



Legislative Fiscal Bureau

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June 2, 2011

Joint Committee on Finance

Paper #741

5.5% Tuition Increase (UW System and UW-Madison Authority)

[LFB 2011-13 Budget Summary: Page 500, #9]

CURRENT LAW

The UW Board of Regents establishes tuition rates at all UW System institutions. Tuition increases for resident undergraduate students are limited to an amount sufficient to fund all of the following: (a) in an odd-numbered year, the highest amount shown in the appropriation schedule for the tuition appropriation for that year in the Joint Finance Committee version of the budget bill, the engrossed budget bill, or the enrolled budget bill; (b) in an even-numbered year, the amount shown in the appropriation schedule for the tuition appropriation; (c) the approved recommendations of the Director of the Office of State Employment Relations for compensation and fringe benefits for classified and unclassified staff; (d) the projected loss in revenue caused by a change in the number of enrolled undergraduate, graduate, resident and nonresident students from the previous year; (e) state-imposed costs not covered by GPR as determined by the Board; (f) distance education, intersession, and nontraditional courses; and (g) differential tuition that is approved by the Board but not included in the tuition appropriation.

GOVERNOR

Provide additional tuition revenue expenditure authority of \$35,750,000 PR in 2011-12 and \$71,500,000 PR in 2012-13. These increases correspond with increases in resident undergraduate tuition of 5.5% in each year of the biennium. According to the administration, these amounts were calculated assuming that a 1% increase in resident undergraduate tuition charged to all resident students, including those enrolled at UW-Madison, would generate an additional \$6.5 million annually in tuition revenues. Under another item, the portion of this additional tuition revenue that would be generated by UW-Madison would be deleted.

DISCUSSION POINTS

1. The UW Board of Regents has increased base resident undergraduate tuition at all of

the four-year UW System institutions by 5.5% in each of the past four years. Actual tuition increases were greater at campuses that implemented differential tuition in those years.

2. Three items in the Governor's budget would increase the Board of Regents' tuition revenue expenditures authority above current levels: (a) standard budget adjustments (\$33,968,500 annually); (b) increase tuition revenue authority to allow 5.5% increases in resident undergraduate tuition (\$35,750,000 in 2011-12 and \$71,500,000 in 2012-13); and (c) student technology fee revenues (\$1,471,400 in 2011-12 and \$2,701,300 in 2012-13). These three items combined would increase the Board of Regents' tuition revenue expenditure authority by an amount equal to an 11% increase in resident undergraduate tuition in 2011-12 and a 5.7% increase in 2012-13. If it is the Committee's intention to limit resident undergraduate tuition increases to 5.5%, the Committee could delete the tuition revenue portion of standard budget adjustments and the student technology fee item.

3. Another item deletes the portion of these tuition revenue increases that would be generated by UW-Madison to reflect the creation of the UW-Madison authority. If the Committee approves the creation of the UW-Madison authority, the tuition revenue portion of standard budget adjustments for the remaining UW System would be \$21,257,500 annually and the increase in student technology fee would be \$920,800 in 2011-12 and \$1,690,500 in 2012-13.

4. The Board of Regents can increase resident undergraduate tuition by an amount sufficient to generate the amount of tuition revenue shown in the appropriation schedule. However, the Board of Regents also have the authority to increase resident undergraduate tuition for other reasons, most significantly to fund the compensation plan approved by the Joint Committee on Employee Relations (JCOER) and state-imposed costs not covered by GPR. Even in the case that no pay plan increases are approved by JCOER, the Board of Regents could increase resident undergraduate tuition to fund pay plan related costs. For example, tuition was increased by an amount sufficient to generate \$6.2 million in 2009-10 and \$16.1 million in 2010-11 even though no salary increases were approved for UW staff in that biennium. Instead, these tuition increases funded increases in health insurance and retirement costs.

5. If the intention of the Committee is to limit tuition increases for resident undergraduates to 5.5% in each year of the biennium, the Committee could create statutory language explicitly prohibiting the Board of Regents from increasing resident undergraduate tuition by an amount greater than 5.5%.

