



Office of the President

1700 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin 53706-1559
(608) 262-2321
(608) 262-3985 Fax

e-mail: kreilly@uwsa.edu
website: www.wisconsin.edu

DATE: December 14, 2011

TO: Brian Hayes, State Budget Director
Wisconsin Department of Administration

FROM: Kevin P. Reilly, President
University of Wisconsin System

RE: Required Lapse Plan

A handwritten signature in black ink, appearing to read "Kevin P. Reilly", written over the printed name in the "FROM:" field.

This memo responds to Secretary Huebsch's [October 14 memo](#), asking the University of Wisconsin System to manage 38% of a \$174.3-million mid-year GPR lapse, amounting to a loss of \$65,769,847 over the biennium. UW institutions were also asked to plan for a similarly disproportionate share of a potential \$300-million lapse, which would mean the loss of \$113,290,790. The UW System's assigned share of the lapse is highly disproportionate, compared to its 7% share of State GPR expenditures.

Furthermore, these cuts add to the \$250 million in permanent reductions to UW funding as part of the 2011-13 biennial budget. That same budget allowed UW to generate about \$107 million in new tuition revenue. It also let UW institutions reallocate about \$50 million in other revenues, due to higher mandatory employee contributions for fringe benefits. Even after accounting for these revenues, UW faced a \$93 million net reduction for the 2011-13 biennium. That budget reflected the local effects of a major global recession – a fact acknowledged by all UW leaders who worked to plan for significant budget challenges over the biennium.

Added to these net cuts, the proposed lapse would bring UW System's total net reduction to \$159 million for the biennium, representing the largest net funding reduction ever imposed on the UW System. If the larger \$113.3-million lapse is added to the biennial budget cuts, it would bring the net total to \$206 million, or more than double the largest previous net reduction in our history. Moreover, these cuts come on top of very significant reductions in UW funding contained in recent biennial budgets.

Because 89% of UW's GPR funding is used to support faculty and staff positions, the cumulative effect will inevitably have a direct impact on UW students:

- **UW students will need more time to complete their degrees.** Reduced funding for faculty and instructor positions will mean fewer class sections and larger class sizes, creating a bottleneck in the education pipeline. Reductions in academic advising will further degrade both time-to-degree and retention rates.
- **UW students and their families will pay more.** The steady erosion of public funding for higher education pushes tuition and fees upward. Even if fees remain constant, the

longer time-to-degree will result in students spending more money to remain in college, while delaying their entry into Wisconsin's workforce.

- **UW students and their families will incur more debt.** Incurring any additional costs to earn a degree will further exacerbate the trend of increasingly burdensome student debt.
- **Wisconsin citizens will be blocked from pursuing their college education.** UW's capacity to graduate students in a timely, efficient manner opens up seats for new students more quickly. Any new delays or roadblocks created by reductions in faculty and staff positions will impede our ability to enroll more Wisconsin high school graduates.

In Freda Harris' [Oct. 26 memo](#) to you, we showed that a proportional allocation of the \$174.3-million lapse would equate to an \$18.3-million share for UW. In our [Oct. 27 editorial](#), all the UW Chancellors and UW Colleges Deans and I asserted that higher education should be a higher priority for the State. Since then, we've engaged in direct conversations with Secretary Huebsch, you, and your staff, proposing compromises that might be larger than the \$18.3 million but still smaller than the proposed 38% share.

We remain hopeful that you will seriously consider a more equitable lapse plan—one that recognizes the UW's role as an economic engine for all of Wisconsin.

Per your request, this memo illustrates how UW institutions would implement the disproportionate \$65.8-million GPR lapse in FY 2011-12, resulting in \$46 million in new reductions in the first year of the biennium. Reflecting our conversations about a more reasonable compromise, we also present two lower lapse amounts.

