

University of Wisconsin System 2003-04 Budget Reduction Report Summary

INTRODUCTION

The 2003-05 State of Wisconsin budget, proposed by the Governor and approved in June by the Legislature, cuts \$250 million in general purpose revenue (GPR) funding from the UW System. Under the Governor's budget, the UW System's budget will be cut by \$110 million in 2003-04 and \$140 million in 2004-05. The UW System took a disproportionate share of state funding cuts. In this biennial budget, 38 percent of the cuts to state spending were administered to the UW although it represents only about 9 percent of the state's budget.

The UW budget reduction for 2003-05 will be offset by tuition increases if approved by the Board of Regents. The Governor and Legislature allowed for tuition increases of \$250 per semester at the UW comprehensive campuses and \$350 per semester at the doctoral institutions, which will provide an additional \$150 million to the UW System over the coming biennium. The tuition increases will reduce the net cut to \$100 million. This represents the largest GPR biennial budget reduction in the university's history. Further, the budget makes no allowances for inflationary or salary increases although the state has provided increased GPR support for fixed costs (utility costs, debt service and fringe benefit adjustments) during the coming biennium.

For 2003-04, the UW System's total budget will be \$3.669 billion, of which 27.33 percent is state support; 19.46 percent is academic tuition and 53.21 percent is other income such as federal grants, private gifts and revenue from auxiliary enterprises. This other income, for the most part, is not discretionary and cannot be used to cover the shortfall in state funding to the university's operating budget. Virtually all of the instructional costs for UW undergraduate teaching and training come from the GPR/Fee portion of the UW budget.

The state biennial budget also calls for a reduction of 650 full-time equivalent (FTE) UW employees, with a reduction of 325 in 2003-04 and another 325 positions reduced in 2004-05. The actual net position reduction will be 645 FTE because the legislature added 5 positions for the Rock County Engineering Initiative.

UW BUDGET IN CONTEXT

State funding has declined as a percentage of the UW System's total budget since the UW System was created through the merger of the University of Wisconsin and the Wisconsin State University System more than 30 years ago.

In 1973-74, the first full year of operation for the UW System, state GPR support comprised 49.9 percent of the UW System budget. By 2002-03, state GPR support had dropped to 30.9 percent of the UW System budget. Under the new budget for 2003-04, state GPR support will fall to 27.33 percent of the UW System budget. At the same time, the university as a percentage of the state budget has fallen dramatically during that period, from 14.4 percent of the state budget in 1973-74 to 8.3 percent in 2003-04.

These 2003-05 budget reductions follow a 10-year period during which the overall budget for the university increased, but the operating (core instructional support) budget sustained more than \$100 million in cuts (see chart A). And in the fiscal year ending June 30, 2003, the UW System was cut \$28 million, making it more difficult to accommodate an additional \$250 million in cuts now facing the university for this biennium.

Chart A TARGETED CUTS AND LAPSES TO THE UW SYSTEM STATE-FUNDED OPERATING BUDGET				
Year	Base Cuts included in Actual GPR Provided	One Time Cuts Included in GPR Provided	Actual GPR Provided	Actual GPR Adjusted for Inflation - Base Year is 1993-94
1993-94	\$(2,949,200)		\$819,517,920	\$819,517,920
1994-95	(500,000)	(8,020,600)	849,837,825	826,074,051
1995-96	(23,952,100)		849,283,886	803,599,788
1996-97	(19,499,300)	(194,600)	842,115,551	774,887,839
1997-98	(2,576,100)	(468,100)	880,892,938	796,349,034
1998-99	449,400	(250,700)	898,603,634	798,515,706
1999-00			952,188,500	822,600,716
2000-01	(1,091,800)	(634,500)	1,015,809,976	848,283,641
2001-02	(21,670,600)	(94,900)	1,032,340,820	847,227,430
2002-03 est.	(28,039,400)	(8,362,900)	1,072,141,739	860,542,572
2003-04 est.	(110,000,000)		1,002,787,627	790,961,607
2004-05 est.	(30,000,000)		971,292,999	752,721,375

