



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #685

PR Balance and Auxiliary Reserve Reporting (UW System)

[LFB 2015-17 Budget Summary: Page 502, #9]

CURRENT LAW

Under s. 36.46 of the statutes, the Board of Regents may not accumulate auxiliary reserve funds of more than 15% of the previous fiscal year's total revenues at any institution without the approval of the Secretary of the Department of Administration (DOA) and the Joint Committee on Finance. This limitation applies only to auxiliary operations funded with student segregated fees or other student fees. According to UW System financial administration policy, student fee-funded auxiliaries subject to this limitation are housing, food services, student unions, athletics, and recreational facilities.

GOVERNOR

Delete current law prohibiting the Board from accumulating auxiliary reserve funds from student fees for an institution in an amount that exceeds 15% of the previous fiscal year's total revenues from student segregated fees and auxiliary operations funded with student fees unless approved by the DOA Secretary and the Joint Committee on Finance. In addition, delete language authorizing the Board to invest surplus auxiliary enterprises moneys in certain securities and bonds.

DISCUSSION POINTS

1. Section 9148 (4L) of 2013 Act 20 required the UW Board of Regents to develop a methodology for the calculation of program revenue balances and reserves, expressed in both dollars and as percentages of total annual expenses, for the UW System as a whole and for individual UW institutions and to submit its proposed methodology to the Joint Legislative Audit Committee (JLAC) by September 1, 2013, for approval, modification, or disapproval. Section 9148

(4m) of Act 20 required the Board to submit proposed limits on program revenue account balances for the UW System as a whole and for each individual institution and proposed reports relating to those limits to the Joint Committee on Finance by January 1, 2014, for approval by the Joint Committee on Finance (JFC) through a 14-day passive review process.

2. JLAC approved the UW System's proposed methodology for calculating PR balances and reserves at its meeting on April 24, 2014, and JFC approved limits and reporting requirements related to PR balances on May 6, 2014. While the motion approved by JFC requires the Board of Regents to report to JFC and JLAC regarding PR balances annually by October 15, the statutes have not been modified to include this new reporting requirement. Instead, Board of Regents policy requires the UW System Administration and each institution to report this information to the Board. Regent policy does not specify that the Board will submit this information to JFC and JLAC. If the Committee finds the information contained in the report to be useful and would like to continue to receive that information, the Committee may want to amend current law to require the Board of Regents to submit this report. However, amending current law to require the UW System to submit this report may be unnecessary as the UW System President sent the report required under the JFC motion to JFC and JLAC on October 15, 2014, and it is likely that the UW System President will continue to send the report annually regardless of whether he or she is specifically required to do so by statute.

3. Under current law, the Board of Regents may not accumulate auxiliary reserve funds from student fees of more than 15% of the previous fiscal year's total revenues at any institution without the approval of the Secretary of the Department of Administration (DOA) and JFC. The UW System submits a request annually by September 15 to the DOA Secretary and the JFC Co-Chairs regarding auxiliary reserve funds from student fees held by institutions that will exceed 15% of the previous fiscal year's total revenues. The DOA Secretary is required to notify the JFC Co-Chairs within 14 days of receiving the request whether the DOA Secretary proposes to approve the accumulation of those funds by UW institutions. JFC then approves the UW's request through a 14-day passive review process. JFC approved through UW's most recent request regarding the accumulation of these funds on October 27, 2014.

4. The PR balances report that the UW System is required to submit under the motion approved by JFC in May, 2014, includes information regarding the auxiliary enterprises balances held by each UW institution whose auxiliary enterprises balance on June 30 exceeded 12% of auxiliary enterprises expenditures in the prior year. The information included in the PR balance report is significantly more detailed than the information included in the request submitted by the Board of Regents regarding the accumulation of auxiliary reserve funds from student fees. For example, the request submitted to the DOA Secretary and JFC in September, 2014, indicated that UW-Green Bay planned to accumulate \$1.9 million above the 15% threshold to fund exterior repairs to the University Village Apartments. By contrast, the PR balances report showed that UW-Green Bay held a total of \$6.4 million in auxiliary enterprises balances on June 30, 2014, of which \$3.2 million had been accumulated for specific projects, including exterior repairs for the University Village Apartments; \$2.6 million was designated for purposes such as the bookstore, motor pool, and golf course; and \$0.6 million was being held as a reserve.

5. JFC and the DOA Secretary have approved the UW System's request to accumulate auxiliary reserve funds from student fees in excess of 15% of prior year revenues in each of the most recent 10 years. Because JFC and the DOA Secretary have regularly approved the UW System's request under this provision and the PR balances report provides more detailed information regarding the auxiliary enterprises balances held by UW institutions than is provided in the request, the Committee could delete language requiring the Board to submit the request to JFC and the DOA Secretary for approval. This would reduce the amount of paperwork the UW would have to submit to JFC and DOA and the amount of paperwork that JFC and DOA would have to review.

6. Under current law, the UW System's auxiliary enterprises balances are held in the state investment fund which is invested by the State of Wisconsin Investment Board. Because the Board of Regents does not currently invest its auxiliary enterprises funds, language authorizing the Board to invest surplus auxiliary enterprises moneys in certain securities and bonds could be deleted.

ALTERNATIVES

A. Auxiliary Enterprises Funds

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to restore the current law provision that prohibits the Board from accumulating auxiliary reserve funds from student fees for an institution in an amount that exceeds 15% of the previous fiscal year's total revenues from student segregated fees and auxiliary operations funded with student fees unless approved by the DOA Secretary and the Joint Committee on Finance. Under this alternative, current law authorizing the Board to invest surplus auxiliary enterprises moneys in certain securities and bonds would be deleted.
3. Delete provision.

B. Program Revenue Balance Reporting

1. Create a statutory requirement that the Board of Regents report to the Joint Committee on Finance and the Joint Legislative Audit Committee on program revenue balances annually by October 15 consistent with a motion approved by the Joint Committee on Finance on May 6, 2014.
2. Take no action.

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