



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #951

Funding for UW-Milwaukee (UW System)

[LFB 2001-03 Budget Summary: Page 683, #6]

CURRENT LAW

In 2000-01, the adjusted base budget for the UW System totals approximately \$3,054 million, of which \$1,015 million or 33.2% is funded from state, general purpose revenues. Approximately 81% of the University's GPR adjusted base budget is provided under an appropriation for general program operations for University education, research and public service. The UW System has the ability to combine the GPR general program operations funds with monies received from tuition and certain federal indirect cost reimbursements, creating an approximate \$1.3 billion pool of funds that it may use to run its operations.

Annually in June or July, the UW Board of Regents approves budget allocations to the 26 campuses in the System based on past allocations, targeted budget initiatives, planned enrollment changes and planned programmatic changes. In 2000-01, UW-Milwaukee's total budget from all fund sources is approximately \$351.6 million, of which \$196.7 million is derived from GPR and fee revenues.

GOVERNOR

Provide \$1,000,000 GPR and \$2,800,000 PR in 2001-02 and \$2,400,000 GPR and \$5,600,000 PR in 2002-03 for UW-Milwaukee.

DISCUSSION POINTS

Background

1. UW Milwaukee is one of two doctoral campuses within the University of Wisconsin

System. To fulfill its mission as a major urban doctoral university and to meet the diverse needs of Wisconsin's largest metropolitan area, UW Milwaukee provides 146 degree programs, including 81 undergraduate, 48 masters and 17 doctoral programs in eleven schools and colleges. In addition, the University has more than 70 active scholarly research centers, institutes and laboratories.

2. As the UW System's second largest University, UW-Milwaukee serves approximately 23,000 students, including 18,700 undergraduate, 3,400 graduate and 700 doctoral students. Among the UW institutions, UW-Milwaukee is the most ethnically diverse campus with 16.6% of its students reporting themselves as either African American, Hispanic/Latino, Asian American or American Indian; for African Americans, UW-Milwaukee confers 44% of the total number of UW System's bachelor's degrees. UW-Milwaukee is characterized as an urban commuter campus serving the state's most populous region; the campus has fewer out-of-state students and an older student body that attends part-time and graduates at a lower rate in a longer period of time than other campuses.

3. A major part of UW-Milwaukee's mission as an urban research campus in the state's largest city and economic region, is community outreach and integration with the regional and state economy. Faculty, students and staff actively coordinate and promote partnerships, alliances and collaborations with Milwaukee area businesses, governmental agencies, other educational institutions, arts groups and neighborhoods. Students typically interact directly with businesses and the community through courses and internships, essentially using the city and region as a learning laboratory.

4. UW Milwaukee has advanced the Milwaukee idea, a four-year plan to increase enrollment, staff and investment in the University and help make it one of the top-rated urban universities. As part of its proposal, UW-Milwaukee has requested a \$25 million increase in base GPR funding by 2004-05. The additional state investment would be used to leverage approximately \$50 million of funding from other sources, including \$20 million from additional tuition revenues generated by expanding enrollment from 23,000 to 30,000 students.

5. As part of this proposal, the UW-Milwaukee has set a goal of increasing federal and nonfederal extramural grants and contracts supporting research and scholarly activities by \$21 million above a current base of approximately \$20 million. The University has already committed \$4 million from internal reinvestments and reallocations of its base GPR/fee resources toward increasing enrollments in high-demand fields as part of the initiative and has launched a major gift campaign in order to create a \$100 million endowment by 2004-05. Over the past two years, UW-Milwaukee has attracted more than \$14 million in private giving related to items in the Milwaukee idea. The UW-Milwaukee investment plan anticipates annual expendable gift income of \$1 million in 2001-02, \$3 million in 2002-03 and \$5 million ongoing.

6. According to UW System staff, additional GPR over the next two biennia would help UW-Milwaukee meet its plan for growth and meet the economic needs of the region and state. One goal is to increase the size of the University and establish it among the top 100 research universities in the nation. Other goals include the following: increase the diversity of its faculty, staff and

students; become a national model for engaged universities in its contribution to sustainable cities and regional and state economies; expand the extent of collaborations within the university and with its partners in academia, government, industry, and community; and strengthen academic discipline research in health, freshwater biology and management, urban and community design, information professions and management, manufacturing and imaging technologies.

7. As part of the first phase of funding for the Milwaukee idea, the UW System's 2001-03 economic stimulus budget request included increased funding for UW-Milwaukee totaling \$24.0 million and 239.0 GPR positions, including \$6,920,000 GPR and \$1,080,000 PR with 75.0 GPR positions in 2001-02 and \$13,750,000 GPR and \$2,250,000 PR with an additional 164.0 GPR positions in 2002-03. The requested funding would be funded with 86% GPR and 14% PR.

