



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #742

### **Tuition Flexibility (UW System and UW-Madison Authority)**

[LFB 2011-13 Budget Summary: Page 464, #6]

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#### **CURRENT LAW**

The UW System Board of Regents establishes tuition rates for different classes of students enrolled in UW System institutions, summer sessions, and other studies or courses as deemed advisable by the Board of Regents. Tuition increases for resident undergraduate students enrolled in UW System institutions 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. Under current law, tuition revenue is currently deposited in the state treasury and any interest earned on these amounts is deposited into the state's general fund.

#### **GOVERNOR**

The UW-Madison authority Board of Trustees would establish UW-Madison tuition rates. Specify that different tuition rates could be charged to different classes of students, summer sessions, and other studies or courses. Provide that the Board of Trustees would establish fees incidental to enrollment in educational programs or use of UW-Madison facilities. The UW-Madison authority would not be required to deposit tuition revenues in the state treasury and these revenues would not appear in the appropriation schedule.

## DISCUSSION POINTS

1. Under the Wisconsin Idea Partnership proposed by the UW System Board of Regents, current law limitations on the Board of Regents' tuition authority would be deleted. The Board of Regents has argued that unlimited tuition authority is necessary for all campuses to meet the needs of students and employers and maintain high levels of educational quality. The Regents assert that, given the ability to set resident undergraduate tuition free from statutory limitations, campuses would be able to enhance educational quality, provide competitive compensation, improve student services, boost retention rates, and increase graduation rates. If current law limitations on the Board of Regents' tuition authority were deleted, the Board of Regents would have the same tuition authority as the UW-Madison authority Board of Trustees under the bill.

2. Current law provides the Board of Regents with significant flexibility in terms of setting tuition rates. Under current law, there are no limits on the amount by which the Board of Regents may increase tuition charged to nonresident or graduate students. In addition, the statutes grant the Board of Regents the authority to increase base resident undergraduate tuition to fund state-imposed costs not covered by GPR as determined by the Board. This authority is quite broad and in recent years the Board of Regents has used it to increase base resident undergraduate tuition to fund tuition remissions for veterans and to partially offset reductions in base GPR funding.

3. Statutes also permit the Board of Regents to approve differential tuition plans. There are no statutory limits on the amount of differential tuition that can be charged and revenues generated by differential tuition plans are excluded from other provisions limiting tuition increases. Currently, nine of the 13 four-year UW System institutions, including UW-Eau Claire, UW-La Crosse, UW-Madison, UW-Oshkosh, UW-Platteville, UW-River Falls, UW-Stout, UW-Superior, and UW-Whitewater, charge a differential tuition to either all undergraduates or all students. In 2010-11, the amount of differential tuition charged to all resident undergraduates at a particular institution ranged from \$72 at UW-River Falls to \$1,030 at UW-La Crosse.

4. In addition to differential tuitions charged to either all undergraduates or all students, some institutions, including UW-Madison and UW-Milwaukee, charge differential tuition to undergraduate students enrolled in certain programs. At UW-Madison, undergraduate students enrolled in the School of Business are charged a differential of \$1,000 per year if enrolled in a bachelor's degree program and \$300 per year if enrolled in a certificate program and undergraduate students enrolled in the School of Engineering are charged a differential of \$1,400 per year. At UW-Milwaukee, students enrolled in certain programs are charged differential tuitions that range from \$20 to \$43 per credit.

5. Using its authority to approve differential tuition plans, the Board of Regents has created a much more differentiated tuition schedule, with resident undergraduate students enrolled in similar institutions or the same institution being charged different tuitions, and has permitted some institutions to increase tuition significantly. In particular, UW-Madison, which has three differential tuitions for undergraduate students, has benefited from the Board of Regents' authority to approve differential tuitions.

6. It is not uncommon for state legislatures to play a role in the establishment of tuition

rates at public colleges and universities. The organization of State Higher Education Executive Officers (SHEEO) surveyed public colleges and universities regarding state tuition, fees, and financial assistance policies in 2010-11. Of the 45 states that responded to the survey, 10 indicated that the Legislature had full legal authority to set tuition rates and an additional 19 indicated that the Legislature had an informal or consultative role. Twelve states indicated that the Legislature had no role in setting tuition rates.

7. The Committee may wish to continue to limit the Board of Regents' authority to increase resident undergraduate tuition to ensure that UW System institutions remain as affordable to Wisconsin residents as they are under current law. The Committee may wish to similarly limit the UW-Madison authority Board of Trustees' authority to increase resident undergraduate tuition, if that body were to be created, for the same reason.

