budget process. In addition, this would allow UW-La Crosse to grant tuition-funded financial aid to students entering in the fall of 2009 and to hire additional staff by the state of that semester. According to UW System budget staff, the UW System does not intend to utilize this excess amount of revenue authority in 2008-09.

PR Positions

7. Although the UW System requested PR positions to support this initiative, no positions have been provided in SB 40 for this purpose. This allowed the administration to avoid increasing the number of positions authorized under SB 40. However, the University does have PR position creation authority under s. 16.505 (2m) of the statutes, which permits the University to create and abolish positions supported by tuition revenues generated from increased enrollment and from courses for which the academic fees (tuition) charged equals the full cost of offering the courses. The UW System indicates that it would use this provision to create the positions requested for the UW-La Crosse initiative.

8. Part of this proposal is consistent with the PR position creation authority, since there is a proposed increase in enrollment. However, it is unclear whether the proposed tuition increase for all new undergraduate students would represent an instance in which the tuition charged equals the full cost of offering courses. UW-La Crosse would still receive GPR funding to support part of its instructional costs from its base level allocation of resources. According to UW System staff, tuition paid for certain courses under the UW-La Crosse proposal would exceed the cost of offering those courses, which would be consistent with the law, although these courses are not specified.

9. The UW System cites another instance in which its PR position creation authority has been used in this manner. In February of 1999, UW-Stout implemented a differential tuition charged to all undergraduate students. Revenues generated from this differential tuition have been used to create 26.0 PR positions under 16.505 (2m).

10. UW-La Crosse would need additional positions to implement this initiative. Much of the proposed funding would support salary and fringe benefit costs associated with these positions. The budget bill would better represent the impact of this proposal if it authorized these positions, rather than relying on the Board of Regents to create the positions after enactment. Under this approach, the Committee could provide 8.0 PR positions beginning in 2008-09, which would be consistent with the revenues that would be generated by the proposed tuition increase in that year, or 28.0 PR positions, which would be consistent with the funding amount provided under SB 40.

Tuition Levels at the UW System

11. The amount of tuition and fees charged to resident undergraduate students in the UW System varies by the campus attended. While the UW System Board of Regents establishes a single tuition rate for all of the 11 comprehensive campuses, the total tuition and fees charged by each of these campuses varies due to two factors. First, subject to approval by the Regents, campuses can charge differential tuition rates for certain programs or students. In 2006-07, six of the 11 comprehensive campuses charge differential tuition, which varies from \$55 annually at UW-La Crosse to \$228 annually at UW-Stout, to all undergraduate students. Second, the amount of segregated fees, which are used to support student activities and services, varies by campus. In 2006-07, segregated fees charged at the comprehensive campuses range from \$585 at Stout to \$1,148 at Green Bay. As a result, the total amount of tuition and fees charged to resident undergraduate students by the comprehensive campuses ranges from \$5,310 at Platteville to \$5,716 at Green Bay.

12. Under this proposal, UW-La Crosse annual tuition would increase by \$1,320 by 2010-11. If this tuition increase had been fully implemented by 2006-07, the total amount of tuition and fees charged by UW-La Crosse would have been \$6,718, compared to \$6,726 at UW-Madison. This also would have been approximately \$1,000 more than the tuition and fees charged at UW-Green Bay, which is currently the most expensive of the comprehensive campuses.

13. The UW System does not believe that this increase in tuition would result in decreased enrollment at UW-La Crosse. On the contrary, the UW System estimates that enrollment at UW-La Crosse would increase by 750 Wisconsin resident and Minnesota reciprocity students by 2012-2013. According to its budget documents, the UW System believes that this proposal would raise tuition to a level that is consistent with the institutional quality and high-demand programs offered by UW-La Crosse. Based on the average ACT and high school class rank of new freshmen, UW-La Crosse is currently the most selective of all of the comprehensive campuses. In the fall of 2006, new freshmen enrolling in UW-La Crosse had an average ACT score of 24.6, compared to 23.1 system-wide, and an average high school rank in the 82nd percentile compared to the 67th percentile systemwide.