Examples of administrative areas that already have sustained substantial cuts are travel, advertising, and printing. State budget cutbacks in 2002-03 resulted in projected reductions of:

- 37 percent (approximately \$3.7 million) in GPR travel expenditures (restricting faculty and staff travel to professional meetings and student opportunities for field study).
- 14 percent (approximately \$3.6 million) in GPR printing expenditures (limiting printed material to information needed by parents and students to select a school, major and courses; essential employee communication and information directed to alumni and donors for fundraising).
- 40 percent (approximately \$1 million) in GPR advertising expenditures (restricting advertising to job notices that are legally required, essential student recruiting materials and public events information that serves the community).

The university has grown at a much slower pace than overall state spending (see Chart B) and at a dramatically slower pace than Corrections and K-12 support, both of which are slated for increases in the 2003-05 budget (see Charts B & C). While total state dollars dedicated to the UW System

have increased since 1992, support for the UW System has actually declined when adjusted for inflation.

Chart B
STATE OF WISCONSIN SPENDING GROWTH FY 1992-2002

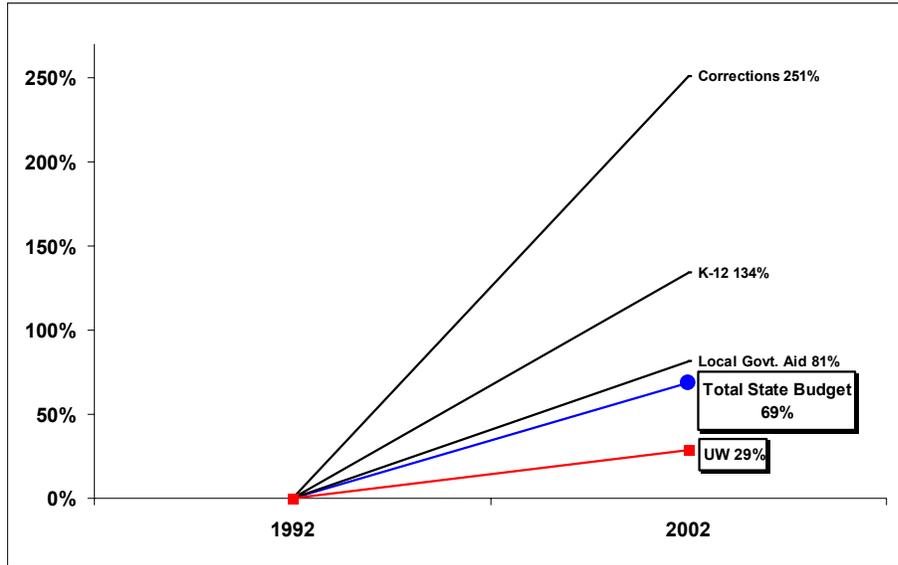
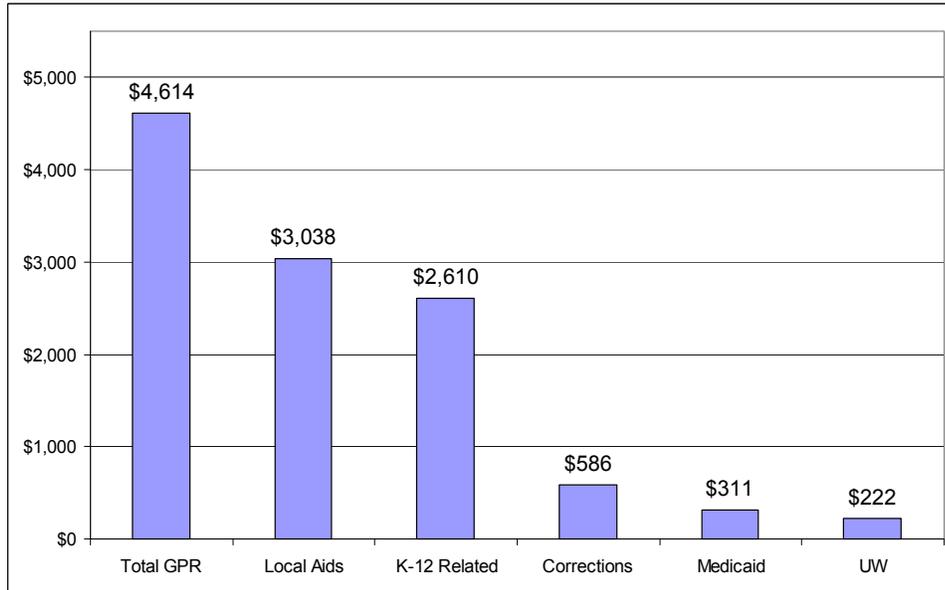


