



Tuition and State Support at UW-Madison

Many people are understandably confused by arguments concerning declines in state support, increases in tuition, and total support available for the instructional mission of the university. Here we try to make the relationships clearer by looking at the historical data.

When it comes to the basic functions of the University, including salaries and expenses related to instruction, the two relevant funding streams are (a) tuition collected and (b) state support, otherwise known as general program revenue, or GPR.

Other fund sources, such as federal grants and private gifts, are completely irrelevant, because they cannot be expended on anything except what they were designated for, such as research costs, building construction, and similar. *Cuts in GPR or tuition collections cannot be covered by shifting money from other sources.*

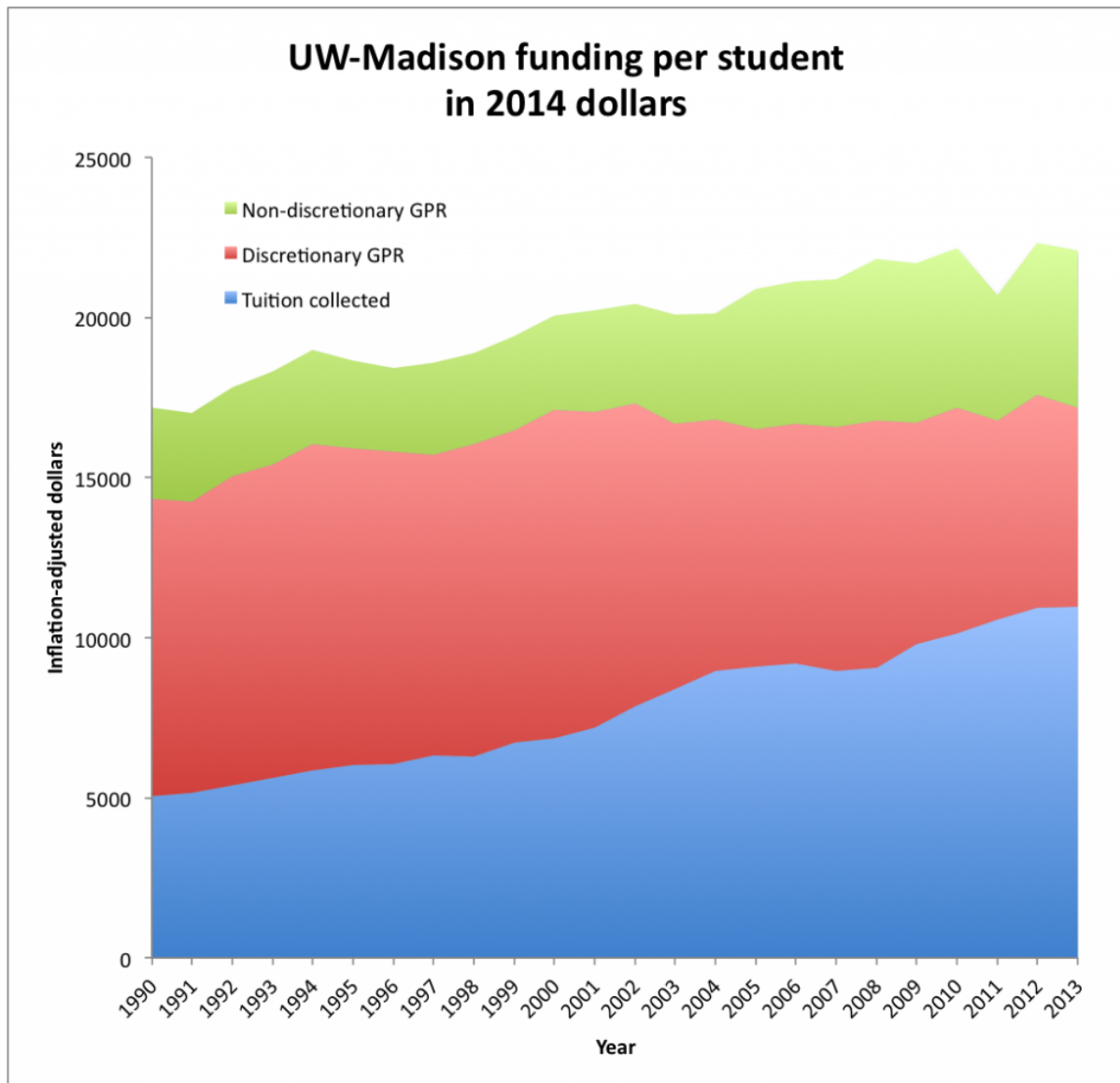
(Note that the analysis that follows considers only funding streams, not expenditures. If expenditures are less than income, then cash reserves will accumulate. If expenditures exceed revenue, cash reserves will be drawn down. Cash reserves can thus be used to absorb deficits, but only until the reserve is depleted.)

