



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 21, 2006

TO: Members
Joint Finance Committee

FROM: Bob Lang, Director

SUBJECT: University of Wisconsin System: Section 13.10 Request for Funding Transfer --
Agenda Item III

REQUEST

In a letter dated June 5, 2006, the UW System requested the one-time transfer in 2005-06 of up to \$4.1 million GPR from its energy costs appropriation [s. 20.285 (1)(c)] to its general program operations appropriation [s. 20.285 (1)(a)].

BACKGROUND

In 2005 Act 25, tuition remissions were created at the UW System and Wisconsin Technical College System for veterans and certain dependents.

Spouse, Surviving Spouse or Child. Act 25 provides a 100% remission of tuition and segregated fees for any resident student who is also the spouse, unremarried surviving spouse, or child of an eligible veteran for 128 credits or 8 semesters, whichever is longer. For purposes of the tuition and fee remission, an eligible veteran is defined as a person who, as verified by the Department of Veterans Affairs, was a resident of this state at the time of entry into service; served under honorable conditions in the U.S. armed forces, forces incorporated in the U.S. armed forces, the national guard, or in a reserve component of the U.S. armed forces; and who, while a resident of this state, either died on active duty, died in the line of duty while on active or inactive duty for training purposes, or incurred at least a 30% service-connected disability.

For a spouse or unremarried surviving spouse, the remission applies only during the first ten years after the eligible veteran received the service-connected disability or after the eligible veteran died. For a child, the remission applies only if he or she is at least 18, but not yet 26 years of age,

and is a full-time student.

Eligible Veterans. Act 25 provides a remission 50% of resident tuition and fees for eligible veterans, for up to 128 credits or 8 semesters, whichever is longer, less the amount of any federal tuition reimbursement. This provision applies to any student who entered service from Wisconsin and is a veteran, using the same definition as is used under Chapter 45 of the statutes relating to veterans, and who classifies as a resident for purposes of receiving benefits under Chapter 45 of the statutes. The Department of Veterans Affairs verifies the eligibility status of individuals that apply for remissions.

2005 Act 468. Act 468 will increase the 50% tuition remission for eligible veterans provided in Act 25 to a 100% tuition remission effective July 1, 2007. In addition, Act 468 provides that veterans who died as the result of a service-connected disability are included as eligible veterans. Further, Act 468 provides that to be eligible a veteran does not need to be a resident of this state at the time the U.S. Department of Veterans Affairs awards at least a 30% service-connected disability rating.

ANALYSIS

The UW System has compiled data on the total remissions provided in 2005-06 under the provisions of 2005 Act 25. In the fall semester for 2005-06, the UW System provided approximately \$1.87 million in remissions, while in the spring semester the remissions are approximately \$2.23 million. As a result, the Act 25 tuition remissions total \$4.1 million in 2005-06, which could increase when summer sessions are considered.

In establishing its operating budget, the UW System allocates GPR and tuition/fees funding to each institution, consistent with the appropriation amounts provided in the budget act. The effect of the Act 25 tuition remission is that tuition revenues that were allocated to institutions were, in fact, not received in 2005-06. The UW System indicates that it would treat this revenue shortfall as an across-the-board reduction to all UW institutions, so that those campuses with more veterans would not be subject to a disproportionate share of the shortfall.

Under Act 25, GPR funding for UW System energy costs totals \$101.1 million in 2005-06. Staff from the UW System indicates that due to a mild winter, it is estimated that \$2.8 million of this funding will remain unused at the end of 2005-06. The energy costs appropriation is an annual appropriation, and any unexpended monies will otherwise lapse to the general fund. The general fund is currently estimated to have a balance of \$10.4 million at the end of the 2005-07 biennium. If this estimated \$2.8 million lapse would occur, it would have the effect of increasing the estimated ending balance to \$13.2 million.

In considering the UW System's request for a transfer of these funds, one question that arises under the statutes governing transfers between appropriations is whether the purposes for which the transfer is requested have been authorized or directed by the Legislature. The Legislature

appropriated GPR funding for energy costs, which would support the operations of the UW System. Transferring this funding to another UW System's appropriation would result in this funding still being used to support the operations of the UW System. The Committee has frequently made this type of transfer for various state agencies, where an agency has a funding shortfall in one appropriation and is able to identify excess funding in another appropriation.

In 2005 Act 25, the Governor proposed reductions of \$40 million GPR in 2005-06 and \$25 million GPR in 2006-07 from the UW System's general program operations appropriation. The Legislature made additional reductions of \$15.5 million GPR in 2005-06 and \$10.5 million GPR in 2006-07, for total reductions of \$55.5 million GPR in 2005-06 and \$35.5 million GPR in 2006-07. An estimated \$10 million of the reduction in 2005-06 could be offset by the one-time sale of assets. Because the UW System was subject to significant funding reductions in Act 25, the Committee could approve the requested transfer to mitigate the effects on individual campuses of the foregone tuition revenue associated with the tuition remission.

Two factors can be cited as concerns about the requested transfer. First, the Legislature had an opportunity to replace the foregone tuition revenue in Act 25 and did not do so. At that time, it was estimated that the Act 25 tuition remission would reduce tuition revenues by \$7.5 million. Because the Legislature did not fund this reduction in Act 25, the requested transfer of GPR funding for this purpose may be inconsistent with the Legislature's direction in Act 25. However, the tuition remission issue was considered in the context of addressing funding concerns relating to the veteran's trust fund, and the primary issue before the Legislature was not the effect of the remission on the UW System.

Second, the general fund has an estimated gross balance of \$10.4 million at the end of the 2005-07 biennium. This balance is well below the statutory reserve amount of \$65 million. While the potential lapse of energy costs funding has not been factored into the estimated balance, any savings from this appropriation would increase the general fund's ending balance in 2005-06.

ALTERNATIVES

1. Transfer up to \$4,100,000 GPR of one-time funding from the UW System's s. 20.285(1)(c) appropriation for energy costs in 2005-06 to the s. 20.285(1)(a) appropriation for general program operations. Specify that once the final unexpended balance is determined in the energy costs appropriation, that balance would transfer to the general program operations appropriation, but not to exceed \$4,100,000.

2. Deny the request. Under this alternative, any unexpended balance in the energy costs appropriation would be retained by the general fund and increase its balance. Based on the June 5, letter from the UW System, the \$4.1 million of foregone tuition revenues associated with the veterans tuition remission would be distributed to all UW System institutions as a one-time reduction in 2005-06.

Prepared by: Dave Loppnow