Chart C
STATE SPENDING GROWTH FY 1992-2002 IN MILLIONS OF DOLLARS



This pattern of relative decline in state support is repeated in the 2003-05 budget. As passed by the legislature, the UW System is the only one of the state's "big five" budget areas to sustain an actual

cut (-8.2 percent). All others – DPI (Department of Public Instruction), HFS (Health and Family Services), Shared Revenues and Corrections are slated for increases (from 1.2 percent to 19.2 percent). Of the 27 agencies sustaining budget cuts, the UW System is taking the largest cut (-\$171 million). Further, a total of 660 FTE state positions are eliminated in this budget, of which 645 or 98 percent are coming from the UW System.

IMPACT OF STATE BUDGET CUTS

In preparation for managing the 2003-05 biennial budget cuts, the Board of Regents passed allocation decision rules in April 2003. These rules state that the base budget reductions will be managed using the following principles:

1. Budget reductions should first target administrative expenses that are least related to serving students, while maintaining legal accountability responsibilities, and generating external (non-GPR) revenues.
2. Institutions should consider eliminating or merging academic programs and majors that have low enrollments or are similar to programs elsewhere in the UW System. Such eliminations should be coordinated across the System so that the same majors are not simultaneously removed everywhere.
3. One-time reduction opportunities should be considered in the short term to give Provosts and Chancellors time to plan more permanent modifications including changes to program array.
4. Minority and Disadvantaged Programs may receive no more than a proportionate share reduction in budget cuts.
5. The 2001-03 Economic Stimulus Package initiatives may receive no more than a fair share of the reduction in budget cuts.
6. Enrollments will be adjusted only as a last step if necessary to maintain educational quality.

In applying these rules, UW System Administration and institutions have made efficiency a top priority. Overall, the UW System administrative expenses are 5.8 percent of total budget contrasting with an average of 10.4 percent for comparable university systems nationally. This allows the UW System to effectively reallocate approximately \$115 million that other institutions spend on administration and spend it to support the instruction of more students.

To protect quality and access at UW institutions, the UW System has followed a bottom-up planning process. Those on the campus know best how to preserve access and to serve students and the state while managing these budget reductions. The UW System Administration and Board of Regents are working to preserve academic options by avoiding the elimination of the same academic programs everywhere and by ensuring a balanced package of support that will ensure that the UW System can admit, house, feed, advise, and protect students on each campus as well as provide financial aid, as needed, and access to the courses they need to graduate.

To maintain educational quality, instruction and essential student services have taken less than their proportional share of cuts, while administrative and other functions have taken a disproportionately larger share of cuts. (See Charts D, E & F)

Because the vast majority of the UW System budget is expended on personnel, budget cuts most impact faculty and staff (see Charts G, H & I). Despite reducing faculty and staff by the 645 FTE positions, the UW System is working to maintain instructional capacity by taking greater position cuts in other areas of academic support, physical plant and administration.

Base budget reductions were allocated to each institution according to each institution's share of the UW System GPR/Fee budget (excluding debt service, utilities, financial aid, and Extension credit programs).