GPR dollars are further divided into two categories: 1) general purpose GPR and 2) specific purpose GPR. General purpose GPR is the portion that is discretionary and can be spent on faculty and staff salaries, supplies and expenses, TA positions, and the like. Specific purpose GPR covers continuing costs that the university administration does not control, such as debt service on past building projects, utilities, and so forth.

The money available for discretionary expenditures on the educational mission is thus equal to (Tuition + General Purpose GPR).

For the following chart, funding data going back to 1990 were obtained from UW-Madison's Data Digest. The latest year available is 2013-2014. All dollar figures were corrected for inflation so as to yield equivalent 2014 values. Then the dollar figures are expressed as a ratio to the total student headcount (including undergraduates, graduates, and professional students). That number is around 43,000 with modest fluctuations from year to year.

Finally, dollar amounts are rounded to the nearest \$1,000 per student per year where possible to make the numbers more easily digestible.



History of GPR and tuition collection at UW-Madison from 1990-2013.

Observations:

- In constant dollars, the **sum of tuition and total GPR** (blue + red + green) has gone up from \$17,000 to \$22,000 per student over 23 years. This amount is roughly the total expenditure per student for instruction, including debt service and utilities. If UW-Madison were a private university with no state support whatsoever, these figures would presumably be close to the average tuition charged per student.
- Over the same time period, **total GPR** (green + red) stayed fairly flat in constant dollars, starting near \$12,000 in 1990, reaching a high water mark of \$13,000 in 2000, then decreasing to about \$11,000 in 2013. That is, state support has decreased at a rate of -1.3% per year, relative to inflation since 2000.

- The **specific purpose GPR** (green) portion of the above (i.e., the non-discretionary portion tied to debt service, utilities, etc.) increased from around \$2,800 per student in 1990 to \$4,900 in 2013. Almost all of that increase occurred after 2000, when it was \$2,900. The corresponding rate of increase is 4% per year above inflation.
- Subtracting the sharply increasing specific purpose GPR from the nearly constant total GPR yields the **general purpose GPR** (red) (the portion available to fund salaries and other discretionary expenses), which went down from \$9,300 to \$6,200 in constant dollars.
- The **sum of tuition and general purpose GPR** (blue + red) gives the portion of the budget that is both discretionary and tied to the instructional and non-externally funded scholarly mission of the university. It is this money that is often referred to on campus as 101 funds. This value started near \$14,000 in 1990, increased to about \$17,000 in 2000. *Since then, it has remained essentially flat.*
- Finally, we come to **tuition** itself (blue), which is what is needed to cover the gap between the *nearly constant* \$17,000 101-fund dollars per student since 2000 and the *declining* general purpose GPR. During that time, the tuition increase of \$4,100 (from \$6,800 to \$10,900) almost exactly mirrored the decrease in general purpose GPR from \$10,300 in 2000 to \$6,200 in 2013.

To conclude: *The single biggest driving force behind rising tuition since 2000 has been the rapid erosion of general purpose GPR as a consequence of growing specific purpose GPR within a slightly decreasing trend in total GPR.*

If the governor's proposed funding cuts pass in their current form, the effective cut on the UW-Madison campus, including carryover of the deficit from the current biennium, amounts to \$83 million per year. Divided by 43,000 students, that's a \$1,900 per student reduction in general purpose GPR (since specific purpose GPR cannot be cut in the short term). This is therefore the amount that average tuition collected would have to increase to compensate for the shortfall. That is, tuition collections would have to jump by 17% to \$12,800.

However, the governor's budget proposal includes a two-year tuition freeze, meaning that lost GPR cannot be made up. In that case, the pool of 101 funds available to run the university would drop by \$1,900 per student, or 11%, to \$15,100. *In real dollars, this would take us back to approximately the level of discretionary funding per student available in 1992.*

Of course, this change in funding would not happen gradually over two decades. Rather, the reduced GPR would kick in abruptly – and with no opportunity for real preparation – starting July 1 of this year, leading to wrenching reductions in staffing, funds for supplies and expenses, and similar.