DATE: February 20, 2013

TO: Board of Regents
Chancellors
Chief Business Officers
Budget Officers

FROM: Freda J. Harris
Associate Vice President
Office of Budget and Planning

RE: Executive Budget Changes Related to the UW System

Gov. Scott Walker today released his proposed 2013-15 Executive Budget, which includes several key provisions related to the University of Wisconsin System.

**GPR/Fee Changes**

1. A $10 million incentive grant fund to support UW initiatives that further economic development, address employer needs through development of a skilled workforce, and improve affordability for students. This will be established in a separate appropriation and will require reports on the use of funds. ($20 million biennially)
2. $650,000 and 6.5 FTE in 2013-14, increasing to $1.3 million and 13 FTE in 2014-15, to develop new UW Flexible Option degree programs. ($2 million biennially)
3. Full funding of the cost-to-continue request for fringe benefit costs through the 2011-12 fiscal year, for lease and directed move costs, and for DMCs. ($28.7 million biennially)
4. $32.4 million in 2013-14, increasing to $57.1 million in 2014-15, to preserve current levels of college access and educational quality at UW institutions. This funding would be provided to the UW System in a flexible “block grant.” This includes funding for fringe benefits cost adjustments for 2012-13 through 2014-15, and the GPR share of new compensation increases. ($89.4 million biennially)
5. $16.6 million in 2013-14, increasing to $25.8 million in 2014-15, for GPR debt service for previously approved construction and renovation projects. ($42.4 million biennially)
6. A $3.75 million one-time state taxpayer investment in the UW Carbone Cancer Center (all funding included in 2013-14) to accelerate the development of and access to cutting-edge molecular imaging technology, contingent upon proof of matching funds. The funding will be in a separate appropriation. ($3.75 biennially)
7. $1.5 million annually to expand the Wisconsin Academy for Rural Medicine (WARM) and Training in Urban Medicine and Public Health (TRIUMPH) programs at UW-Madison’s School of Medicine and Public Health. ($3 million biennially)
8. No funding for the Board’s requested Quality, Access and Economic Development Initiative to make improvements on the Act 32 Performance Measures.
9. No additional funding for fuel and utilities. Per DOA, there was a negative adjustment to fuel and utilities included in the flexible funding as part of the block grant.

**Related Funding Changes**

1. $10.8 million in 2013-14, increasing to $28.2 million in 2014-15, for program revenue (not tuition) supported debt service. ($39 million biennially)
2. $4 million in 2013-14, increasing to $8.1 million in 2014-15, in the Higher Educational Aids Board budget to fund grants for Wisconsin Covenant Scholars. ($12.1 million biennially)
3. No change in funding for the UW Wisconsin Higher Education Grant (WHEG) program.
4. Indexing the college tuition tax deduction to inflation.

**Statutory Language Changes**

1. *Employee Compensation.* Authority for the UW System to establish compensation plans for its employees, plus increased funding to retain and reward top-notch faculty (part of the $89 million in new flexible GPR block grant funding). Removal of restrictions on use of all funds for salary increases and the types of adjustments that can be made with base funds.
2. *Core Credit Transfer.* The UW System and WTCS would be required to enter into an agreement that ensures that no less than 30 credit hours of core general undergraduate courses would transfer between institutions without loss of credit toward graduation or completion of a specific course of study. Independent and tribal colleges would be permitted to enter into and implement the 30 core credit agreement. The Governor recommends including information on the agreement in the annual report submitted to the Governor and the Legislature.
3. *Heating Plants.* The Governor recommends language that enables the sale of state heating plants, but no changes in funding or FTE are included. Additional information will be provided later.
4. *Wisconsin GI Bill Changes.* The Governor recommends (a) changing residency requirements for the Wisconsin GI Bill to allow veterans who enrolled in the military from other states, but have lived in Wisconsin for at least five years, to receive the benefits; (b) requiring veterans to maintain a 2.0 grade point average; and (c) removing the ten year time limitation on educational benefits for spouses of veterans who were disabled or killed in the line of duty. The cost of these benefit expansions is not known at this time.
5. *Broadband Fix for Internet2 and Future Research Consortia.* The Governor recommends permitting the UW System to continue membership in certain internet consortia by defining telecommunications services to include internet consortia, excluding WiscNet, that advance research. The permissible consortia memberships are those that the Board of Regents, University of Wisconsin institutions, UW Colleges campuses, and UW-Extension held as of February 1, 2013. No other changes to WiscNet provisions were included. The Governor recommends requiring approval from the Secretary of DOA for partnerships with new internet consortia.
6. *Tuition Authority Flexibility.* No limitations or required tuition increases beyond $3.9 million needed in 2013-14 for standard budget adjustments.
7. **WHEG.** The Governor recommends that HEAB be permitted to transfer funds between fiscal years for the WHEG grant for UW System students. The link connecting WHEG to resident undergraduate tuition increases would be suspended.

See attached the summary of the Board of Regents Request and the funding provided in the Executive Budget. UW System staff will review the provisions included in the Executive Budget for other state agencies along with statutory changes in the actual budget bill. Further updates will be forthcoming in the next week. If you have any questions related to this information, please email me or contact either Lynn Paulson (608) 263-7481 or Renee Stephenson (608) 263-4422.

Cc: Cabinet