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Joint Committee on Finance

Paper #639

Program and Federal Revenue Reestimates and Changes in Tuition-Funded and GPR Positions (UW System)

[LFB 2017-19 Budget Summary: Page 462, #10]

CURRENT LAW

Tuition revenues are deposited in the UW System's program revenue (PR) general program operations appropriation. That appropriation is an all-moneys-received appropriation, meaning that the UW System can expend all moneys deposited in the appropriation regardless of the amount shown in the appropriation schedule. The UW System has a total of nine program and federal revenue appropriations that are all-moneys-received appropriations.

The Board of Regents and the UW-Madison Chancellor may create or abolish positions funded by program, federal, and segregated revenues, including tuition revenue, without the approval of the Legislature or the Joint Finance Committee. The Board of Regents and the UW-Madison Chancellor may create or abolish faculty and academic staff positions funded by the UW System's general purpose revenue (GPR) general program operations appropriation under the terms of a memorandum of understanding with the Department of Administration (DOA).

GOVERNOR

Provide additional expenditure authority of \$83,958,300 PR annually and 159.22 PR positions beginning in 2017-18 to reflect increases in tuition revenues and positions funded by those revenues that have been incorporated into UW System's operating budget since 2014. These increases are attributable to the following: (a) changes in enrollment (\$9,659,000); (b) self-supporting programs (\$15,970,400); (c) differential tuition increases (\$5,869,700); and (d) increases in nonresident and graduate tuition (\$52,549,200).

DISCUSSION POINTS

1. The UW System's PR appropriation for general program operations was created by 2011 Act 32. That act deleted many of the UW System's GPR, PR, and federal revenue appropriations and replaced those appropriations with a smaller number of "block grant" appropriations. Prior to 2011-12, the UW System had separate PR appropriations for academic student fees (tuition), auxiliary enterprises, general operations receipts, and extension student fees. Those revenues, along with revenues that were deposited in several small PR appropriations prior to 2011-12, are now deposited in the UW System's PR general program operations appropriation.

2. Under 2015 Act 55, expenditures from the UW System's PR general program operations appropriation were estimated at \$2,271,680,800 in 2016-17. During the base reconciliation process, DOA adjusted this appropriation by \$155,935,500 such that the adjusted base is \$2,427,616,300. This adjustment was done to reflect increases in non-tuition revenues that are deposited in that appropriation since 2014 and to provide an additional \$75,799,500 in tuition revenue expenditure authority. Under Act 55, the Legislature increased tuition revenue expenditure authority for the UW System by \$75,799,500 in 2015-16, but this increase was inadvertently dropped in the 2016-17 year due to the deletion of the UW System authority proposal. According to DOA, tuition revenues are not reestimated during the base reconciliation process and are instead reestimated in the biennial budget bill to provide a higher level of transparency for these revenues. One could argue that if the Legislature wanted to maintain transparency regarding tuition revenues, it would have maintained a separate appropriation for those revenues instead of depositing them in a larger appropriation.

3. If the Committee were to approve the reestimate of tuition revenues included in the bill, the UW System's PR appropriation would be estimated at \$2,511,574,600 annually. This amount is equal to the UW System's budgeted expenditures from this appropriation in the 2016-17 year less one-time expenditures and including the unfunded tuition portion of standard budget adjustments approved under Act 55. As an alternative, the Committee could adjust the UW System's expenditure authority for its PR general program operations appropriation based on actual expenditures in the 2015-16 year, instead of budgeted expenditures for the 2016-17 year. Under this alternative, the Committee would set the appropriation at \$2,508,005,000 annually, which would represent a reduction from the bill of \$3,569,600 PR annually. Table 1 below shows actual expenditures from the UW System's PR general program operations appropriation for 2014-15 and 2015-16 and the proposed reestimate for 2017-18 and 2018-19 under the bill.

TABLE 1

**Actual Expenditures for 2014-15 and 2015-16 and Proposed
Expenditure Authority for 2017-18 and 2018-19**

	<u>2014-15</u>	<u>2015-16</u>	AB 64/SB 30 2017-18 & <u>2018-19</u>
PR -- General program operations	\$2,454,505,600	\$2,508,005,000	\$2,511,574,600