Scenario	<u>Biennial</u> Lapse Total	<u>FY 2012</u> Lapse for UW
1. Allocation proposed by DOA	\$65.8 million	\$46.1 million
2. Proportional share for UW	\$18.3 million	\$12.9 million
3. Proposed compromise	\$38 million	\$26.6 million

By reducing the lapse amount assigned to UW institutions, as proposed in our compromise scenario, the State can help preserve higher graduation rates and ensure that students can graduate on time. In doing so, the State can help us open up new seats for incoming Wisconsin residents and reduce costs for students and taxpayers alike.

Without this relief, these front-loaded cuts (\$46 million in the first year) would hit in the Spring semester, leaving UW Chancellors to achieve a year's worth of savings in one semester. This would effectively double the negative impact on class sections, class sizes, and core student services. To put this in another perspective, \$46 million is equivalent to a full year's worth of state support for 11,360 UW students or 511 faculty and staff positions.

In addition to affecting current and future students, the lapses would also reduce UW's overall ability to help reinvigorate Wisconsin's economic engine. UW institutions have reallocated resources for high priority economic development initiatives, but the ability to move forward with those strategic investments would be stymied by significant new funding cuts.

Other negative impacts of the lapses include:

- Many talented faculty and staff members will be encouraged to leave UW institutions. At UW-Milwaukee, for instance, the number of faculty and staff leaving for other jobs or retirement is already triple the normal rate.
- Lecturer, instructor, and adjunct faculty positions will be left vacant, creating a backlog of students waiting to complete core courses needed for graduation.
 - Under the proposed lapse, UW-Milwaukee's College of Letters and Science may have to eliminate more than 100 instructional positions, meaning 6,000 students may not be able to get into classes they need.
 - At UW-Madison, the College of Letters and Sciences will shoulder about \$4.3 million of that institution's lapse, at a time when students have committed significant resources to the Madison Undergraduate Initiative to increase access to gateway courses. Cuts to other schools, colleges, and units at UW-Madison will total \$10 million, further impacting students' ability to complete core courses and graduate on time.
- Student services and support staff would be reduced, including academic advising, tutoring, writing support, and counseling to improve retention and job placement after graduation.
- The UW-Stout Discovery Center, which supports business start-ups in Western Wisconsin, would be significantly impacted.
- Campuses will curtail or eliminate front-end investments needed to develop and launch new degree programs, new online courses, and other initiatives to address high-priority workforce needs. For example, UW-Parkside will lack the resources to invest in new IT infrastructure needed to deliver online degree programs.
- Continuing Education programs and outreach efforts will be cut back, impacting the growing numbers of nontraditional working-age adult students. This is a key component of UW's strategy to improve the state's economic competitiveness.
- UW-Extension's Entrepreneurship and Economic Development division reduce funding for Small Business Development Centers, and staffing levels would be affected, resulting in less support for growing Wisconsin businesses.
- Enrollments will be reduced in high-need programs such as nursing and teacher preparation areas such as math, science, bilingual education, reading specialist programs and special education.
- Funding for the UW-Oshkosh Student Titan Employment Program would be cut, reducing opportunities for hands-on, high-impact learning opportunities.
- Deferred maintenance on UW facilities will increase, adding to the backlog of maintenance issues and increasing the need for future capital investments.

- Student service learning and other community projects that require faculty oversight will be reduced or suspended.

It is also important to consider the ripple effects of these cuts beyond the boundaries of individual UW campuses. As described above, significant new budget reductions will result in large numbers of extended UW vacancies. In turn, these unfilled jobs will affect surrounding communities and the statewide economy. One UW institution calculated that one additional job is created in the community for every \$58,000 spent by the campus. The combined effect of the biennial budget cut and new lapse for that one institution will result in 80 fewer jobs in the region, above and beyond the direct impact on that particular university's own workforce.

UW System institutions have not yet been able to plan in any detail for a higher \$113-million biennial lapse scenario, which would call for a loss of \$75 million in 2011-12 and \$38 million in 2012-13. We will continue to work on that scenario.

If you need any additional information, please contact Associate Vice President Freda Harris at 608-262-2734 or fharris@uwsa.edu. Thank you.

