



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #755

Resident Undergraduate Tuition Freeze (UW System)

[LFB 2019-21 Budget Summary: Page 437, #2]

CURRENT LAW

Under the provisions of 2017 Act 59, the Board of Regents was prohibited from charging resident undergraduate students enrolled in a UW institution or a campus of the former UW Colleges in the 2017-18 and 2018-19 academic years more in tuition than it charged resident undergraduate students enrolled in that institution or campus in 2016-17. No GPR funding was provided in 2017 Act 59 to replace the forgone tuition revenue associated with the tuition freeze.

GOVERNOR

Prohibit the Board of Regents from charging resident undergraduate students enrolled in a UW institution or a campus of the former UW Colleges in the 2019-20 and 2020-21 academic years more in tuition than it charged resident undergraduate students enrolled in that institution or campus in 2018-19. Provide \$16,800,000 GPR in 2019-20 and \$33,600,000 GPR in 2020-21 to replace the forgone tuition revenue associated with the tuition freeze, based on the amount of revenue a tuition increase of 2% in each year of the 2019-21 biennium would have generated.

DISCUSSION POINTS

1. Resident undergraduate tuition has been frozen by law for each of the six years from 2013-14 through 2018-19. Excluding differential tuition, in the previous six years from 2006-07 through 2012-13, resident undergraduate tuition generally increased by 5.5% annually, except at UW Colleges where it was frozen for four of those six years.
2. The table below shows annual resident undergraduate tuition rates in 2018-19, excluding

differential tuition for certain academic departments.

	2018-19 Resident Undergraduate <u>Tuition Rates</u>
Madison	\$9,273
Milwaukee	8,091
Eau Claire	7,361
Green Bay	6,298
La Crosse	7,585
Oshkosh	6,422
Parkside	6,298
Platteville	6,418
River Falls	6,428
Stevens Point	6,698
Stout*	234
Superior	6,535
Whitewater	6,519
Two-Year Campuses	4,750

*UW-Stout charges tuition on a per credit basis.

3. Tuition and fees at UW-Madison in 2012-13 were \$981 below the mid-point of Big Ten institutions and tuition and fees at UW-Milwaukee in 2012-13 were \$746 below the mid-point of peer group urban institutions. Since the freeze on resident undergraduate tuition was implemented in 2013-14, UW System institution tuition and fees are even lower than those of their peer institutions. Tuition and fees at UW-Madison in 2018-19 are \$2,038 below the mid-point of Midwest Big Ten institutions, and tuition and fees at UW-Milwaukee are \$1,644 below the mid-point of peer group urban institutions.

4. At the time the freeze was first implemented, part of the discussion concerning tuition related to program revenue balances held by institutions in the UW System, which included a tuition balance of \$551.5 million at the end of 2012-13. Since that time, institutions in the UW System have used a portion of these one-time tuition moneys and drawn down the balance, which was \$300.9 million at the end of 2017-18. Even though the tuition balance has declined, total PR balances have increased from \$1,273.5 million in 2012-13 to \$1,323.5 million in 2017-18, attributable to significant increases in balances from gift moneys (\$149.5 million in 2012-13 to \$315.1 million in 2017-18) and in auxiliary operations (\$188.7 million to \$282.2 million).

5. The UW System's operating budget pools GPR and PR funding, with tuition representing approximately 60% of the total (\$1.49 billion out of a total of \$2.39 billion). Resident undergraduate tuition generates from 55% to 60% of all tuition revenue at UW System institutions, so that a tuition freeze results in no growth in approximately 33% to 36% of the UW System's base operating revenue.

6. GPR funding for UW System operations was reduced in the 2011-13, 2013-15, and 2015-17 budgets. In the 2011-13 budget, there was an ongoing annual reduction of \$125.1 million; in

the 2013-15 budget, there was an ongoing annual reduction of \$32.8 million; and in the 2015-17 budget, there was an annual reduction of \$125 million, of which \$100 million was ongoing. In each of those budgets, the UW System received other GPR funding for standard budget adjustments, specific initiatives and support from compensation reserves that offset a portion of these reductions.

7. To show the net effect of recent budgets on GPR funding for the UW System, the UW System's internal budget document (the Redbook) can be used to show GPR funding allocated by spending purpose. Excluding debt service, GPR funding for UW System operations totaled \$1,024 million in 2010-11. For 2018-19, the comparable number is \$905 million GPR. Over that time, the consumer price index (CPI) increased by 15.2%, so this reduction is even more substantial if adjusted for inflation.

8. The tuition freeze has been supported as a matter of policy as an approach to reduce the cost of college for students. Since 2012-13, CPI has increased by 9.4%. If one assumes that absent a freeze resident undergraduate tuition would have increased by CPI, then students in 2018-19 would pay from \$465 to \$870 less in annual tuition than they might otherwise have paid, depending on the institution they attend.

9. Staff from the UW System indicate that the proposed GPR funding could be used to support the tuition share of the fiscal 2018-19 pay plan increases (\$15.4 million), as this funding was drawn from the base level of GPR support for UW System institutions. Similarly, for the proposed compensation increases in the 2019-21 budget bill, the UW System would be required to reallocate \$16.4 million for fully fund the tuition share of this increase, and the proposed GPR funding could be used to avoid this reallocation of base funding from UW System institutions. Remaining funding could be used for purposes such as student services funding or other initiatives at the discretion of the UW System Board of Regents and President.

ALTERNATIVES

A. Freeze Resident Undergraduate Tuition

1. Approve the Governor's recommendation to prohibit the Board of Regents from charging resident undergraduates enrolled in an institution or college campus in the 2019-20 or 2020-21 academic year more than in tuition than it charged resident undergraduates enrolled in that institution or college campus in the 2018-19 academic year.

2. Take no action. Under this option, the Board of Regents would have authority to set tuition for resident undergraduates at its discretion.

B. Backfill Forgone Tuition Revenue with GPR Funding

1. Approve the Governor's recommendation to provide \$16,800,000 in 2019-20 and \$33,600,000 in 2020-21 to replace resident undergraduate tuition revenue that otherwise could have been generated based on a tuition increase of 2% in each year of the biennium.

ALT B-1	Change to	
	Base	Bill
GPR	\$50,400,000	\$0

3. Take no action.

ALT B-2	Change to	
	Base	Bill
GPR	\$0	- \$50,400,000

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