8. According to UW System staff, the requested tuition funding was purposely reduced from the traditional 65% GPR/35% fee split in order to illustrate the amount of funding for the program that would likely be raised from a tuition increase at UW-Milwaukee. As a result, the additional fees from enrollment growth were not included, as part of the request, if the differential tuition and enrollment growth is included, the percentage of fee support would be approximately 37%, with \$3.33 million PR requested in the economic stimulus request for a tuition increase and an additional \$9 million due to enrollment growth. Under current law, the UW tuition appropriation funding does not need to be adjusted in the budget bill to request funding increases that result from additional enrollment. The proposed tuition funding associated with the Milwaukee idea under the Board of Regents request would increase tuition by approximately 1.6% annually.

9. According to UW System staff, the \$24.0 million in requested funding would be used to help accomplish the major goals of the initiative during the first phase, which include encouraging public-private partnerships, expanding faculty, enrolling 1,500 additional students in high-demand programs and increasing research efforts. The requested funds would be allocated for the following purposes:

Broadening Access to Education. \$3 million in 2001-02 and \$6 million in 2002-03 to broaden access for students across the state through expanded partnerships with the UW Colleges, the Wisconsin Technical College System, and other UW four-year campuses, as well as through increased online and distance-learning opportunities. In addition, funding would help expand pre-college programs to encourage students to attend college, and expand K-12 teaching education courses and double the number of teachers prepared for urban and other K-12 districts.

Environment and Health. \$2 million in 2001-02 and \$4 million in 2002-03 to expand course offerings in health-related professions in response to critical shortages of health-care workers, develop new and more effective models of health care delivery, and develop health promotion programs for special-need populations. In addition, funding would help build upon existing environmental resource programs in the WATER Institute, the Center for Urban Transportation Studies, the Alternative Fuels Center and housing and community issues through the School of Architecture and Urban Planning.

Economic Development. \$3 million in 2001-02 and \$6 million in 2002-03 to address worker shortages in critical areas through increasing enrollment in fields of high demand, information technology, management skills, and biotechnology. In addition, funding would facilitate economic growth through workforce skill development, support services for entrepreneurs, enhance university/industry relations and facilitate applied research through the Milwaukee Technology Center.

10. The Governor's budget recommendations would provide \$1,000,000 GPR and \$2,800,000 PR in 2001-02 and \$2,400,000 GPR and \$5,600,000 PR in 2002-03 for the first phase of the Milwaukee idea, approximately 49% of the total amount requested by the UW System in their economic stimulus proposal. DOA staff indicate that the recommended level of funding reflects the allocation of scarce state resources and does not represent the rejection of any particular component of the request. According to executive budget documents, the funding would be used for the following: \$1,000,000 GPR in 2002-03 to create a residential honors college at UW-Milwaukee that would enable the campus to attract more high-achieving students; and \$3,800,000 (\$1,000,000 GPR and \$2,800,000 PR) in 2001-02 and \$7,000,000 (\$1,400,000 GPR and \$5,600,000 PR) in 2002-03 for implementation of the Milwaukee idea.

11. According to executive budget staff, it is the intent of the Governor's recommendation that the allocation of the proposed funding amount for both the Milwaukee idea and the honors college would be left to the University. The funds would be placed in unallotted reserve due to uncertainty as to how the monies should be allocated among the budget expenditure lines.

12. Proponents of UW System's request and the Milwaukee idea argue that the investment in UW-Milwaukee is needed now in order to develop a sizeable and skilled workforce to meet the needs of the new and refurbished industries and corporations Wisconsin must develop and attract in order to remain economically competitive in the coming decades. Funding for UW-Milwaukee could increase the number of graduates living and working in Wisconsin, because more than 90% of Wisconsin high school students and 75% of out-of-state students who graduate from UW-Milwaukee remain in Wisconsin. The proposal would help fill the need for teachers, information technologists, scientists, engineers, social workers, architects, nurses and other professionals that would boost Wisconsin's workforce and economic health.

Faculty and Staff

13. Due to state budget reductions during the mid-1990's that affected the entire UW System and specific enrollment shortfalls that affected UW-Milwaukee, UW-Milwaukee's FTE faculty numbers fell from 780 FTE in fall, 1990 to 673 FTE in fall, 1999. While enrollment dipped during the mid-1990's, it has returned to 1990 levels and is expected to grow as part of the UW System's enrollment management plan. According to UW-Milwaukee staff, the faculty decline has had significant negative consequences on faculty workload, research productivity and funding, new program initiatives and faculty morale. There are no vacant GPR positions available at UW-Milwaukee, and over the past few years the campus has had to "borrow" positions from the

systemwide pool of authorized positions.