14. However, other UW System comprehensive campuses, especially UW-Eau Claire, also receive a high number of applications and have above System average ACT scores and class ranks. For example, incoming freshmen at UW-Eau Claire had an average ACT score of 24.3 and an average class rank in the 75th percentile. Given these statistics, the proximity of the two

campuses, and that under this proposal tuition at UW-Eau Claire would be nearly \$1,400 less than at UW-La Crosse in 2010-11, a significant number of students, especially those students who would not expect to receive any of the additional financial aid provided under this proposal by UW-La Crosse, could elect to study at UW-Eau Claire instead of at UW-La Crosse.

15. UW System staff indicates that these tuition increases would raise the resident undergraduate tuition charged by UW-La Crosse to the average tuition for resident undergraduates in the peer group for the comprehensive campuses. In order to benchmark the comprehensive campuses, the UW System uses a peer group consisting of 34 similar public universities located in Illinois, Indiana, Iowa, Michigan, Minnesota, and Ohio. In 2006-07, the average tuition and fees charged at these peer universities is \$6,642. If the tuition increase proposed for UW-La Crosse had been fully implemented by 2006-07, tuition and fees at that campus would have been within \$100 of the peer group average. Currently, it is more than \$1,200 below the peer group average.

16. Opponents of this proposal argue that the amount of tuition and fees charged by universities in the comprehensive peer group may be of limited relevance. Generally, there is only one state in which a student would qualify for resident tuition and, consequently, resident tuition in other states should have little bearing on where a student chooses to attend. From this point of view, the more relevant comparison would be to similar public institutions in Wisconsin and in Minnesota, where Wisconsin resident students are eligible for reciprocity tuition. Under this proposal, resident undergraduate tuition at UW-La Crosse would be roughly \$1,000 more than at the next most expensive comprehensive campus. It is unclear whether students would be willing to pay this additional tuition to attend UW-La Crosse.

17. If this proposal were deleted from SB 40, these proposed tuition increase at UW-La Crosse could be implemented by the Board of Regents as differential tuition. Under current law, campuses can charge differential tuition rates for certain programs or students subject to approval by the Board of Regents. If the Board of Regents were to approve differential tuition to fund the UW-La Crosse proposal, the UW System would not need legislative approval. UW System staff indicates that the UW-La Crosse proposal was included in its agency budget request, rather than proposed as differential tuition, because tuition revenue would be used to support financial aid. This would be the first case in which resident undergraduate tuition revenue would be used for this purpose. If, as a matter of policy, the Committee does not wish to have the La Crosse initiative go forward, it could prohibit Board of Regents from approving the La Crosse proposal as a differential tuition plan.

ALTERNATIVES TO BILL

A. Funding Level

1. Approve the Governor's recommendation, which would provide \$4,363,400 PR from tuition revenue for UW-La Crosse.

ALT A1	Change to Bill Funding	Change to Base Funding
PR	\$0	\$4,363,400

2. Modify the Governor' recommendation to delete \$3,462,000 PR in 2008-09, which would provide \$901,400 PR as a change to the base. This funding level would be consistent with the estimated amount of tuition revenue available under the initiative in that year.

ALT A2	Change to Bill Funding	Change to Base Funding
PR	- \$3,462,000	\$901,400

3. Delete provision. The UW Board of Regents could implement the UW-La Crosse initiative using its authority to charge differential tuition.

ALT A3	Change to Bill Funding	Change to Base Funding
PR	- \$4,363,400	\$0

4. Delete provision and prohibit the UW Board of Regents from using differential tuition to implement the UW-La Crosse initiative.

ALT A4	Change to Bill Funding	Change to Base Funding
PR	- \$4,363,400	\$0

B. PR Positions

1. Approve the Governor's recommendation, which would not provide positions and would rely upon the UW System to create the positions needed to implement the UW-La Crosse initiative under SB 40.

2. Modify the Governor' recommendation to provide 28.0 PR positions in 2008-09, which would be consistent with the funding provided under Alternative A1.

ALT B2	Change to Bill Positions	Change to Base Positions
PR	28.00	28.00

3. Modify the Governor' recommendation to provide 8.0 PR positions in 2008-09, which would be consistent with the funding provided under Alternative A2.

ALT B3	Change to Bill Positions	Change to Base Positions
PR	8.00	8.00

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