UW System base budget reductions will have significant impacts including:

- A delay in the replacement of non-instructional vacancies, causing slower service in administrative areas.
- A slow-down in the current replacement cycle for desktop computers as well as the number of hours that computer labs are open to students.
- Downsizing of course offerings, production of graduates and public service support will limit cooperative efforts with businesses and industries.
- Reductions in full-time faculty will result in increased hiring of teaching academic staff or ad hoc staff.
- Increases in class size will reduce opportunities for individual faculty-student contact.
- Reductions to campus library budgets will reduce book purchases, serial subscriptions, databases, microfilm and reference books that support research and instruction.
- A reduction in professional development funding that helps faculty and staff remain current in their fields.
- A reduction in summer school offerings.
- Reduced staffing in student affairs and administrative offices that slows student financial aid processing, cashiering, and reduces access to other services.
- Physical Plant reductions that reduce campus custodial services and the ability to maintain facilities through preventative maintenance.

The UW System Board of Regents, President and Chancellors have made a commitment to cope with the budget reductions of the 2003-05 biennial budget in ways that will preserve academic excellence and student access to UW institutions across the state. It is hoped that the university will enjoy a higher priority in future state budget deliberations, considering the increasing student demand for access to UW campuses and the university's \$10 billion annual impact on the state

economy. Meanwhile, university leaders will continue to manage thoughtfully and frugally, helping state resources stretch to afford the maximum educational opportunities to the UW System's 160,000 students.

Chart D

**UNIVERSITY OF WISCONSIN SYSTEM
2003-2004 Base Budget Reductions by Activity**

<u>Activity</u>	<u>Reduction</u>	<u>% of Total Reductions</u>	<u>GPR/Fee Budget</u>	<u>% of Total GPR/Fee Budget</u>
Farm Operations	-\$147,605	0.37%	\$6,187,849	0.39%
Student Services	-\$2,859,121	7.15%	\$103,093,323	6.43%
Instruction	-\$14,767,693	36.92%	\$803,207,430	50.10%
Institutional Supp.	-\$4,928,525	12.32%	\$137,840,757	8.60%
Hospitals	-\$90,404	0.23%	\$2,047,775	0.13%
Research	-\$5,012,280	12.54%	\$74,073,734	4.62%
Public Service	-\$1,722,819	4.31%	\$64,482,006	4.02%
Academic Support	-\$7,094,788	17.74%	\$246,126,981	15.35%
Physical Plant	-\$3,376,765	8.44%	\$166,046,719	10.36%
Total	-\$40,000,000	100.00%	\$1,603,106,574	100.00%