14. Traditionally, funding for new initiatives, especially those that expand enrollment and require a significant expansion of program revenue derived from tuition, include authority for additional positions. However, the Governor did not include authority for additional positions associated with the funding provided. UW staff indicates that without additional GPR positions associated with the funding provided in the Governor's budget, UW-Milwaukee would not be able to expand enrollment by 750 students or develop new programs and courses because vacant faculty and staff positions are unavailable. The Department of Administration has sent a letter to the Committee requesting a modification to include 26.0 GPR positions for the UW-Milwaukee during the biennium. The 26.0 positions requested by DOA would provide faculty and staff sufficient to expand enrollment by 221 students over the biennium using a target faculty/student ratio and staff/student ratio of 17:1.

15. If the Committee were to provide 26.0 positions as requested by the administration, funding for the initiative could be reduced to reflect the cost of those positions. Based on the original agency request, the cost of salary and fringe for 26.0 positions would be approximately \$2,367,000 annually, the addition of supplies, services and permanent property associated with these positions would make the total cost of the request an estimated \$2,800,000 annually. If funding were provided at the traditional 65% GPR/35% tuition split, funding would be \$1,800,000 GPR and \$1,000,000 PR annually. However, funding and positions provided at this level would only expand enrollment by 221 FTE students annually, and would fall short of UW Milwaukee's funding goal for the first phase of the Milwaukee idea by \$18.4 million.

16. The UW System states that in order to expand enrollment to 750 FTE students consistent with the level of funding that was provided in the Governor's budget, UW Milwaukee would need 119.0 positions over the biennium, with 37.0 positions starting in 2001-02 and an additional 82.0 positions in 2002-03. Along with the funding provided in the Governor's budget bill, the 119.0 positions would enable the University to hire 88 additional faculty and staff, maintaining a faculty/student and staff/student ratio of 17:1 requested for the additional enrollment and providing 31 positions for research and public service related functions associated with the Milwaukee idea.

17. A portion of the proposed funding would be used to develop and implement a residential honors program, the Wisconsin Honors College, in order to attract high-achieving students from throughout the state to UW-Milwaukee. UW-Milwaukee's plan for this portion of the initiative is to enroll 370 students per year in an academy offering high achieving students an honors curriculum and a new accelerated degree program. Under the accelerated degree program, students eligible for advanced standing could complete selected master's degrees, along with bachelors degrees, within four years of entering as graduating high school freshmen. The residential honors college would also offer a pre-college component focused on preparing a diverse pool of high school graduates eligible for the program.

18. The residential honors college would provide freshman and sophomores with a more

rigorous curriculum, increased contact with faculty through smaller classes and research opportunities, as well as a residential learning community based in existing on-campus housing. Funding would be used for additional faculty and staff for residential honors curriculum and for expanding the pre-college program. Proponents argue that funding for the honor's college would help UW Milwaukee attract high achieving students and improve the time-to-degree and graduation rates of incoming freshman. Alternatively, given the limited GPR funding provided in the Governor's budget, the funding allocated for the honors college could be better utilized for general enrollment increases in high-demand fields such as nursing, information technology and computer science.

19. In order to attain the level of tuition funding proposed in the budget bill, tuition would need to increase by 4% in 2001-02 and 3.9% in 2002-03 without additional enrollment. UW System staff have indicated that tuition increase at UW-Milwaukee would be capped at the same percentage increase associated with the UW-Madison initiative (1.4% in 2001-02 and 2.1% in 2002-03) in order to prevent UW-Milwaukee from becoming more expensive than UW-Madison and putting it at a disadvantage. However, the result would be that UW-Milwaukee would not be able to attain the full tuition funding portion allocated in the Governor's budget, a 1.4% tuition increase in 2001-02 would generate approximately \$1 million PR and a 2.1% increase would generate approximately \$2.5 million in 2002-03. As a result, it is unlikely that the tuition component of the Governor's proposal would achieve the budgeted level of \$2.8 million in 2001-02 and \$5.6 million in 2002-03.

20. If additional faculty are provided and UW-Milwaukee is able to enroll 750 additional students, UW System staff believe that the additional tuition would generate about \$4.5 million in tuition revenues. In addition, part of the tuition revenue increase would come from the expansion and implementation of programs with augmented tuition components, such as on-line Masters of Science in management e-business and the Masters in liberal studies program targeted at mid-career adults; such programs do not require legislative approval.