6. If the Committee were to adopt statutory language explicitly prohibiting the Board of Regents from increasing resident undergraduate tuition by an amount greater than 5.5%, the Committee may want to create an exception for existing differential tuitions. Differential tuition is an amount charged on top of base tuition to support additional services and programming for students at a particular institution. The Board of Regents approved differential tuitions for all undergraduates at UW-Madison in 2009 and UW-Eau Claire in 2010, both of which are being phased in over a number of years. The differential tuition charged by UW-Madison is scheduled to increase by \$250 in both 2011-12 and 2012-13 and the differential tuition charged by UW-Eau Claire is scheduled to increase by \$300 in both 2011-12 and 2012-13. As these increases would be charged on top of any increases in base tuition rates approved by the Board of Regents, tuition

increases at these campuses are likely to be greater than 5.5%. If the Committee does not want to limit the Board of Regents' ability to approve new differential tuition plans during the 2011-13 biennium, the Committee may wish to provide an exception to the 5.5% limit on increases in resident undergraduate tuition for both existing and new differential tuition plans.

7. Conversely, if the Committee were to delete this item, the UW System Board of Regents would set resident undergraduate tuition in each year of the biennium subject to the current law limitations. Based on the additional tuition revenue expenditure authority provided in other items, the Board of Regents could raise resident undergraduate tuition by 5.5% in 2011-12 and 0.2% in 2012-13 to generate the amount of tuition revenue that would be shown in the appropriation schedule. The Board of Regents could raise resident undergraduate tuition by additional amounts to fund cost increases related to pay plan or state-imposed costs not funded by GPR. In past biennia, the Board of Regents have increased resident undergraduate tuition to offset GPR reductions and, under this alternative, the Board of Regents would have the ability to do so in the 2011-13 biennium as well. Under this alternative, the Board of Regents could potentially increase resident undergraduate tuition by more than 5.5% in each year of the biennium. However, UW System staff have indicated that the Board of Regents would be unlikely to raise resident undergraduate tuition by an amount significantly greater than 5.5% due to concerns related to affordability and the level-funding of state financial aid programs under the budget.

8. Under the bill, the Board of Trustees for the UW-Madison authority would establish tuition rates for that institution. The Board of Trustees' tuition authority would not be limited as the Board of Regents' tuition authority is under current law. Under the statutory changes proposed by the UW Board of Regents as part of the Wisconsin Idea Partnership, current law language limiting the Regents' ability to increase resident undergraduate tuition rates would be deleted. Another Legislative Fiscal Bureau paper [LFB Paper #742] will discuss these proposed tuition flexibilities. Action on this other paper may make action on the items discussed in this paper unnecessary.

ALTERNATIVES

1. Approve the Governor's recommendations.
2. Reduce the tuition expenditure authority provided in the bill to an amount equivalent to 5.5% annual increases in resident undergraduate tuition.
 - a. If UW-Madison is created as an authority, delete \$22,178,300 in 2011-12 and \$22,948,000 in 2012-13.

ALT 2a	Change to Bill
	Funding
PR	- \$45,126,300

- b. If UW-Madison remains a UW System institution, delete \$35,439,900 in 2011-12 and \$36,669,800 in 2012-13.

ALT 2b	Change to Bill
	Funding
PR	- \$72,109,700

3. Prohibit the UW System Board of Regents from increasing resident undergraduate tuition in 2011-12 or 2012-13 by more than 5.5% annually.

4. Prohibit the UW System Board of Regents from increasing resident undergraduate tuition in 2011-12 or 2012-13 by more than 5.5% annually. Specify that differential tuition would be exempt from this prohibition.

5. Delete provision. UW System Board of Regents would set resident undergraduate tuition in each year of the biennium subject to the current law limitations.

a. If UW-Madison is created as an authority, delete \$23,375,000 in 2011-12 and \$46,750,000 in 2012-13.

ALT 5a	Change to Bill
	Funding
PR	- \$70,125,000

b. If UW-Madison remains as UW System institution, delete \$35,750,000 in 2011-12 and \$71,500,000 in 2012-13.

ALT 5b	Change to Bill
	Funding
PR	- \$107,250,000

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