Changes in Tuition-Funded and GPR Positions

4. The UW System requested, and the Governor has proposed, increasing the number of tuition-funded UW System positions by 159.22 beginning in 2017-18. While in most cases state positions can only be created or abolished by the Joint Finance Committee or by the Legislature by law, current law authorizes the Board of Regents and the UW-Madison Chancellor to create or abolish positions other than those funded by the UW System's GPR general program operations appropriation without limitation. As the Legislature has already granted the Board of Regents and the UW-Madison Chancellor the authority to create these positions, it should be unnecessary for the Legislature to take any action regarding these positions. Documentation shows that DOA increased the number of authorized UW System program revenue funded positions by 830.76 during the base reconciliation process. Like the 159.22 tuition revenue funded positions that have been requested, the positions added to the UW System's authorized position count by DOA had already been created by the Board of Regents. DOA indicates that the tuition-funded positions were included in the budget bill instead of added during the base reconciliation process to provide greater transparency regarding those positions. To be consistent with the treatment of other UW PR positions, the Committee could request that DOA adjust the number of tuition-revenue funded positions in the base reconciliation process.

5. Under current law, the Board of Regents may create or abolish faculty and academic staff positions funded through the UW System's GPR general program operations appropriation if the creation or abolishment of those positions conforms to the terms of a memorandum of understanding (MOU) entered into by DOA and the Board of Regents or the UW-Madison Chancellor. During the 2014-15 and 2015-16 fiscal years, the Board of Regents and the UW-Madison Chancellor abolished 396.88 GPR-funded faculty and academic staff positions. These positions were removed from the UW System's authorized position count during base reconciliation.

6. While current law gives the Board of Regents and the UW-Madison Chancellor the authority to create or abolish faculty and academic staff positions funded through the UW System's GPR general program operations appropriation under the terms of a MOU with DOA, the Board of Regents and the UW-Madison Chancellor do not have the authority to create or abolish university staff positions funded through that appropriation. (University staff positions are all positions other than faculty, academic staff, employees-in-training, and student positions. Prior to the implementation of the UW personnel systems on July 1, 2015, these positions were part of the classified civil service.) In its agency budget request for 2017-19, the UW System requested that 222.39 university staff positions funded through the UW System's GPR general program operations appropriation be deleted through the state budget process; however, the Governor's budget would not delete those positions. The Committee could delete those positions, which are vacant, consistent with the UW System's request.

7. The Committee could also modify current law to allow the Board of Regents and the UW-Madison Chancellor to create or abolish all positions funded through the UW System's GPR general program operations appropriation, instead of only faculty and academic staff positions, subject to the terms of the MOU entered into by DOA and the Board of Regents or the UW-Madison Chancellor. This would allow the Board of Regents and the UW-Madison Chancellor to

create or abolish university staff positions funded through the UW System's GPR general program operations appropriation without action by the Legislature. Under current law, those are the only types of positions that the Board of Regents and the UW-Madison Chancellor do not have the authority to create or abolish.

8. It should be noted that, unlike other agencies, the UW System does not tie funding to authorized positions. Salary and fringe benefit cost increases for the UW System are calculated based on actual payroll, not the authorized position count.

Other All-Moneys-Received Appropriations

9. In addition to the PR general program operations appropriation, the UW System has eight other all-moneys-received appropriations. The UW System may spend any and all funds deposited in these appropriations and the amounts shown in the appropriation schedule for these appropriations do not affect the UW System's ability to spend these funds. However, to the extent that the amounts shown in the appropriation schedule are used as a measure of state spending in various areas, it may be beneficial to include reasonable estimates for these appropriations in the schedule.

10. During the base reconciliation process, DOA adjusted these appropriations as follows: (a) gifts and nonfederal grants and contracts, increased by \$12,827,800; (b) funds transferred from other state agencies, decreased by \$89,500; (c) federal aid, increased by \$3,753,500; and (d) trust fund income, increased by \$200,000. The remaining four all-moneys-received appropriations were not adjusted and therefore remained at the level shown in the appropriation schedule for the 2016-17 year. The appropriations for moneys received by the State Laboratory of Hygiene, moneys received by the Veterinary Diagnostic Laboratory (VDL) other than moneys from state agencies, and moneys received by VDL from state agencies have not been adjusted since the 2009-10 fiscal year. The appropriation for federal funds received by the VDL has not been adjusted since the 2011-12 fiscal year. Under the bill, the amounts shown in the appropriation schedule for the eight appropriations in 2017-18 and 2018-19 would be equal to the amounts included in the UW System's internal budget for 2016-17.