21. Typically, funding for instruction-related initiatives in the UW System's budget is provided through a combination of 65% GPR and 35% program revenues derived from tuition. The UW System requested funding for most of the initiatives during the 2001-03 biennium based on this 65% GPR/35% Fee split. The \$11.8 million provided under the bill would consist of 29% GPR and 71% Fee. According to DOA staff, the 29% GPR/71% Fee funding split was used because the budget bill retained the tuition funding originally requested by the University for the first phase of the initiative while reducing GPR.

22. In order to restore funding to the 65% GPR/35% tuition split, the Committee would need to increase GPR funding or reduce the PR funding authority provided in the Governor's budget. In order to provide the total amount provided in the Governor's budget at the traditional GPR/tuition split, GPR funding would need to increase, and PR funding would need to be reduced, by \$1.47 million in 2001-02 and \$2.8 million in 2002-03.

ALTERNATIVES TO BILL

1. Approve the Governor’s recommendation to provide \$1,000,000 GPR and \$2,800,000 PR in 2001-02 and \$2,400,000 GPR and \$5,600,000 PR in 2002-03 for UW-Milwaukee.

2. Modify the Governor’s recommendation as requested by the administration to provide 12.0 positions starting in 2001-02 and an additional 14.0 positions in 2002-03.

| Alternative 2 | GPR |
|---|------------|
| 2002-03 POSITIONS (Change to Bill) | 26.00 |

3. Modify the Governor’s recommendation by providing 37.0 positions starting in 2001-02 and an additional 82.0 positions in 2002-03. The additional position authority would enable UW-Milwaukee to utilize the funding provided in the Governor’s budget to expand enrollment by 750 FTE students by 2002-03.

| Alternative 3 | GPR |
|---|------------|
| 2002-03 POSITIONS (Change to Bill) | 119.00 |

4. Reduce funding by \$165,000 GPR and \$2,350,000 PR in 2001-02 and \$600,000 GPR and \$4,600,000 PR in 2002-03 to provide funding for the 26.0 positions requested by the administration based on a 65% GPR/35% PR split. Total funding would be \$835,000 GPR and \$450,000 PR in 2001-02 and \$1,800,000 GPR and \$1,000,000 PR in 2002-03.

| Alternative 4 | GPR | PR | TOTAL |
|---|------------|--------------|--------------|
| 2001-03 FUNDING (Change to Bill) | -\$765,000 | -\$6,950,000 | -\$7,715,000 |

5. Modify the Governor’s recommendation by providing an additional \$1,470,000 GPR in 2001-02 and \$2,800,000 GPR in 2002-03 and deleting \$1,470,000 PR in 2001-02 and \$2,800,000 PR in 2002-03 to provide funding based on a 65% GPR/35% PR split. Provide 37.0 positions starting in 2001-02 and an additional 82.0 positions in 2002-03 in order to hire additional faculty and staff.

| Alternative 5 | GPR | PR | TOTAL |
|---|-------------|--------------|--------------|
| 2001-03 FUNDING (Change to Bill) | \$4,270,000 | -\$4,270,000 | \$0 |
| 2002-03 POSITIONS (Change to Bill) | 119.00 | 0.00 | 119.00 |

6. Modify the Governor’s recommendation by providing an additional \$5,920,000 GPR

with 75.0 positions and delete \$1,720,000 PR in 2001-02 and \$11,350,000 GPR with an additional 164.0 positions and delete \$3,350,000 PR in 2002-03 in order to provide total funding of \$24.0 million and 239.0 positions during the 2001-03 biennium as requested in the UW-System economic stimulus request.

| <u>Alternative 6</u> | <u>GPR</u> | <u>PR</u> | <u>TOTAL</u> |
|---|-------------------|------------------|---------------------|
| 2001-03 FUNDING (Change to Bill) | \$17,270,000 | - \$5,070,000 | \$12,200,000 |
| 2002-03 POSITIONS (Change to Bill) | 239.00 | 0.00 | 239.00 |

7. Maintain current law. Under this alternative, \$1,000,000 GPR and \$2,800,000 PR in 2001-02 and \$2,400,000 GPR and \$5,600,000 PR in 2002-03 would be deleted from the bill.

| <u>Alternative 7</u> | <u>GPR</u> | <u>PR</u> | <u>TOTAL</u> |
|---|-------------------|------------------|---------------------|
| 2001-03 FUNDING (Change to Bill) | - \$3,400,000 | - \$8,400,000 | - \$11,800,000 |

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