University of Wisconsin System: 2015-17 Biennium

GOAL: Distribute $20 million in one-time funding from the UW Systemwide fund balance in FY16 to assist with budget reductions, with an additional $10 million to be distributed in the second year.

The 2015-17 Biennial Budget Bill proposes a $300 million budget reduction over the biennium. System Administration staff have been asked to develop models for providing assistance to those campuses with the greatest need.

The budget reductions have currently been distributed using the GPR/Fee cuts base which includes State funds plus tuition minus debt service, utilities, financial aid and budgeted tuition/extension funds.

Four critical measures are being considered to determine need and the (in)ability of an institution to manage reductions.

A. Enrollment decline – compares an institution's recent enrollment high (Fall 2010 through fall 2014) with fall 2014 enrollments. Institutions with a decline of more than 1% would be included. $7.5M (37.5%)

B. Pell recipient support – would be provided to institutions with above average enrollments of Pell recipients, recognizing the additional costs of advising and the high impact practices needed to help these students succeed. $2.5M (12.5%)

C. Smaller institution support – would be calculated by the difference between 7,500 FTE students and actual institutional enrollments - an economy of scale factor. $2.5M (12.5%)

D. Balances – would be based on an institution's ability to use a portion of fund balances and a portion of new revenues as bridge funding. $7.5M (37.5%)

Balance Management Principles:
- use balances at an institution to bridge the cuts;
- all institutions will have to make some share of the cuts permanent; and,
- use a share of the planned increases in revenues to help manage the cuts.

Balance Management Assumptions:
1. Using 1/3 of the FY 2014 fund balances for an institution, less obligated amounts and a reserve of 5% of expenditures, to assist in managing the cuts during in each year of the biennium. This provides a bridge to permanent management of the cuts.
2. Each institution would make permanent cuts to address 20% of their cut in the first year (2015-16) and another 40% in the second year of the biennium (2016-17). By the end of the biennium, at least 60% of the cut would have been taken on a permanent basis.
3. Use 50% of increased revenues during the biennium to address the budget cuts.
4. Any negative balance in a year from the cut minus 1/3 of the fund balance, the share of the permanent cut and ½ of increased revenues is the shortfall that needs to be covered by the system.

This distribution is proposed for FY16 only in order to reevaluate each institution’s fiscal position in FY17. Since this is one-time funding it is expected that these bridge funds will allow institution’s time to create savings and plan reductions.