



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #635

Resident Undergraduate Tuition Freeze (UW System)

[LFB 2021-23 Budget Summary: Page 603, #2]

CURRENT LAW

Under the provisions of 2019 Act 9, 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 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. No GPR funding was provided in 2019 Act 9 to replace the forgone tuition revenue associated with the tuition freeze.

DISCUSSION POINTS

1. The Governor's proposal would prohibit the Board of Regents of the UW System from charging resident undergraduates enrolled in an institution or college campus in the 2021-22 or 2022-23 academic year more in tuition than it charged resident undergraduates enrolled in that institution or college campus in the 2020-21 academic year. The Governor's proposal would provide \$16,800,000 GPR in 2021-22 and \$33,600,000 GPR in 2022-23 to replace the estimated amount of resident undergraduate tuition revenue which could be generated based on a tuition increase of 2% in each year of the biennium. A similar proposal to use GPR funding to replace forgone tuition revenue from the freeze was included in the Governor's 2019-21 budget recommendations, but was deleted by the Joint Finance Committee and Legislature.

2. Beginning in the 2013-15 biennium, each biennial budget act has prohibited increases in resident undergraduate tuition rates. 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.

3. The table below shows annual resident undergraduate tuition rates in 2020-21, excluding differential tuition for certain academic departments.

	2020-21 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.

4. Concerns over college affordability have increased during the COVID-19 pandemic, with many higher educational institutions across the United States choosing to increase tuition minimally in 2020-21, if at all. According to the College Board's "Trends in College Pricing and Student Aid 2020" report, "from 2019-20 to 2020-21, the average published two-year in-district tuition and fees froze in 14 states and the average public four-year in-state tuition and fees froze in 10 states. Several private nonprofit colleges also reduced tuition for fall, 2020 or deferred tuition payments." Average published resident tuition and fees at four-year public institutions increased by 1.1% in 2020-21, by \$120 to \$10,560. Average published public, two-year college in-district tuition and fees increased by 1.9%.

5. Resident tuition and fees at UW-Madison in 2012-13 were \$981 below the mid-point of Big Ten institutions and resident 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 resident tuition and fees are even lower than those of their peer institutions. Resident tuition and fees at UW-Madison in 2020-21 are \$2,247 below the mid-point of Midwest Big Ten institutions, and resident tuition and fees at UW-Milwaukee are \$2,870 below the mid-point of peer group urban institutions.

6. 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 \$227.3 million at the end of 2019-20. Total PR balances have also declined from \$1,273.5 million in 2012-

13 to \$1,225.8 million in 2019-20, though less significantly as a result of increases in balances from gift moneys (\$149.5 million in 2012-13 to \$342.9 million in 2019-20) and in auxiliary operations (\$188.7 million to \$250.2 million).

7. The UW System's operating budget pools GPR and PR funding, with tuition representing approximately 56% of the total (\$1.5 billion out of a total of \$2.7 billion in 2020-21). 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 31% to 34% of the UW System's base operating revenue.

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 12.7%. If one assumes that absent a freeze resident undergraduate tuition would have increased by CPI, then students in 2020-21 would pay from \$603 to \$1,178 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 compensation and fringe benefit increases proposed for the 2021-23 biennium. This would avoid the reallocation of \$20.7 million of base funding from UW System institutions to fully fund the tuition share of the increase due to the continued tuition freeze. 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.

10. Generally during economic downturns, lower opportunity costs of attending college lead to an increase in enrollment. However, the economic downturn associated with the COVID-19 pandemic has not led to an increase in enrollment and has instead led to some declining enrollment likely due to student health concerns. Fall resident undergraduate UW System enrollment declined by 2.5% from 106,900 in fall, 2019 to 104,288 in fall, 2020. As resident undergraduate tuition revenue makes up more than half of all tuition revenues, declining enrollments put increased pressure on UW System institution budgets.

ALTERNATIVES

A. Freeze Resident Undergraduate Tuition

1. Prohibit the Board of Regents from charging resident undergraduates enrolled in an institution or college campus in the 2021-22 or 2022-23 academic year more in tuition than it charged resident undergraduates enrolled in that institution or college campus in the 2020-21 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. Provide \$16,800,000 in 2021-22 and \$33,600,000 in 2022-23 to replace estimated resident undergraduate tuition revenue that otherwise could have been generated based on a tuition

increase of 2% each year of the biennium.

ALT B1	Change to Base
GPR	\$50,400,000

2. Take no action.

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