



Legislative Fiscal Bureau

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October 2, 2019

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: University of Wisconsin System: Section 13.10 Request for Release of Funding for UW System Institutions -- Agenda Item III

On August 21, 2019, the UW System submitted a request under s. 13.10 of the statutes for release of \$15,000,000 GPR in 2019-20 and \$30,000,000 GPR in 2020-21 to be distributed to UW System institutions.

BACKGROUND

Under 2019 Act 9, \$22,500,000 GPR in 2019-20 and \$22,500,000 GPR in 2020-21 is provided in the Joint Committee on Finance supplemental appropriation for release to the UW System upon submission of a plan by the UW System for the use of this funding. On August 1, 2019, the Board of Regents approved the UW System plan for use of the \$45 million GPR included in the 2019-21 biennial budget.

ANALYSIS

According to the plan approved by the Board of Regents, the UW System would utilize 95.5% of the funding for allocation to the 13 four-year campuses based on the JFC-approved outcomes-based funding model, including a redistribution of funding from the former UW Colleges to the seven receiving institutions. The remaining 4.5% would be allocated for the former UW Extension divisions transferred to UW-Madison and the UW System. Of these funds, 60% would be distributed to UW-Madison and 40% to the UW System as shown in Table 1.

TABLE 1

UW System Planned Allocation of JFC Supplemental Funding

	<u>2019-20</u>	<u>Annually Beginning in 2020-21</u>
Outcomes-Based Funding	\$14,320,100	\$28,640,300
Former Extension at UW-Madison	407,900	815,800
Other Former Extension Divisions	<u>272,000</u>	<u>543,900</u>
Total	\$15,000,000	\$30,000,000

The 2017-19 budget (2017 Act 59) provided \$26.25 million GPR of ongoing funding beginning in 2018-19 to be distributed to UW System institutions for outcomes-based initiatives. Act 59 created section 36.112 of the statutes governing performance/outcomes-based funding for the UW System which establishes the following goals for the UW System: (a) growing and ensuring student access; (b) improving and excelling at student progress and completion; (c) expanding contributions to the workforce; and (d) enhancing operational efficiency and effectiveness. For each goal, the Board of Regents was required to identify at least four metrics to measure an institution's progress toward meeting the goal. The Board was authorized to specify different metrics for UW-Extension. Act 59 also required the Board to develop a formula for distributing the \$26.25 million provided in 2018-19 among the institutions based on each institution's performance with respect to the metrics subject to approval by the Joint Committee on Finance. In April, 2018, the Joint Committee on Finance approved the outcomes-based funding formula proposal submitted by the UW System. For each statutory goal, the four metrics established under the proposal are shown in the following table.

TABLE 2

Metrics Identified for Formula

A. Goal: Grow and Ensure Student Success

Metrics

- a. Wisconsin high school graduates enrolled as degree-seeking undergraduates
- b. Pell-eligible students enrolled as undergraduates
- c. Under-represented students enrolled as undergraduates
- d. Transfer students enrolled as undergraduates

B. Goal: Improve and Excel at Student Progress/Completion

Metrics

- a. Undergraduates who achieved 30 credit hours
- b. Undergraduates who achieved 90 credit hours
- c. Undergraduate degrees awarded
- d. Post-baccalaureate degrees awarded

C. Goal: Expand Contributions to the Workforce

Metrics

- a. Graduates in STEM disciplines
- b. Graduates in health-related disciplines
- c. Pell-eligible graduates
- d. Research and public service expenditures

D. Goal: Enhance Operational Efficiency/Effectiveness

Metrics

- a. Core expense ratio
- b. Average number of credit hours required for an undergraduate degree
- c. Average student debt on baccalaureate graduation
- d. Degrees awarded per 100 FTE

Because of the ongoing restructuring of the UW System, UW Colleges and UW-Extension were removed from consideration for the outcomes-based funding formula for the initial funding allocation. Each institution's initial percentage share will be modified by its relative performance on the metrics established under the proposal.

For each metric, the UW System has compiled baseline data for each institution by averaging the three previous years of data and scaled the data so that it is comparable across metrics. To show the change in performance between years, data for the most recent year and the two previous years will be averaged and scaled, and the change in the total of each three-year rolling average will be calculated. Each of the four goals will be weighted at 25%, and within each goal institutions may assign weights to the four metrics for that goal that add up to 25%, with the limitation that institutions must assign at least a 1% weight to each metric. The three-year rolling average data for each metric will then be multiplied by the applicable weight, and these weighted data will be added together to calculate an overall percentage change in the weighted and scaled data for each institution.

