



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #954

Position Authority (UW System)

[LFB 2001-03 Budget Summary: Page 685, #10 and Page 686, #11]

CURRENT LAW

GPR positions can be created or abolished by the Legislature by law or by the Joint Committee on Finance acting under s. 13.10 of the statutes. The UW System is allowed to create or abolish positions funded by auxiliaries, operational receipts, federal indirect cost reimbursements and trust funds without legislative approval. The Board is required to submit a quarterly report to DOA and the Joint Committee on Finance concerning the number of positions funded from these appropriations that were created or abolished during the preceding calendar quarter and the source of funding for each position.

Under current law, there is no provision for position authority for UW-System courses that are charged on a fee recovery basis. Currently, fees for such courses are accounted for through the University's academic student fees appropriation.

GOVERNOR

Permit the Board of Regents to create or abolish faculty and academic staff positions funded from the UW's largest GPR general program operations appropriations without legislative approval provided it submits a request to, and receives approval from the Department of Administration. Prohibit the Board from requesting any funds for compensation adjustments for these positions and from requesting funding for these positions through its biennial agency budget request. Requests to create or abolish GPR-funded positions would need to be submitted by December 1 of the previous academic year and contain a clear explanation of how the requested position would be filled. The Board would be able to create or abolish GPR positions beginning in 2001-02 provided it submits a request by September 1, 2001 and receives approval from the Department of Administration.

Establish a new, separate PR appropriation for student academic fees for courses charged on a fee-recovery basis. Specify that the Board of Regents could create or abolish positions for this appropriation funded from program revenue generated from courses for which nonresident and resident students pay the same tuition and for which the tuition charged equals 100% of the cost of offering the course. As under current law for similar appropriations, the Board would be required to report the number of full-time equivalent positions created or abolished under this provision to the Department of Administration and the Cochairpersons of the Joint Committee on Finance during the preceding calendar quarter along with the source of funding for each position.

DISCUSSION POINTS

GPR Position Authority

1. The UW System is currently authorized 18,621.94 GPR positions. The budget bill would provide an additional 2.0 GPR positions in 2002-03, resulting in total GPR positions of 18,623.94 in 2002-03. The budget bill includes additional GPR/fee funding for several initiatives at various campuses; however, the bill does not include additional position authority for these items, although it was assumed that the additional funding would be used primarily to hire additional faculty and staff to carry out the initiatives. Since introduction of the budget bill, the administration has requested that GPR positions be added to the bill for those initiatives, which are dealt with in separate papers. In lieu of providing GPR positions, the budget proposal would provide the UW System with GPR position authority to create additional positions for the initiatives included in the bill.

2. The Governor's recommendation is intended to provide the UW System with position authorization flexibility while maintaining a measure of oversight by requiring the approval of the Secretary of DOA. According to executive budget staff, DOA's oversight role was added in the Governor's request to ensure that GPR funding of positions would not increase out of control through subsequent base funding increases. However, the bill did not specify that the University would need to get DOA's approval for a methodology that would account for the cost of funding new positions created under the GPR authority in 2001-03 or in future biennia. According to executive budget staff, the requirement to provide a methodology for accounting for the positions was omitted because it was assumed that a similar accounting arrangement as used in the 1999-01 biennium, when the UW was given authority to create 183 new positions, would be used. Under the arrangement for the 183 positions created in 1999, the UW uses the average salary for GPR funded staff, multiplied by the total number of positions created and that total is excluded from any pay plan supplements.

3. As of April 1, 2000, the number of GPR vacancies within the UW System was 9.92 positions, or approximately 0.02% of the total number of authorized GPR positions. Typically, UW vacancies vary seasonally due to variations in student enrollments and recruitment and hiring patterns. Since April, 2000, the number of GPR vacancies has ranged from 321.25 (1.7%) in April, 2000, to 4.52 (0.02%) in January, 2001. Over the past six years, GPR position vacancy rates have

fallen from 2.6% to less than 0.1%. During the same period, FTE enrollment has increased by more than 5,800 students (4.7%), while the number of authorized GPR positions has fallen by nearly 300 (-1.6%), although filled GPR positions have increased by approximately 1.1%.

