

Review and Approval of a UW System Policy  
on the Annual Distribution of Tuition and Fee Revenue  
and State General Purpose Revenue to Each Institution

BUSINESS AND FINANCE COMMITTEE

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves for submission to the Legislature's Joint Committee on Finance the attached policy regarding the annual distribution of tuition and fee revenue and state general purpose revenue to each institution. This policy would be effective for the 2013-15 biennium, and a sunset of June 30, 2015 is anticipated.

**REVIEW AND APPROVAL OF A UW SYSTEM POLICY ON THE ANNUAL DISTRIBUTION OF TUITION AND FEE REVENUE AND STATE GENERAL PURPOSE REVENUE TO EACH INSTITUTION**

**EXECUTIVE SUMMARY**

**BACKGROUND**

S. 9148(4m) of 2013 Wisconsin Act 20 requires the UW System to submit to the Joint Finance Committee by January 1, 2014, for approval through 14-day passive review: (1) proposed limits on PR account balances for the UW System as a whole and for each individual UW institution and proposed reports related to those limits; (2) proposed policies regarding the annual distribution of tuition and fee revenue and state general purpose revenue to each institution; and (3) proposed policies regarding the expenditure of tuition and fee revenues and state GPR by each institution. This paper focuses on item (2).

The University of Wisconsin System will submit the attached policy on annual distribution of funds, codifying the current practice, to the Joint Finance Committee for use in the 2013-15 biennium. The System recommends sunsetting the policy on June 30, 2015 by which time the Board would have received recommendations for updating the policy from a workgroup being charged to revisit the policy. The recommendations of the workgroup, if approved by the board, would be incorporated into the planned distribution in each year of the next biennium.

**REQUESTED ACTION**

Upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves this policy for submission to the Legislature's Joint Committee on Finance regarding the annual distribution of tuition and fee revenue and state general purpose revenue to each institution. This policy would be effective for the 2013-15 biennium, and a sunset of June 30, 2015 is anticipated.

**DISCUSSION**

This paper includes a proposed Regent policy for allocation of tuition and fees and state GPR funds for the 2013-15 biennium, sunsetting June 30, 2015. It also provides a description of how funding is currently allocated in the UW System, along with the allocation methods used in 2013-14. This information will be provided to the Legislature's Joint Committee on Finance, as required in the biennial budget, prior to January 1, 2014. A workgroup will be established to review the current process and make

recommendations for updating the policy to the Board for implementation beginning with the 2015-16 fiscal year. The workgroup will report to the Board at its June 2014 meeting.

Similar to the State of Wisconsin, the UW System uses a base plus (or minus) allocation approach. UW System institutions assume a shared responsibility for the funding of some key items, including general pay plan, health insurance, retirement contributions, utilities, and new initiatives that are funded by GPR and tuition. The institutions keep all of the tuition revenues they generate, and state funding makes up the difference between projected tuition revenues and the institution's total GPR/Fee allocation. Institutions keep any tuition revenues they generate above projected levels, but are held responsible for tuition shortfalls. Budget reductions are generally made in a manner equal to each institution's proportional share of the adjusted GPR/Fee base from the previous fiscal year. System staff discuss allocation methodologies with the Chief Business Officers and the Chancellors each biennium.

This paper takes each column of the following table and describes the allocation method used to distribute the changes in revenue. This table is a modified version of the Table A-1, which is included annually in the University of Wisconsin System's Operating Budget and Fee Schedules document. That table summarizes the major categories of changes in funding by institution from the prior year to the proposed budget being presented to the Board.