8. Another provision of the bill would permit the UW-Madison authority Board of Trustees to approve pay plans for faculty, academic staff, and senior executives. The Board of Regents has requested the same authority through the proposed Wisconsin Idea Partnership. These provisions are discussed in a separate budget paper prepared by this office. Under current practice, many UW faculty and academic staff positions are funded through a combination of state GPR and tuition. Compensation plans approved by the Joint Committee on Employment Relations (JCOER) therefore include a GPR portion and a tuition portion. If the UW Board of Regents or the proposed UW-Madison authority Board of Trustees were provided both unlimited tuition authority and the ability to approve pay plans for faculty, academic staff, and senior executives, the Legislature would not be able to limit the amount by which resident undergraduate tuition would be increased to fund those pay plans. This may be another reason why the Committee may want to limit the tuition authority of the Board of Regents and the Board of Trustees.

9. Two separate bill provisions would make the current law provision limiting increases in resident undergraduate tuition inapplicable to the proposed UW-Madison authority Board of Trustees. As discussed above, the bill would grant the UW-Madison authority Board of Trustees the authority to approve pay plans for UW-Madison employees instead of JCOER as under current law. In addition, the bill would allow UW-Madison to deposit tuition revenues in the local government pooled-investment fund instead of the state treasury so there would be no tuition revenue appropriation for UW-Madison in the statutes. Under the proposed Wisconsin Idea Partnership, the Board of Regents would similarly be granted the authority to approve pay plans for UW System employees and to deposit tuition revenues in the local government pooled-investment fund instead of the state treasury. (It is unclear whether the UW System, which is a state agency, would be able to deposit its revenues other than in the state treasury. This issue is discussed in a separate budget paper prepared by this office.)

10. If the Committee were to approve provisions of the bill or the Wisconsin Idea Partnership related to pay plan and to deposit tuition revenues outside of the state treasury, the Committee could impose limits on the amount by which the Board of Trustees or the Board of Regents could increase resident undergraduate tuition rates in a number of other ways. First, the Committee could specify a percentage, such as 5.5%, by which the Board of Trustees or the Board of Regents could increase base resident undergraduate tuition in each year of the biennium and specify that each Board include proposed tuition increases in future biennial budget requests. In

recent years, resident undergraduate tuition has increased by 5.5% annually at most institutions. However, under this alternative, the Board of Regents' authority to set base resident undergraduate tuition would decrease compared to current law.

11. A second option could be to link future tuition increases to past tuition increases or to increases in some measure of ability to pay or cost increases such as the state median income, the consumer price index, the higher educational price index, or the higher education cost adjustment. To provide some level of flexibility, base resident undergraduate tuition increases could be linked to the three-year average of whichever measure is chosen plus one or two percentage points. Such a limit could also be imposed contingent on the level of state GPR being provided for either the UW-Madison authority or the UW System, allowing the Board of Trustees or the Board of Regents to increase tuition by greater amounts in years when state support is reduced.

12. A third option could be to grant the Board of Trustees and the Board of Regents full authority to set tuition rates but to require them to report to the Legislature on certain specified measures such as the number of low-income students enrolled, retention and graduation rates for low-income students, and the amount of need-based financial aid provided through federal, state, and institutional programs. The Legislature could set goals for the UW-Madison authority or the UW System and could penalize the institution or institutions, either by reducing GPR funding or limiting tuition authority, if sufficient progress towards those goals is not met.

13. Given the scope of the changes proposed for UW-Madison in specific and the UW System in general, the relatively short timeline of the biennial budget process, and the importance of resident undergraduate tuition rates in creating and maintaining access to the University for all Wisconsin students, the Committee could recommend that a special study committee be convened by the Legislative Council to consider how the Legislature could limit future tuition increases. If the Committee were to recommend the creation of such a committee, it may also wish to specify a percentage by which the Board of Trustees or the Board of Regents could increase base resident undergraduate tuition in each year of the 2011-13 biennium.

## **ALTERNATIVES**

### **A. UW-Madison Authority**

1. Approve the Governor's recommendations.
2. Modify the Governor's recommendations to limit the Board of Trustees ability to increase base resident undergraduate tuition by limiting the increase to changes in CPI plus two percentage points.
3. Provide that the UW-Madison authority Board of Regents could not increase resident undergraduate tuition by more than 5.5% in either year of the 2011-13 biennium. Provide that a special committee would be convened by the Legislative Council to study how the Legislature could limit tuition increases in the future.
4. Modify the Governor's recommendations to limit the Board of Trustees' ability to

increase base resident undergraduate tuition by no more than the amount that the Board of Regents' could increase base resident undergraduate tuition under current law.

5. Delete provision.

**B. UW System**

1. Delete current law limitations on the Board of Regents ability to increase base resident undergraduate tuition as proposed in the Wisconsin Idea Partnership.

2. Modify current law to limit the Board of Regents ability to increase base resident undergraduate tuition by limiting the increase to changes in CPI plus two percentage points.

3. Provide that the UW-Madison authority Board of Regents could not increase resident undergraduate tuition by more than 5.5% in either year of the 2011-13 biennium. Provide that a special committee would be convened by the Legislative Council to study how the Legislature could limit tuition increases in the future.

4. No action.

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