Chart E

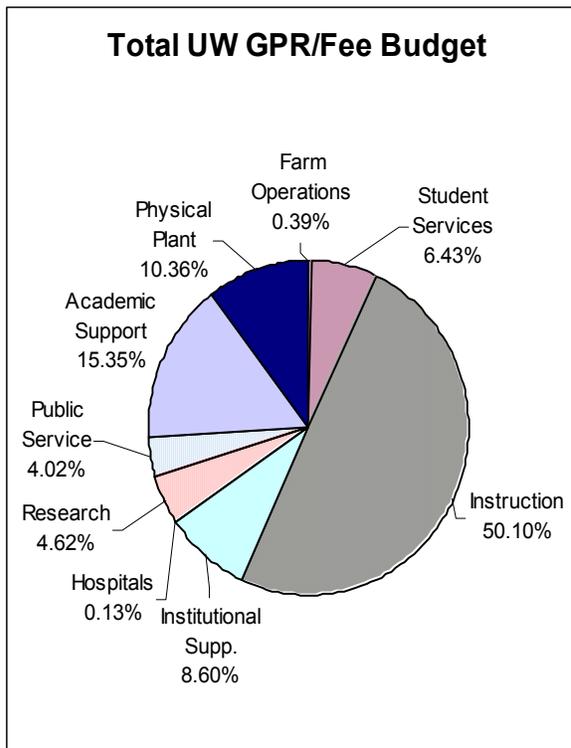


Chart F

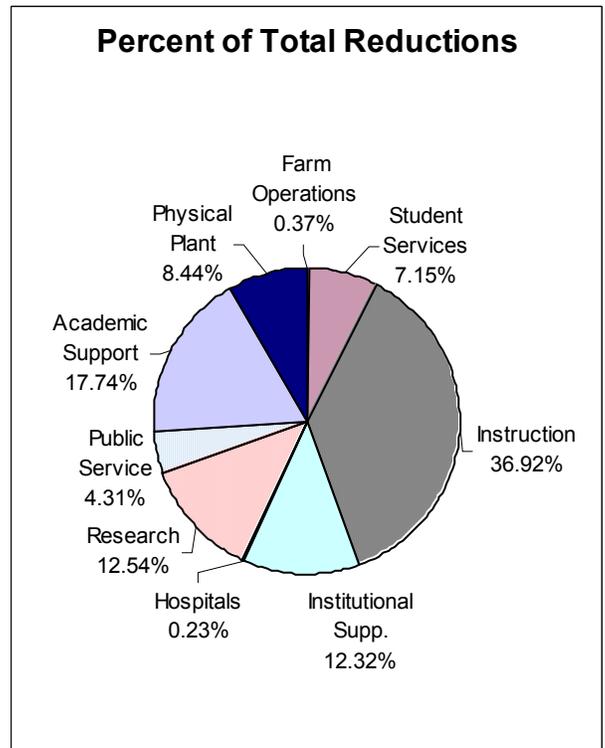


Chart G

**UNIVERSITY OF WISCONSIN SYSTEM
2003-2004 Position Reductions by Activity**

Activity	Reduction	% of Total Reductions	Total All UW System Staff	% of Total Staff
Farm Operations	-3.85	0.61%	106.87	0.56%
Student Services	-40.05	6.37%	1,386.73	7.25%
Instruction	-249.41	39.65%	9,601.43	50.19%
Institutional Supp.	-78.13	12.42%	1,865.96	9.75%
Research	-57.08	9.07%	729.06	3.81%
Public Service	-27.90	4.44%	906.46	4.74%
Academic Support	-96.68	15.37%	2,567.66	13.42%
Physical Plant	-75.90	12.07%	1,964.22	10.27%
Total	-629.00	100.00%	19,128.39	100.00%