TABLE A-1a												
University of Wisconsin System												
FY 2013-14 Annual Budget												
Changes By Funding Category By Institution												
A	B	C	D	E	F	G	H	I	J	K	L	M
	2012-13 GPR/Fees	Compensation Adjustments	Budget Reduction	Utilities	Other	Fringe Benefit Changes	Subtotal Dollar Change	Subtotal Percent Change	Debt Service	Entrepreneurial Tuition	2013-14 GPR/Fees	Total Change
Madison	934,532,155	4,829,827	-20,022,411	-835,759	401,927	3,702,606	-11,923,810	-1.3%	13,367,254	12,793,430	948,769,029	14,236,874
Milwaukee	312,816,937	1,644,442	-6,926,897	255,812	8,088	4,066,614	-951,941	-0.3%	-3,026,064	494,000	309,332,932	-3,484,005
Eau Claire	110,403,995	592,232	-2,638,113	-49,526	-8,663	2,202,463	98,393	0.1%	463,228	130,510	111,096,126	692,131
Green Bay	52,859,378	259,717	-1,270,934	-113,982	-7,316	1,090,561	-41,954	-0.1%	1,178,478	2,061,500	56,057,402	3,198,024
La Crosse	97,836,924	407,458	-2,124,871	162,991	16,343	2,340,887	802,808	0.8%	2,329,798	7,759,210	108,728,740	10,891,816
Oshkosh	107,305,632	588,776	-2,551,009	-241,879	7,511	2,122,966	-73,635	-0.1%	2,204,577	160,418	109,596,992	2,291,360
Parkside	49,972,317	239,814	-1,192,427	-252,811	-33,098	693,407	-545,115	-1.1%	1,146,640	0	50,573,842	601,525
Platteville	80,191,379	330,872	-1,463,588	-766,003	-6,918	616,544	-1,289,093	-1.6%	1,812,706	3,241,052	83,956,044	3,764,665
River Falls	60,603,698	285,869	-1,457,719	-58,340	-10,784	436,015	-804,959	-1.3%	1,025,962	6,529	60,831,230	227,532
Stevens Point	87,784,962	493,640	-2,173,989	-247,695	35,183	1,334,610	-558,251	-0.6%	984,456	0	88,211,167	426,205
Stout	87,467,601	414,912	-2,001,741	-71,539	-4,030	1,422,560	-239,838	-0.3%	2,604,719	1,084,097	90,916,579	3,448,978
Superior	37,569,630	163,912	-810,293	-243,442	246,200	41,104	-602,519	-1.6%	1,948,991	0	38,916,102	1,346,472
Whitewater	100,779,271	495,270	-2,227,613	413,627	62,674	33,975	-1,222,067	-1.2%	3,738,101	10,284,269	113,579,574	12,800,303
Colleges	75,601,535	417,717	-1,958,013	-48,452	80,685	1,760,919	252,856	0.3%	642,794	0	76,497,185	895,650
Extension	133,923,451	530,143	-2,395,967	-9,707	102,551	2,153,095	380,115	0.3%	716,560	3,491,126	138,511,252	4,587,801
UWSA/Systemwide	82,967,291	109,706	-869,615	2,106,705	-65,153	480,785	1,762,428	2.1%	0	0	84,729,719	1,762,428
System Total	2,412,616,156	11,804,307	-52,085,200	0	825,200	24,499,111	-14,956,582	-0.6%	31,138,200	41,506,141	2,470,303,915	57,687,759

Compensation Adjustments include a 1% state approved pay plan increase and state approved cost to continue items.

Description of the 2013-14 allocation methods used for each major funding category in Table A-1a are presented below:

- 1) **Compensation Adjustments** (*Column C*) reflect the cost of a 1% pay plan, along with other state approved cost to continue items. The other state approved cost-to-continue items are distributed based upon actual costs at an institution. The 1% pay plan increase is distributed to institutions based on an increase of 1% of their October 2012 payroll for permanent employees and graduate assistants (excluding increases for represented groups which will be added when the agreements are reached). The distribution for these items is shown below:

### Compensation Adjustments

Compensation	October 2012 Payroll Base (excluding represented groups)	1% Salary Increase over Base	Other State Approved Cost-to - Continue based on Actual	2013-14 Compensation Adjustment
Madison	455,218,634	4,552,188	277,639	4,829,827
Milwaukee	147,816,282	1,478,164	166,278	1,644,442
Eau Claire	49,416,432	494,165	98,067	592,232
Green Bay	23,981,718	239,817	19,900	259,717
La Crosse	39,177,787	391,779	15,679	407,458
Oshkosh	50,266,021	502,660	86,116	588,776
Parkside	22,346,016	223,459	16,355	239,814
Platteville	26,316,660	263,168	67,704	330,872
River Falls	27,693,757	276,939	8,930	285,869
Stevens Point	40,557,704	405,575	88,065	493,640
Stout	36,143,643	361,437	53,475	414,912
Superior	15,028,372	150,283	13,629	163,912
Whitewater	46,253,858	462,536	32,734	495,270
Colleges	38,339,005	389,340	28,377	417,717
Extension	47,689,525	470,943	59,200	530,143
Sys Admin/wide	10,970,739	109,706	0	109,706
Total	1,077,216,153	10,772,159	1,032,148	11,804,307