<u>Year</u>	<u>GPR Positions</u>	<u>Vacancy (Jan)</u>	<u>% Vacant</u>	<u>Enrollment (FTE)</u>
1994	18,918.43	497.84	2.63	125,097
1995	18,548.62	593.67	3.20	123,584
1996	18,385.21	525.97	2.86	123,852
1997	18,258.03	346.85	1.90	125,393
1998	18,250.94	167.83	0.92	128,371
1999	18,250.94	6.35	0.03	129,961
2000	18,621.94	4.52	0.02%	130,980

4. According to UW System staff, the UW System has reached the limit of its ability to reallocate positions without sacrificing services to existing students. In addition, planned growth in enrollments of approximately 3,000 by 2006 and meeting the needs of non-traditional students will place pressure on the UW System for additional faculty and staff. The UW System has requested the ability to create GPR positions as needed within the confines of their current GPR base funding in order to permit the University to quickly react to enrollment changes, expand programs as needed and more effectively handle resources; all Big-Ten institutions, except the UW, have the authority to create or eliminate positions.

5. The University currently has the authority to create positions under several PR, SEG and FED appropriations, including auxiliary (self-supporting) operations, gifts and grants, federal overhead, trust fund operations and federal contracts. The University submits a quarterly report to the Legislature on the number of positions created. However, GPR positions can only be created or abolished by the Legislature by law or by the Joint Committee on Finance acting under s. 13.10 of statutes. In recent years, the UW System has not requested additional GPR positions through the Joint Committee on Finance under s. 13.10 to address its declining vacancy rate.

6. As part of its annual budget process, UW System allocates position authorizations among the UW institutions based on prior year allocations and the purposes of any additional funding and positions provided in the biennial budget or other legislation. Currently, individual campuses must manage vacancies internally by shifting positions between departments and holding open positions in non-faculty areas in order to fill vacancies in areas with higher needs and accommodate the fall semester employment requirements. Higher fall enrollments require additional course sections and services which require additional employees. Larger institutions have more leeway than smaller institutions to shift positions internally; however, with fewer available positions it has become administratively difficult to deal with position shortages for the entire UW System.

7. Individual campuses may have an insufficient number of authorized positions for a variety of reasons including: greater than anticipated enrollment increases; the provision of

continuing education programs; and differential tuition initiatives under which additional tuition revenues are generated and used to increase services to students or course sections. As an example, UW-La Crosse received an increase in GPR funding in the 1997-99 budget for its allied health programs. Because the campus planned to reallocate vacant positions, no additional position authority for the programs was requested. However, the vacant positions had to be filled to accommodate greater than anticipated enrollment increases and so were not available for the allied health programs.

8. According to the UW System staff, the GPR position authority as proposed in the Governor's budget would place a burden on current base funds. In testimony before the Joint Committee on Finance, the President of the UW System testified that, "under the Governor's provision, we would be required to absorb all future compensation costs for new GPR positions from our base, thus creating two classes of state-funded employees: those with full state funding and those without."

9. The UW System also has the flexibility to pool GPR funding for general program operations with tuition revenues as well as funds from other appropriations. While most UW positions are funded through a combination of GPR and PR tuition revenues, the positions are traditionally classified as GPR positions. Given that under current law the University can expend tuition and fee revenues as they are generated without limit and without prior approval by the Governor or Legislature, and a separate provision of the bill would eliminate current restrictions on the purposes for which tuition revenue can be generated, a concern could be raised that the University would use tuition revenues to cover future costs of these positions.

10. One could view the Governor's recommendation as reducing legislative oversight. This oversight function could be preserved, while still providing additional flexibility to the UW System, by specifying that the Joint Committee on Finance would also have to approve the Board's proposal to create new GPR positions along with DOA and DER. The approval process could be accomplished under a 14-day passive review process similar to that currently used to increase state agency PR position authorizations. In addition, the Committee could require the Board to report quarterly on the positions created.