Chart H

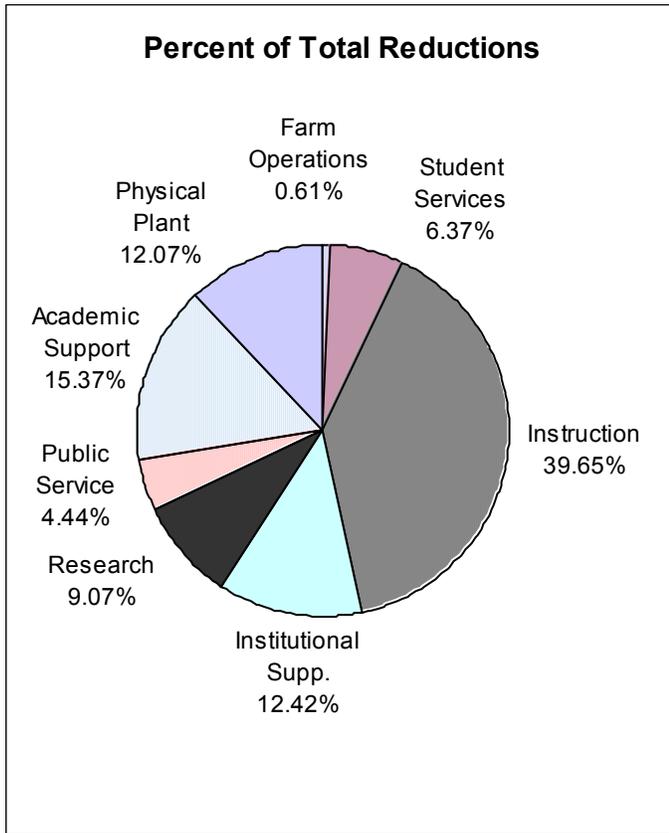
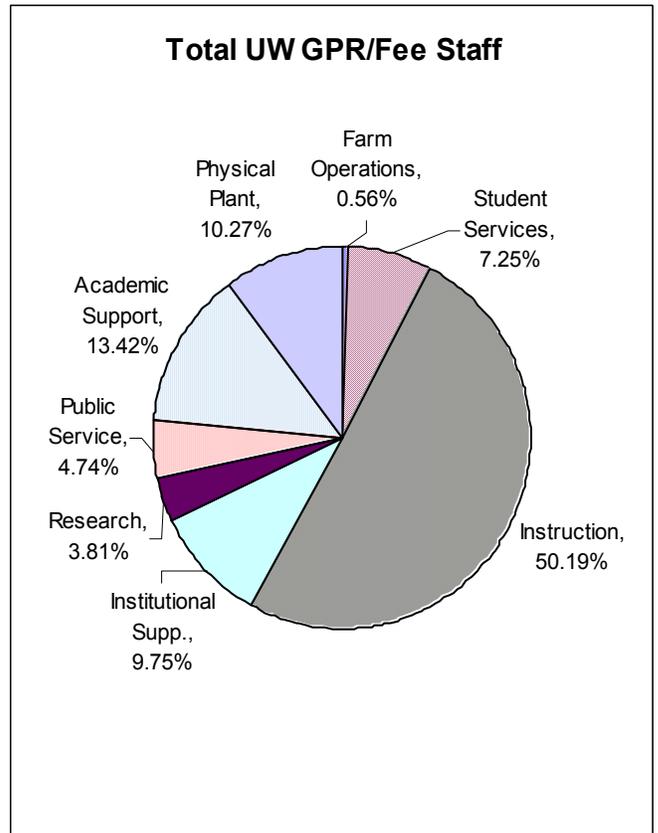