- 2) **Budget Reductions** (*Column D*) are a combination of the base reduction included in the 2013-15 biennial budget (\$32,844,300) and the estimated shortfall in fringe benefit and pay plan funding (\$19,240,900). The distribution is made in a manner equal to each institution's proportional share of the adjusted 2012-13 GPR/Fee base. The adjusted base excludes debt service, utilities, financial aid, separately budgeted academic tuition, and Extension credit programs.

**Budget Reductions**

Reductions	2012-13 Adjusted Base	Base Reduction	Unfunded Costs	Total
Madison	686,243,822	\$12,625,892	\$7,396,519	\$20,022,411
Milwaukee	237,410,989	\$4,368,018	\$2,558,879	\$6,926,897
Eau Claire	90,418,141	\$1,663,562	\$974,551	\$2,638,113
Green Bay	43,559,735	\$801,436	\$469,498	\$1,270,934
La Crosse	72,827,381	\$1,339,918	\$784,953	\$2,124,871
Oshkosh	87,432,757	\$1,608,635	\$942,374	\$2,551,009
Parkside	40,869,000	\$751,930	\$440,497	\$1,192,427
Platteville	50,162,722	\$922,921	\$540,667	\$1,463,588
River Falls	49,961,542	\$919,220	\$538,499	\$1,457,719
Stevens Point	74,510,839	\$1,370,891	\$803,098	\$2,173,989
Stout	68,607,237	\$1,262,274	\$739,467	\$2,001,741
Superior	27,771,823	\$510,961	\$299,332	\$810,293
Whitewater	76,348,733	\$1,404,706	\$822,907	\$2,227,613
Colleges	67,108,528	\$1,234,699	\$723,314	\$1,958,013
Extension	82,118,868	\$1,510,868	\$885,099	\$2,395,967
System Admin/ Systemwide	29,805,005	\$548,369	\$321,246	\$869,615
<b>Total</b>	<b>1,785,157,122</b>	<b>\$32,844,300</b>	<b>\$19,240,900</b>	<b>\$52,085,200</b>

- 3) **Utilities** (*Column E*) funding did not increase in 2013-14. Institutional budgets fully fund estimated 2012-13 expenditures increased by amounts required for new space and the cogeneration power plant at UW-Madison as requested in the biennial budget for 2013-14. The remaining funding is held centrally in Systemwide.

**Utilities**

Utilities	Estimated Expenditure*	Estimated Cost of New Space/Co-Gen	Less 2012-13 Budget	Adjustment to Allocation
Madison	73,208,068	3,262,946	(77,306,773)	(835,759)
Milwaukee	11,906,688	263,407	(11,914,283)	255,812
Eau Claire	2,256,036		(2,305,562)	(49,526)
Green Bay	2,139,052		(2,253,034)	(113,982)
La Crosse	2,951,708		(2,788,717)	162,991
Oshkosh	3,354,028	11,975	(3,607,882)	(241,879)
Parkside	2,250,796		(2,503,607)	(252,811)
Platteville	2,735,127		(3,501,130)	(766,003)
River Falls	2,098,210		(2,156,550)	(58,340)
Stevens Point	3,128,631		(3,376,326)	(247,695)
Stout	2,246,017		(2,317,556)	(71,539)
Superior	1,661,346		(1,904,788)	(243,442)
Whitewater	3,350,495	15,272	(2,952,140)	(413,627)
Colleges	3,653,255		(3,701,707)	(48,452)
Extension	272,611		(282,318)	(9,707)
Increase to Systemwide**				2,106,705
<b>Total</b>	<b>117,212,068</b>	<b>3,553,600</b>	<b>(122,872,373)</b>	<b>0</b>

\*2012-13 estimated expenditure as of 5/31/13

\*\*Reflects changes in centrally held resources for institutions

- 4) **Other Adjustments** (*Column F*) distributes resources for financial aid along with full funding of lease increases and directed moves administered through the Department of Administration (\$825,200). This column also includes shifts in funding from centrally held resources in UW Systemwide accounts to the UW Colleges, Extension and four year institutions. The financial aid changes and shifts between institutions net to zero.