Once the percentage changes in the weighted and scaled data are determined for each institution, their initial percentage share of the outcomes-based funding will be multiplied by the percentage change in the performance data. The new percentage shares will be proportionally adjusted so that they add to 100%, and the outcomes-based funding will be allocated accordingly.

According to the plan, data for the performance outcomes will be populated into the model in September, 2019, and the funding from the adjusted allocations will be transferred to the campuses in October, 2019. This would apply to the original \$26.25 million as well as the additional \$15 million provided under Act 9, if the Committee approves the request for release of the funds.

Approving the release of \$15 million in 2019-20 and \$30 million in 2020-21 would provide \$30 million in annual ongoing funds primarily for outcomes-based initiatives, bringing the total annual outcomes-based funding to \$56.25 million GPR (including the \$26.25 million annually provided beginning in 2018-19).

Staff from the UW System indicate that the likely first use of the moneys held in the Committee's appropriation by UW institutions would be to fund the tuition share of pay plan. Because of the freeze on resident undergraduate tuition, UW institutions cannot generate additional tuition revenue to cover the tuition funded portion of pay plan, which totals \$4.0 million in 2019-20 and \$8.1 million in 2020-21. These pay plan amounts would otherwise have to be reallocated from other spending purposes.

Information on the specific items that will be funded with the remainder of the moneys held in the Committee's appropriation is not available. Each UW institution will decide how to use its share of the \$45 million. Because the most recent year of data used in the outcomes-based funding model is not yet available, the institutions do not know how much money they will receive. In addition, the Committee's decision on how much of the funding is ongoing will affect their spending decisions.

In its agency budget request, the UW System requested \$25 million GPR in 2020-21 for capacity building initiatives. This request was intended to address priorities outlined by the Legislature including workforce development, retain/attract talent, entrepreneurship and innovation, and affordability as well as priorities identified by UW System Administration including improving the transfer process, increasing internship opportunities, and improving graduation rates, retention, and affordability. Each UW System institution submitted initiatives that fit these priorities. Under the Governor's budget recommendations, \$20 million in 2019-20 and \$25 million in 2020-21 would have been provided to advance student success and attainment. The initiatives supported by this funding could have included time to degree, advising, and participation in internships, undergraduate research, and community partnerships. The Joint Finance Committee and Legislature deleted this funding and instead provided \$22.5 million of annual funding in the Committee's appropriation for release to the UW System.

The UW System has requested that the Committee release \$15 million in 2019-20 and \$30 million in 2020-21, with the \$30 million being ongoing funding. This would build the base level of funding for the UW System going into the next budget and would provide UW institutions additional

ongoing resources to fund their initiatives. As an alternative to the UW System's request, the Committee could provide \$20 million in 2019-20 and \$25 million of ongoing funding in 2020-21, which would be consistent with the funding splits in the Governor's recommendation relating to student success and attainment. Another option would be to provide \$22.5 million in 2019-20 and \$22.5 million of ongoing funding in 2020-21. Because the UW System's major GPR appropriation is biennial, the UW System can shift funding between the two fiscal years of the 2019-21 biennium at its discretion; however, the ongoing amount would be the amount specified by the Committee.

ALTERNATIVES

1. Approve the UW System request to transfer funding held in reserve for this purpose in the Committee's s. 20.865(4)(a) appropriation of \$22,500,000 GPR annually to increase the UW System's s. 20.285(1)(a) appropriation by \$15,000,000 GPR in 2019-20 and \$30,000,000 GPR in 2020-21. Specify that the \$30,000,000 in 2020-21 is ongoing.

2. Modify the UW System's request to transfer funding held in reserve for this purpose in the Committee's s. 20.865(4)(a) appropriation of \$22,500,000 GPR annually to increase the UW System's s. 20.285(1)(a) appropriation by \$20,000,000 GPR in 2019-20 and \$25,000,000 GPR in 2020-21. Specify that the \$25,000,000 in 2020-21 is ongoing.

3. Modify the UW System's request to transfer funding held in reserve for this purpose in the Committee's s. 20.865(4)(a) appropriation of \$22,500,000 GPR annually to increase the UW System's s. 20.285(1)(a) appropriation by \$22,500,000 GPR in 2019-20 and \$22,500,000 GPR in 2020-21. Specify that the \$22,500,000 in 2020-21 is ongoing.

4. Deny the request.

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