11. Table 2 shows expenditures from the UW System's PR and federal revenue all-moneys-received appropriations, other than its PR general program operations appropriation, for the three most recent fiscal years and as proposed under the Governor's budget. As shown in the table, the expenditure estimates proposed under the Governor's budget are significantly different than actual 2015-16 expenditures for a number of these appropriations. As an alternative, the Committee could reestimate expenditures for these appropriations based on actual 2015-16 expenditures. This would result in an increase in estimated PR expenditures of \$52,159,800 annually, a decrease in estimated federal revenue expenditures of \$149,232,700 annually, and a decrease in estimated segregated revenue expenditures of \$4,221,800 annually. (This assumes that the VDL appropriation for moneys received from other state agencies, which has had negative expenditures on the two most recent years, would be reestimated at \$0.) It should be noted that the UW System would continue to have the authority to expend all funds received through these appropriations under both this alternative and the Governor's proposed budget.

TABLE 2

**Actual Expenditures for 2014-15 and 2015-16 and
Proposed Expenditure Authority for 2017-18 and 2018-19**

	Fund Source	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	AB 64/SB 30 2017-18 & 2018-19
Gifts and nonfederal grants and contracts	PR	\$517,321,879	\$541,468,100	\$575,445,500	\$550,717,400
State laboratory of hygiene	PR	24,145,862	24,912,100	20,888,100	21,871,300
Veterinary diagnostic laboratory; fees	PR	3,249,854	3,879,200	4,445,100	3,948,900
Funds transferred from other state agencies	PR	64,561,565	63,873,300	66,858,500	38,108,700
Veterinary diagnostic laboratory; state agencies	PR	245,865	-22,600	-76,900	831,100
Federal aid	FED	1,697,217,109	1,682,439,100	1,668,452,700	1,816,202,800
Veterinary diagnostic laboratory; federal funds	FED	184,283	180,300	193,300	1,675,900
Trust fund income	SEG	<u>20,297,499</u>	<u>21,307,100</u>	<u>22,794,700</u>	<u>27,016,500</u>
Total		\$2,327,223,917	\$2,338,036,600	\$2,359,001,000	\$2,460,372,600

ALTERNATIVES

A. Tuition Reestimate

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to reestimate the UW System's program revenue general program operations appropriation at \$2,508,005,000 annually. This would be a reduction of \$3,569,600 annually compared to the bill.

ALT A2	Change to Base	Bill
PR	\$160,777,400	- \$7,139,200

3. Delete provision.

ALT A3	Change to Base	Bill
PR	\$0	- \$167,916,600

B. Additional Tuition-Funded Positions

1. Approve the Governor's recommendation. This would create 159.22 authorized PR positions beginning in 2017-18.

ALT B1	Position Change to Base Bill	
PR	159.22	0.00

2. In addition to Alternative B1, request that DOA adjust the number of tuition-revenue funded positions to reflect positions created or abolished by the Board of Regents or the UW-Madison Chancellor during the base reconciliation process in future budgets.

C. GPR Positions

1. Modify the Governor's recommendation to delete 222.39 GPR-funded university staff positions consistent with the UW System agency budget request.

ALT C1	Position Change to Base Bill	
GPR	- 222.39	- 222.39

2. In addition to Alternative C1, modify current law to allow the Board of Regents and the UW-Madison Chancellor to create or abolish all GPR-funded positions subject a memorandum of understanding entered into by DOA and the Board of Regents or the UW-Madison Chancellor.

3. No provision.

D. Other All-Moneys-Received Appropriations

1. Reestimate the UW System's all-moneys-received appropriations based on 2015-16 actual expenditures as shown in the following table.

	Annual Funding in <u>AB 64/SB 30</u>	Annual Funding Based on <u>2015-16 Actuals</u>	Annual Change to <u>Bill</u>	
Gifts and nonfederal grants and contracts	\$550,717,400	\$575,445,500	\$24,728,100	PR
State laboratory of hygiene	21,871,300	20,888,100	-983,200	PR
Veterinary diagnostic laboratory; fees	3,948,900	4,445,100	496,200	PR
Funds transferred from other agencies	38,108,700	66,858,500	28,749,800	PR
Veterinary diagnostic laboratory; state agencies	831,100	0	-831,100	PR
Federal aid	1,816,202,800	1,668,452,700	-147,750,100	FED
Veterinary diagnostic laboratory; federal funds	1,675,900	193,300	-1,482,600	FED
Trust fund income	27,016,500	22,794,700	-4,221,800	SEG

ALT D1	Change to	
	Base	Bill
PR	\$104,319,600	\$104,319,600
FED	- 298,465,400	- 298,465,400
SEG	<u>- 8,443,600</u>	<u>- 8,443,600</u>
Total	- \$202,589,400	- \$202,589,400

2. Take no action.

ALT D2	Change to	
	Base	Bill
PR	\$0	\$0
FED	0	0
SEG	<u>0</u>	<u>0</u>
Total	\$0	\$0

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