11. A number of differing alternatives to the Governor's proposal have been identified by the UW as options for position flexibility. One feature is that the UW would like the authority to create new positions within its existing base level of funding. Under such a scenario, new positions could be created within the current salary base if higher cost staff were replaced with lower cost staff. For example, if a professor retired at an \$80,000 salary, the University believes it should be able to hire two assistant professors at \$40,000, since there would not be any additional salary liability for the state. While the state could face an incremental fringe benefit cost for health insurance if both new employees were to take the state's health plan, the total salary amounts would remain the same and the calculated pay plan increases would also remain the same. However, because GPR position flexibility has the potential to increase fringe benefit costs, the Committee could direct the UW System to submit options for the Committee's consideration under s.13.10 of the statutes. These options could involve: (a) statutory modifications, which would need to

addressed in separate legislation; (b) changes in the way UW positions are counted for budgetary purposes, which the Committee could consider under s.13.10; or (c) the Committee using its current authority to create GPR positions. Such a provision would give the University and administration time to work together on options, and thoroughly evaluate the potential fiscal implications.

Program Revenue Position Authority

12. In addition to GPR position flexibility, the Governor's budget creates a new appropriation for student academic fees for courses charged on a fee-recovery basis along with the authority to create or abolish positions for this appropriation. According to executive budget staff, the authority to create or abolish positions under this appropriation was provided in order to give the UW flexibility to create program revenue positions as needed for courses that are priced at 100% of their cost without a lengthy approval process.

13. As part of the Enrollment Management 21 (EM21) plan approved by the Regents in June, 2000, the Board included the expansion of service to adult/nontraditional students as one of its enrollment goals. The continuing tuition appropriation authority granted under 1999 Act 9 provides an incentive for UW System to identify the needs of nontraditional students, to work with employers and professional associations to provide continuing professional development and to price these services competitively at 100% of the cost of offering the courses. The establishment of this service based pricing model has enabled the UW System to expand service to nontraditional students, working adults and those in need of continuing education in order to obtain or maintain a professional certification or license.

14. The UW System only recently began offering courses that utilize the service-based pricing model. In the fall of 2000, UW-River Falls became the first campus to offer a service-based pricing program. UW-River Falls developed a master of management program designed for non-traditional students that utilizes flexible scheduling and services designed for nontraditional students, who often do not live near campus or work full-time. The program offers web-based or face-to-face courses and seminars during the evening and on weekends to accommodate the schedules of working adults. In addition, the courses are broken into one-credit modules that enhance scheduling flexibility.

15. Currently, service based-pricing programs are typically staffed with GPR funded positions and tuition/fee revenue is included in the general student fees appropriation. Given current position controls and very low GPR FTE vacancy rates, UW institutions are unable to hire additional course instructors for service-based pricing programs and must reallocate existing resources and instructors in order to teach these programs. Position authority for service-based pricing programs would give UW System campuses flexibility to quickly create courses and programs as demanded by students and businesses. Without vacant GPR positions available to hire additional faculty that would be needed to expand service-based pricing programs, the ability to create service-based pricing programs is limited. Under current law, any additional positions would need to be created with legislative approval, and the UW argues that such approval can take a significant amount of time.

16. The UW System staff has indicated that while the Governor's recommendation would permit them to hire staff as needed for the service-based programs, it would limit the flexibility of service-based pricing. It would be difficult to combine existing courses and programs, which may utilize the traditional fee structure, into new service-based modules, because any course that is service-based would need to be accounted for separately in the new appropriation. Therefore, the Governor's proposal would complicate current accounting and funding for existing courses that become part of a service-based pricing module.

17. The UW System would prefer to retain program revenues for service-based programs within the current tuition/fee appropriation and would prefer to address staffing limitations for service-based programs with overall GPR position flexibility. With overall GPR position flexibility, the UW could create additional GPR positions as needed for service-based programs and fund those positions with 100% PR funding. However, because the UW pools its GPR funding with tuition/fee revenue, it is not possible to know how individual positions are funded. According to executive budget staff, the PR position authority was provided in a separate appropriation in order to prevent the UW from requesting GPR for full funding of positions that are actually PR funded in future biennial budget requests. In addition, with the PR flexibility, as provided in the Governor's proposal, the UW would not have to wait for approval in order to create positions and could create them as needed.

