



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May, 2021

Joint Committee on Finance

Paper #636

UW System General Program Operations (UW System)

[LFB 2021-23 Budget Summary: Page 603, #3]

CURRENT LAW

Most of the GPR funding for the UW System is provided in a general program operations appropriation with base level funding of \$950.1 million. There is also a GPR debt service appropriation with base level funding of \$214.0 million and four other smaller GPR appropriations with combined funding of \$6.3 million.

DISCUSSION POINTS

1. The Governor's proposal would provide an additional \$20 million annually for UW System operations in the UW System's largest GPR appropriation for general program operations. DOA budget staff indicate this additional funding would be flexible and discretionary, and may be used to address COVID-19 challenges.

2. To show the long-term trend of 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 2020-21, the comparable number is \$964 million GPR. Over that time, the consumer price index (CPI) increased by 18.7%, so this reduction is even more substantial if adjusted for inflation. Table 1 shows the UW System's GPR operating budget from 2010-11 through 2020-21.

TABLE 1

**UW System GPR Operating Budget
Excluding Debt Service
(in Millions)**

<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
2010-11	\$1,023.9	2016-17	\$832.9
2011-12	903.1	2017-18	840.4
2012-13	930.5	2018-19	904.5
2013-14	915.5	2019-20	936.2
2014-15	933.1	2020-21	963.5
2015-16	802.5		

3. Since spring, 2020, the COVID-19 pandemic has had a significant impact on UW System's operations and financial condition. Beginning in March, 2020, UW System institutions began taking a series of actions in response to the pandemic. These included: recalling spring study abroad students, suspending spring study abroad programs, and cancelling summer study abroad programs; cancelling University-sponsored travel, including athletic travel (UW System estimates reduced travel reimbursements will have generated approximately \$34 million in cost savings by the end of May, 2021); closing residence halls (with some exceptions for students unable to find alternative lodging, or for those with special approval); limiting access to campus buildings to essential personnel with non-essential employees telecommuting; cancelling campus events; moving spring and summer instruction to online/alternative delivery; and providing select campus buildings for state and local government or health system use (for example, UW-Stevens Point's Hyler Hall was available for city emergency management services use).

4. To address fiscal challenges due to COVID-19, the Board of Regents authorized the UW System to implement a variety of workforce reduction and cost-saving measures, including furloughs. Furloughed employees remain in employment status and are eligible to continue their health insurance benefits. UW System estimates that employee furloughs will have generated \$65.3 million in savings through May, 2021.

5. Through summer 2020, classes remained online, with some in-person instruction resuming in fall, 2020 with social distancing guidelines and testing procedures in place. According to the UW System President's office, the UW System has taken a lead role in expanding COVID-19 testing in Wisconsin. The UW System Emergency Operation Center (EOC) provides updated data online regarding coronavirus statistics and a snapshot of COVID-19 testing from each campus is available daily through the coronavirus dashboard. In November, 2020, the System's universities opened surge testing sites in partnership with the U.S. Department of Health and Human Services, which has provided 250,000 rapid-results antigen tests that provide a result within 15 minutes. These testing sites are free and open to the general public. As of April 10, 2021, UW System institutions had conducted over one million COVID-19 tests on UW System campuses including rapid-results antigen tests.

6. Through May, 2021, UW estimates a loss of \$272.8 million in forgone auxiliary revenues (such as housing and dining revenue), with over 50% attributed to UW-Madison. Additionally, UW System estimates approximately \$34.8 million in lost revenues from COVID-19-related enrollment declines. Other significant costs include testing, personal protective equipment (PPE), and technology/telecommuting. In addition to lost revenues and other financial impacts of the pandemic, UW System was also required by the Department of Administration to lapse \$41 million in fiscal year 2019-20 and \$45 million in 2020-21 to the general fund. Including required lapses, UW estimates total expenses and revenue losses associated with COVID-19 will reach approximately \$534 million through May, 2021, as shown in Table 2, after taking into account cost savings and expenditure reductions from travel restrictions, hiring controls, and other savings including utility savings, debt refinancing, renegotiated contracts, and supply spending controls.

TABLE 2

**UW System Estimated COVID-19-Related Expenses
and Lost Revenue through May, 2021
(\$ in Millions)**

Lost Auxiliary and Other Revenues	\$272.8
Net COVID-related Expenses	131.5
Required State Lapses and Unfunded FY20 Pay Plan*	94.8
COVID-related enrollment (tuition) loss	<u>34.8</u>
Total	\$533.9

*Includes \$8.8 million in payplan increases UW had anticipated would be covered by DOA but were not.

7. Over the past year, the federal government has passed three coronavirus relief measures: the CARES Act in March, 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRSA) Act in December, 2020, and the American Rescue Plan Act (ARPA) in March, 2021. Each of these acts provided funds to higher institutions to address the impacts of the coronavirus. Through these three acts, UW System received a total of nearly \$600 million in federal funds, including approximately \$232 million provided for direct aid to students and \$73 million for COVID-19 testing.

8. As shown in Table 3, UW System estimates the net financial impact of the COVID-19 pandemic at approximately \$168 million through May, 2021. UW System notes that the federal funding is one-time funding meant to assist higher educational institutions in mitigating losses from the pandemic through the fall, 2021. COVID-19 testing is expected to continue at all UW institutions for the duration of the spring 2021 semester and UW System is also partnering with the state to implement vaccination sites at UW System locations. As ongoing costs associated with COVID-19 may continue into the 2021-23 biennium, it could be argued additional funding should be provided each year. UW System also notes they are continuing with cost reductions and monitoring cash flow and available resources. Providing an additional \$20 million annually would also provide an increase to UW System base funding.

TABLE 3

**UW System Estimated COVID-19 Net Financial Impact
March, 2020 through May, 2021
(\$ in Millions)**

Total Expenses and Lost Revenue	-\$534
Federal Funding*	<u>366</u>
Net Financial Impact	-\$168

*Excluding Direct Student Aid

9. While the additional funding could be utilized for COVID-19 related costs, DOA notes it would be flexible and discretionary. For example, funding could be utilized for priorities at individual institutions, or perhaps to increase funding for institutions with higher relative declines in enrollment. Or, if funding is not provided for other items proposed by the Governor through the budget act, this increased funding could be utilized to fund some of those items.

10. If the Committee wishes to provide funding primarily to partially offset the losses attributable to COVID-19, the funding could be one-time. In this case, the \$40 million could be provided in the first year of the biennium so ongoing funding would remain unchanged. The UW System's GPR general program operations appropriation is biennial, so the UW System could expend these moneys in either year of the 2021-23 biennium.

ALTERNATIVES

1. Provide \$20 million GPR annually in the UW system general program operations appropriation.

ALT 1	Change to Base
GPR	\$40,000,000

2. Provide \$40 million GPR in 2021-22 in the UW system general program operations appropriation.

ALT 2	Change to Base
GPR	\$40,000,000

3. Take no action.

Prepared by: Erin Probst