Financial Aid - the 2013-14 budget did not increase the Lawton Undergraduate Minority Retention Grant and the Advanced Opportunity Program (AOP) in 2013-14. Funding for the AOP was based on each institution's proportion of a three-year rolling average

headcount of the statutorily-designated eligible population of minority/disadvantaged graduate students.

The Lawton Grant allocation reflected the first year of a three-year conversion from the previous allocation methodology (three-year rolling average of undergraduates from eligible populations who are registered for at least six credits) to reflect a change in the program eligibility criteria (three-year rolling average of resident undergraduates from eligible populations who are registered full-time). Funding will continue to be based on each institution's proportion of a three-year rolling average headcount of the eligible student population. For 2013-14, the three-year rolling average includes one year of the revised methodology and two years of the previous approach. The transition to the revised Lawton Grant allocation methodology will be completed by 2015-16.

- 5) **Fringe Benefits** (*Column G*) the budget includes an increase of \$24,499,111 for changes in health insurance costs, variable fringes associated with compensation adjustments, and full funding of fringe benefit costs. The allocation of fringe benefits is prorated based upon 2012-13 actual expenditures. At the end of the year dollars may be shifted among institutions to cover all expenditures or to proportionally distribute any shortfalls to all institutions.



- 6) **Debt Service** (*Column J*) the budget provides a \$31,138,200 increase in 2013-14 for debt service. The allocation of debt service is prorated based upon 2011-12 actual expenditures. Debt Service funding is sum-sufficient and will be provided to institutions as needed. Any excess funding will be returned to the state.

**Debt Service**

Debt Service	% of 2011-12 Expenditures	2013-14 Allocation	Less 2012-13 Budget	Adjustment to Allocation
Madison	44.94%	106,002,670	92,635,416	13,367,254
Milwaukee	7.72%	18,197,471	21,223,535	-3,026,064
Eau Claire	3.42%	8,077,734	7,614,506	463,228
Green Bay	3.32%	7,818,947	6,640,469	1,178,478
La Crosse	4.55%	10,721,809	8,392,011	2,329,798
Oshkosh	4.95%	11,668,858	9,464,281	2,204,577
Parkside	2.66%	6,271,218	5,124,578	1,146,640
Platteville	3.93%	9,276,494	7,463,788	1,812,706
River Falls	2.87%	6,770,797	5,744,835	1,025,962
Stevens Point	3.86%	9,094,428	8,109,972	984,456
Stout	5.05%	11,908,950	9,304,231	2,604,719
Superior	3.44%	8,102,910	6,153,919	1,948,991
Whitewater	6.99%	16,484,781	12,746,680	3,738,101
Colleges	1.28%	3,026,590	2,383,796	642,794
Extension	1.03%	<u>2,432,043</u>	<u>1,715,483</u>	<u>716,560</u>
Total	100.00%	235,855,700	204,717,500	31,138,200

- 7) **Entrepreneurial Tuition** (*Column K*) - the adjustment is provided as requested by the institutions to reflect growth in tuition revenue due to differentials, distance education or other self-support activity, growth in enrollment, changes in mix of students, etc. These adjustments often reflect growth in revenue that occurred in a previous year.

**Entrepreneurial Tuition Revenue**

	Entrepreneurial Tuition Growth
Madison	12,79,3430
Milwaukee	494,000
Eau Claire	1,305,010
Green Bay	2,061,500
La Crosse	7,759,210
Oshkosh	160,418
Parkside	0
Platteville	3,241,052
River Falls	6,529
Stevens Point	0
Stout	1,084,097
Superior	0
Whitewater	10,284,269
Colleges	0
Extension	3,491,126
<b>Total</b>	<b>41,506,141</b>

The 2013-14 allocations differ somewhat from the standard practice because the legislature froze tuition for resident undergraduate students for the biennium and the Board of Regents did not increase tuition for other groups in the 2013-14 fiscal year.