18. Student groups have expressed concern that with PR position flexibility, the UW might utilize their best professors for service-based pricing programs in order to attract businesses and individuals to utilize the UW System for professional programs and courses. This could result in the employment of less qualified, limited-term employees or teaching assistants for teaching courses on campus, while professors are sent off campus to participate in service-based pricing programs. However, it could be argued that PR flexibility for service-based pricing would permit the UW to hire additional staff for service-based programs and devote existing unclassified GPR faculty and staff to traditional students.

19. Alternatively, if the UW were not granted GPR position flexibility, the PR flexibility could be broadened so that the UW would be able to create 100% tuition funded positions as needed without the restriction that they utilize a separate appropriation. The Committee could authorize the creation of PR positions in addition to those already authorized, of up to 2% of the number of GPR positions authorized for the UW within the existing tuition appropriation in order to provide flexibility to use PR positions for a variety of staffing needs. This would ease some of the limits on staffing faced by the UW when actual enrollments of students are higher than planned. For example, if a campus had planned for 1,000 new freshman enrollments and had 1,200 actual enrollments, PR revenue authority would give the UW the ability to hire faculty and staff for the 200 additional students using tuition revenue from those additional students. In addition, a more general PR position flexibility could be used for service-based pricing programs and differential pricing programs. A 2% limit on these positions would allow the UW to create up to 372 of these PR positions.

20. Arguably, extending the PR position authority to tuition could reduce the level of

legislative oversight with regard to position creation and could result in subsequent tuition increases. A measure of legislative oversight could be maintained, as with other types of PR position flexibility, if the UW would be required to report the number of full-time equivalent positions created under this provision to the Department of Administration and the Cochairpersons of the Joint Committee on Finance during the preceding calendar quarter along with the source of funding for each position. In addition, use of the PR flexibility could be limited to staff needs related to additional enrollment and for staffing courses charged on a fee-recovery basis in order to prevent new PR-funded positions from being funded with tuition increases.

ALTERNATIVES TO BILL

A. GPR Position Authority

1. Approve the Governor's recommendation to permit the Board of Regents to create or abolish any position funded with GPR without legislative approval if it submits a request to, and receives approval from DOA.

2. Modify the Governor's recommendation to require that any proposal by the Board of Regents to increase the number of authorized GPR positions that has been approved by DOA would then be subject to approval by the Joint Committee on Finance under a 14-day passive review process. Require the Board of Regents to report quarterly to the Joint Committee on Finance, as well as to the Secretaries of DER and DOA, on the number of positions that have been filled and the funding source for each of the positions.

3. Delete the Governor's recommendation and direct have the UW System submit an alternative plan with options for GPR positions to the Joint Committee on Finance under s. 13.10 of the statutes.

4. Maintain current law. The UW System could submit a s. 13.10 request for additional positions, if needed, under provisions of current law governing all state agencies.

B. PR Position Authority

1. Approve Governor's recommendation to establish a new, separate PR appropriation for student academic fees for courses charged on a fee-recovery basis. As under current law for similar appropriations, the Board would be required to report the number of full-time equivalent positions created or abolished under this provision along with their funding sources to the Department of Administration and the Cochairpersons of the Joint Committee on Finance.

2. Delete the Governor's recommendation and provide authority under the general tuition appropriation for the UW System to create PR positions funded with tuition. Limit the number of these positions to no more than 2% of the number of GPR positions authorized for the UW system in addition to PR positions already authorized. Restrict use of position authority for staff needs related to additional enrollment and for staffing courses charged on a fee-recovery basis.

As under current law for other PR appropriations, the Board would be required to report the number of full-time equivalent positions created or abolished under this provision along with their funding sources to the Department of Administration and the Cochairpersons of the Joint Committee on Finance.

3. Maintain current law.

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