Copy: Board of Regents
Chancellors

Scenario 1: UW System assigned a 38% share of the \$174-million lapse, amounting to \$65.8 million in additional cuts over the biennium. This would require UW to lapse **\$46.1 million in Fiscal Year 2012, plus the remaining \$19 million balance in FY 2013.**

FY12 Lapse Plan – University of Wisconsin System

Lapse Type	Description	Amount	Fund Source
Portion of \$174.3 million			
	Savings from Vacancies	\$ 46,135,078	GPR
	Unallotted Reserve	\$ 0	GPR
	<i>Total</i>	<u>\$ 46,135,078</u>	
Portion of \$300 million			
	\$174.3 million plan	\$ 46,135,078	GPR
	Additional portion for \$300 million	<u>\$ 28,881,300</u>	GPR
		\$ 75,016,386	
Total under Act 32		\$250,000,000	
Total under Act 32 and Chapter 16		\$325,016,386	

Scenario 2: UW System assigned an 11% share of the \$174-million lapse, amounting to \$18.1 million in additional cuts over the biennium. This would require UW to lapse **\$12.9 million in Fiscal Year 2012, plus** the remaining \$5.2 million balance in FY 2013.

Assumptions for this alternative approach:

1. Remove from UW's lapsable base budget mission-critical activities such as instruction, research, and public service, while keeping administration as part of the base considered for new reductions, mirroring the approach used with state agencies.
2. Remove GPR-funded utilities from the base for the lapse. 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 from the base for the lapse. They provide 24/7 coverage for our institutions. This would be consistent with the treatment of 24/7 service providers in state agencies.
4. Remove UW System financial aid from the lapsable base budget. 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 represent more than 11% of the \$174-million total – significantly greater than UW System's 7% share of state GPR expenditures. Nonetheless, this would be far more equitable, consistent, and balanced.

2011-13 Lapse Plan – University of Wisconsin System (GPR Only)

Lapse Type	Description	Amount
Portion of \$174.3 million		
	Savings from Vacancies	\$ 18,343,747
	Unallotted Reserve	\$ 0
	<i>Total</i>	<u>\$ 18,343,747</u>
Portion of \$300 million		
	\$174.3 million plan	\$ 18,343,747
	Additional portion for \$300 million lapse	\$ 11,483,484
		<u>\$ 29,827,231</u>
2011-12 portion of \$174.3 m		\$ 12,867,405
Total under Act 32		\$250,000,000
Total under Act 32 and Chapter 16 (at the \$300-million level)		\$279,827,231

Scenario 3: Reflecting our ongoing discussions with DOA staff about a compromise, this scenario shows UW System assigned about 22% of the \$174-million lapse, amounting to about \$38 million in additional cuts over the biennium. This would require UW to lapse **\$26.6 million in Fiscal Year 2012, plus the remaining \$11.4-million balance in FY 2013.**

This alternative approach would remove the high priority, mission-critical instruction and research activities from the base for the lapse, while keeping administration and public service as part of the base for the reduction. This approach would reflect what was done with other state agencies and reflect the priorities of the Growth Agenda for Wisconsin and the significant growth in enrollment that has occurred. Providing an increasing supply of baccalaureate degrees is vital for the state to reinvigorate the economic engine. Increasing the transformation of knowledge into new Wisconsin jobs is also critical.

This allocation is 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.

2011-13 Lapse Plan – University of Wisconsin System (GPR Only)

Lapse Type	Description	Amount
Portion of \$174.3 million		
	Savings from Vacancies	\$ 37,954,535
	Unallotted Reserve	\$ 0
	<i>Total</i>	<i>\$ 37,954,535</i>
Portion of \$300 million		
	\$174.3 million plan	\$ 37,954,535
	Additional portion for \$300 million lapse	\$ 27,371,687
		<i>\$ 65,326,222</i>
2011-12 portion of \$174.3 m		\$ 26,623,588
Total under Act 32		\$250,000,000
Total under Act 32 and Chapter 16 (at \$300-million level)		\$315,326,222