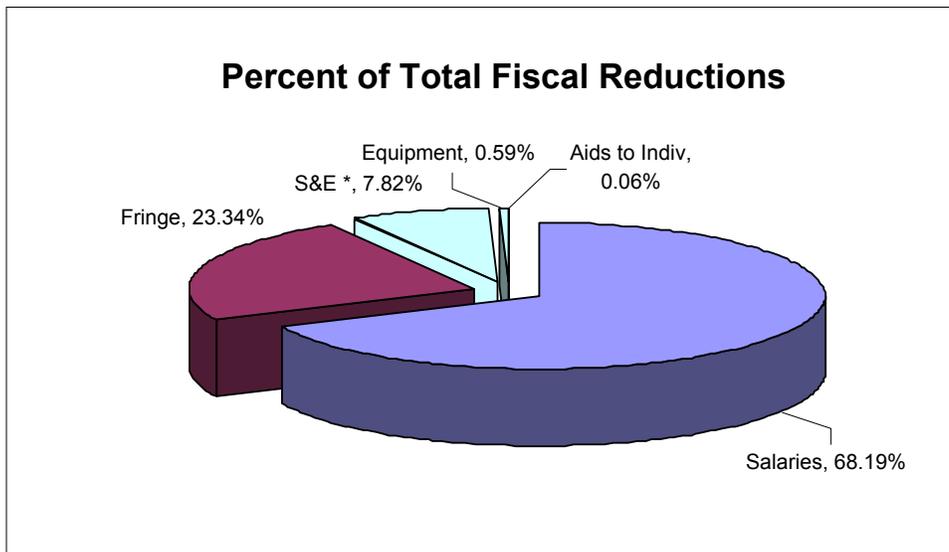
Chart I



Chart/Graph J

UNIVERSITY OF WISCONSIN SYSTEM
2003-2004 Base Budget Reductions

<u>Institution</u>	<u>Salaries</u>	<u>Fringe</u>	<u>S&E *</u>	<u>Equipment</u>	<u>Aids to Indiv</u>	<u>Reduction Total</u>
Madison	-\$15,017,367	-\$5,180,827	\$0	-\$16,000	-\$1,285	-\$20,215,479
Milwaukee	-\$3,131,018	-\$1,084,745	-\$1,060,238	\$0	\$0	-\$5,276,001
Eau Claire	-\$1,422,239	-\$501,624	-\$33,536	-\$3,000	\$0	-\$1,960,399
Green Bay	-\$644,321	-\$214,819	-\$46,432	-\$15,129	-\$25,000	-\$945,701
La Crosse	-\$1,155,034	-\$396,206	-\$126,324	-\$15,335	\$0	-\$1,692,899
Oshkosh	-\$1,356,550	-\$476,775	-\$15,770	-\$18,106	\$0	-\$1,867,201
Parkside	-\$649,245	-\$188,011	-\$47,445	\$0	\$0	-\$884,701
Platteville	-\$1,201,152	-\$362,240	\$0	\$0	\$0	-\$1,563,392
River Falls	-\$714,921	-\$246,690	-\$135,685	-\$8,004	\$0	-\$1,105,300
Stevens Point	-\$1,225,612	-\$430,754	-\$5,200	-\$15,634	\$0	-\$1,677,200
Stout	-\$1,082,840	-\$352,776	-\$94,576	-\$16,109	\$0	-\$1,546,301
Superior	-\$628,708	-\$216,357	\$0	\$0	\$0	-\$845,065
Whitewater	-\$1,271,293	-\$446,229	-\$47,877	\$0	\$0	-\$1,765,399
Colleges	-\$258,935	-\$54,766	-\$1,141,600	\$0	\$0	-\$1,455,301
Extension	-\$946,556	-\$327,392	-\$328,581	-\$65,458	-\$2,412	-\$1,670,399
Systemwide	-\$322,274	-\$140,063	-\$472,862	-\$95,500	\$0	-\$1,030,699
Total	-\$31,028,065	-\$10,620,274	-\$3,556,126	-\$268,275	-\$28,697	-\$45,501,437
Percent of Total	68.19%	23.34%	7.82%	0.59%	0.06%	100%



* Three campuses, UW-Madison, UW-Platteville and UW-Superior **exceeded** the amounts of cuts required because of the requirement to reduce their budgets by a certain amount of FTE. Extra cuts will be balanced by increases to S&E of \$4,821,781 at UW-Madison; \$411,292 at UW-Platteville; and \$268,364 at UW-Superior. When these S&E increases are taken into account, the total UW reduction equals \$40,000,000.

Chart/Graph K

UNIVERSITY OF WISCONSIN SYSTEM 2003-2004 Position Reductions

Institution	Faculty	Instructional Acad. Staff	Other Acad. Staff	Classified	Reduction
					Total
Madison	-31.96	-13.73	-91.34	-112.67	-249.70
Milwaukee	-25.03	-3.50	-24.77	-35.30	-88.60
Eau Claire	-19.41	-3.50	-3.09	-6.18	-32.18
Green Bay	-1.00	-0.89	-6.67	-7.43	-15.99
La Crosse	-7.48	-6.50	-4.85	-8.34	-27.17
Oshkosh	-16.66	-3.15	-4.45	-8.50	-32.76
Parkside	0.00	-1.30	-3.06	-7.85	-12.21
Platteville	6.54	0.00	-11.64	-4.00	-9.10
River Falls	-9.88	-3.37	-1.69	-3.00	-17.94
Stevens Point	-16.37	-2.42	-5.92	-3.50	-28.21
Stout	-5.66	-5.58	-6.86	-6.93	-25.03
Superior	-8.08	0.00	-2.00	0.00	-10.08
Whitewater	-9.35	-7.00	-3.32	-9.39	-29.06
Colleges	0.00	0.00	-16.86	0.00	-16.86
Extension	-6.39	0.00	-13.60	-7.12	-27.11
SA/Systemwide	0.00	0.00	-3.00	-4.00	-7.00
Total	-150.73	-50.94	-203.12	-224.21	-629.00
Percent of Total	23.96%	8.10%	32.29%	35.65%	100%

