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TO: Brian Hayes

FROM: Freda Harris

RE: 2011-13 Biennial GPR Lapse

At their meeting on Friday, October 21, Secretary Huebsch indicated to President Reilly that there may be some interest in further discussing how the UW System's budget base was calculated in order to be consistent with the base calculations for other state agencies.

Thank you for taking the time to meet with us Monday to address this. As we discussed, the University of Wisconsin System continues to acknowledge the state's serious financial challenges that may likely require a GPR lapse. However, we suggest that the lapse be allocated to state agencies and UW institutions in a proportional and equitable manner, in which the UW System is treated similar to other agencies. This is especially important to consider in light of the \$250 million base cut included for UW System in the 2011-13 biennial budget, which was much more severe than most base reductions imposed on other state agencies.

We recognize that the UW System may need to absorb a portion of any new GPR lapse, and we have long been aware of the \$174 million lapse included in the biennial budget. However, we were surprised and dismayed that the lapse was so many times larger than the UW System's share of other recent GPR lapses, so inconsistent with those assigned to other state agencies, and so disproportionate to our share of the state's GPR budget. Instead of a lapse that mirrors the UW System's share of state GPR, which is less than 7%, the proposed UW System share is 38%, or 4 to 5 times larger than could have reasonably been expected.

With the proposed lapse, the total GPR cut for the UW System during the 2011-13 biennium would total \$315 million. Even after factoring in tuition increases that are expected to offset a portion of the reduction, the net GPR/Fee cut would be \$208 million for the biennium. This would not only set a record as the largest biennial cut in the history of the UW System, it would be more than double the previous largest net biennial cut, which was \$100 million in the 2003-05 biennium.

Once again, we are not asking to be exempted from the lapse. Rather, we are asking for a fair and reasonable calculation that assigns a more equitable target for the UW System and our institutions. With that in mind, we respectfully suggest that the following calculation adjustments be made.

1. Remove high priority, mission-critical activities such as instruction, research, and public service. These activities reflect the priorities of the Growth Agenda for Wisconsin and UW System's statutory mission, and they are vital for the state, especially during these difficult economic times.
2. Remove GPR-funded utilities. These fixed costs have traditionally been fully funded by the state, and as a result utilities have typically been exempted from the base for the purposes of GPR lapse calculations. Support for utilities was previously reduced in the biennial budget, and further cuts may lead to year-end shortfalls.
3. Remove Police/Security and Power Plant staff, who provide 24/7 coverage for our institutions. This would be consistent with the treatment of 24/7 service providers in other state agencies.
4. Remove financial aid. This funding was a priority in the biennial budget, and these dollars are vital to providing access to higher education for low and moderate income students. Other financial aid programs are exempted from the lapse, so exempting those within UW System's budget would be entirely consistent with that approach.

Even with these critical areas removed from the equation, UW System's remaining lapse would still represent more than 11% of the \$174-million total, and would still be significantly greater than the UW System's 7% share of state GPR expenditures. Nonetheless, this would be far more equitable, consistent, and balanced than the original allocation.

Thank you for your consideration of this request to adjust the UW System's GPR lapse amount. We look forward to discussing this with you further.

# University of Wisconsin System

## 2011-13 Alternative GPR Lapse Base Adjustment

	<u>2011-12</u>	<u>2012-13</u>	<u>Total</u>
UW System GPR Base	885,666,600	903,666,600	
Less Instruction	(279,115,018)	(279,115,018)	
Less Research	(97,693,014)	(97,693,014)	
Less Public Service	(77,231,273)	(77,231,273)	
Less Utilities	(123,800,000)	(141,800,000)	
Less Police/Security & Power Plant Staff	(31,484,208)	(31,484,208)	
Less Financial Aid	<u>(27,870,368)</u>	<u>(27,870,368)</u>	
Adjusted Base	248,472,719	248,472,719	
Percent Reduction	5.2%	2.2%	
Alternative UW System Lapse Amount	12,944,932	5,398,815	18,343,747
Initial UW System Lapse Distribution	46,135,078	19,634,769	65,769,847
Difference	(33,190,146)	(14,235,954)	(47,426,100)