REGENT POLICY DOCUMENT  
XX-YY UNIVERSITY OF WISCONSIN SYSTEM POLICY ON THE ANNUAL  
DISTRIBUTION OF TUITION AND FEE REVENUE AND STATE GENERAL PURPOSE  
REVENUE

**Scope**

This policy addresses how state general purpose revenue and tuition allocations are created for UW institutions, UW System Administration, and UW System-wide activities during the 2013-15 biennium. It is anticipated this policy will sunset June 30, 2015.

**Purpose**

The purpose of this policy is to clarify how state GPR and tuition allocations are created, and to describe how state GPR and tuition combine to form the GPR/Fee base.

**Policy Statement**

The Board of Regents adopts an annual budget which includes allocations of state funding (GPR) and tuition (Fees) for each UW System institution, and allocations of GPR for UW System Administration and System-wide activities. Combined, these allocations constitute what is known as the GPR/Fee base.

The UW System uses a base-plus approach to creating the annual GPR/Fee base budget. The starting point for each new GPR/Fee base is the previous year's budget. This base is adjusted up or down based on final decisions by the Legislature and the Board of Regents. Adjustments include funding approved by the Legislature for salary and fringe benefits adjustments for state-supported positions, utilities, debt service, approved new initiatives, or other changes to the UW System's appropriation as determined by the Legislature.

The UW System's GPR/Fee base is heavily dependent on tuition revenue and therefore enrollment levels of the various institutions. The tuition revenue component of each institution's GPR/Fee base budget is known as the tuition revenue target.

In an effort to maintain educational quality at all UW institutions, the following principles are considered when creating GPR/Fee allocations:

- Funding for cost-to-continue increases (pay plan, health insurance, and utilities) should be distributed in a way that makes each institution whole for these cost increases.
- The amount of tuition generated by each institution should be maintained from year to year. Tuition revenue levels need to be maintained from year to year to maintain GPR/Fee allocation levels.
- All of the tuition generated by an institution should remain at that institution, so that it can be applied toward the institution's budgeted tuition revenue requirement.

- When the UW System faces sizeable GPR base reductions or when GPR funding cuts, adjustments, or legislative mandates disproportionately impact UW System institutions (such as tuition remissions for veterans), resource allocations to institutions should attempt to make the impact on each institution proportional to its share of the overall GPR/Fee base.

In any given year, the actual tuition collected by an institution may exceed its tuition revenue target because of fluctuations in enrollment level or student mix (part-time/full-time or resident/non-resident). Such tuition revenue remains at the institution to cover any unbudgeted expenses, or if unexpended is added to the institution's year-end fund balance. If an institution exceeds its tuition revenue target on a recurring basis, it may request additional budget authority. The additional authority will be added to the institution's GPR/Fee allocation and to its revenue target.

Likewise, an institution may also request additional budget authority for revenues from institution-specific programming/initiatives. These include tuition differentials, tuition from students in self-supported programs, tuition generated from enrollment growth, tuition above the regular graduate rate for students in professional schools, tuition from nonresident students enrolled via the Midwest Student Exchange, the Tri-State, or the return to Wisconsin programs, and growth in application fee revenues. This additional authority will be added to the institution's GPR/Fee allocation and to its tuition revenue target.

If the actual tuition collected by an institution falls short of its tuition revenue target, the institution will need to reduce expenditures or reallocate revenues from another appropriate source. If an institution falls short of its tuition revenue target on a recurring basis, it may request a reduction in budget expenditure authority. The reduced authority will be removed from the institution's GPR/Fee allocation and the tuition revenue target will be lowered.

### **Related Regent Policies and Applicable Laws**

Chapter 20, Wisconsin Statutes  
Regent Policy Document XX-YY, University of Wisconsin System Policy on the Expenditure of Tuition and Fee Revenue and State General Purpose Revenue

December 6, 2013