

2003-05 BIENNIAL BUDGET REDUCTION EXERCISE

This information responds to Department of Administration instructions to submit a reduced base budget plan for 95% of the UW System's GPR budget base less debt service (plus student financial aid).

Table One indicates that a 5% GPR reduction would remove \$49.5 million in 2003-04 from the UW System's 2002-03 base budget.

Table 1
Calculation of 5% Base Budget Reduction

| | |
|-----------------------------------|-----------------|
| Adjusted 2002-03 B-9 Base | \$1,080,504,600 |
| Less Debt Service | \$90,571,700 |
| Applicable Base | \$989,932,900 |
| Applicable Base Times .95 | \$940,436,300 |
| Difference – 2003-04 5% Reduction | \$49,496,600 |

Cuts of this magnitude in the base budget would require reductions in the programs, services, enrollments, faculty and staff of University of Wisconsin System institutions. In order to maintain academic quality in the face of an ongoing annual \$49.5 million GPR budget reduction, the University of Wisconsin System would be forced to choose between two scenarios.

Scenario 1: No Tuition Offset

Under the first scenario, the UW System would reduce enrollments, faculty, and staff in order to maintain the current support per student. Reduced enrollments would result in 23.6 million fewer tuition dollars being collected by campuses, thus deepening the overall budget cut. The combined GPR cut of \$49.5 million and tuition revenue loss of \$23.6 million would require UW System to reduce systemwide enrollments by approximately 7,816 FTE.

Table 2 shows the 2003-04 enrollment reduction, salary and fringe benefit cut, and position reduction which would result from a 5% reduction to the GPR base under the first scenario.

If the tuition revenue lost from enrolling fewer students was offset by a tuition increase on remaining students, the number of enrollments the UW System would need to reduce shrinks to 5,118 students. The related tuition increase would be about 2.6%, or between

\$78 at comprehensive institutions and \$100 at UW Madison, and protects enrollments for nearly 2,700 students.

Note that this increase would buy no additional education for students, but would simply replace lost base tuition revenue due to fewer students. Also, this increase is on top of an increase for cost-to-continue and new budget initiatives, plus a 0.6% increase for each 1% traditionally funded compensation increase.

Table 2
2003-04 Enrollment Reduction, Tuition Increase,
Salary/Fringe Benefit Cut and Position Reduction

| | |
|---|--------------|
| 2003-04 Effect | |
| Funding Reduction | \$49,496,600 |
| Enrollment Cut (\$7,943 GPR/fees per student) | 7,816 |
| Supplies and Expenses Reduction | \$7,078,000 |
| Salaries and Fringes Reduction * | \$42,418,600 |
| Reduction in FTE Staff* | 968 |

* Salary reductions of this size in a one-year time-frame could necessitate a declaration of financial emergency and the initiation of layoff procedures as specified in the Wisconsin Administrative Code for both faculty and staff.

Scenario 2: With Tuition Offset

Under the second scenario, programs and service cuts would be avoided by increasing tuition for all students by an additional 8.4% instead (about \$250 per year at comprehensive institutions and \$325 at UW-Madison) to replace \$49.5 million in lost GPR revenues. The tuition increases under both scenarios would be on top of the increase for cost-to-continue and new budget initiatives, plus a 0.6% increase for each 1% compensation increase.

Quality education remains our first duty to our students. As the Board of Regents' policy in the Study of the UW System in the 21st Century states, "When faced with a choice between maintaining educational quality within budgetary constraints or providing access to its programs and resources, the University of Wisconsin System must choose to maintain educational effectiveness". If base budget reductions are required, we will make every effort to avoid disrupting the academic progress of students currently enrolled. However, the reality is that both faculty and enrollment reductions would be necessary under a 5% base budget reduction unless the reduction was offset with tuition revenues.

The Need to Maintain Quality and Core Functions

Should a reduction be required, the Board of Regents will issue principles to govern the allocation and management of cuts by the institutions. It should be noted that over the past 10 years the UW System has incurred \$100 million in permanent GPR base reductions and \$16 million in lapses (\$50 million and 176 FTE returned positions in the 2001-03 biennial budget alone). If another 5% was cut from our base, UW students will have experienced a total of \$84 million in cuts in their education in less than a year.

An additional \$49.5 million base cut would inevitably impact instruction by forcing reductions in faculty, staff and course offerings.

Quality education requires a balanced package of instruction, academic support, and administrative and student services. The UW System will continue to invest in its highest priorities within the available resources. The UW System and the state have also worked hard over more than a decade to bring faculty and academic staff salaries closer to market levels. Required downsizing must not erode these gains.

Cuts in the UW System's base budget will also be felt by local economies across the state. Through the multiplier effect, a \$49.5 million base cut will reduce UW-related expenditures by more than \$124 million statewide as well as state income and sales tax collections related to these expenditures.