

# FINAL REPORT TUITION REMISSION TASK FORCE

*17 February 2006*

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## EXECUTIVE SUMMARY

Significant increases in tuition costs over the last six years, together with an increase in the number of graduate assistants receiving tuition remission, have led to an escalating shortfall in the tuition portion of the University base budget. This budget shortfall has been met by substantial use of capital exercise funds. We have now reached the point where more than half of the capital exercise funds are consumed by the shortfall, seriously inhibiting our ability to invest strategically in the campus' future and to recruit and retain first-rate faculty, staff, and students.

Two principal recommendations of the Tuition Remission Task Force are to eliminate the shortfall and to modify the method used to assess the tuition remission surcharge. The current practice includes a charge of 25% of the stipend rate to extramural funds on which Project Assistants (PAs) and Research Assistants (RAs) are appointed. **We recommend that a tuition remission surcharge of a fixed dollar amount be applied for all PAs and RAs eligible for tuition remission, regardless of funding source.** This new model would distribute the budgetary burden according to the numbers of PAs and RAs, would tie the cost of the appointments to the appointing unit, and would allow the surcharge amount to be adjusted to bring the University base budget into balance. Because the fixed surcharge model is a significant departure from current practice, some time will be required to resolve several critical issues and avoid compromising our missions. For example, reallocation of funds will be required to moderate the impact of the surcharge costs for PAs and RAs appointed on State funds or we risk a devastating impact on certain programs. **We recommend a target date during 2007 for implementation of this model.**

As we investigated issues related to graduate student funding, it became clear that many inconsistencies developed over a period of years in campus policies related to tuition remission and graduate fellowships. **We recommend that the campus leadership review issues of consistency in all aspects of tuition remission policy, including the non-uniform treatment of tuition-related expenses charged to fellowships and training grants and the appointment as graduate assistants of professional students who are not enrolled in graduate programs.**

The solutions recommended in our report will, in the short-term, relieve the budget shortfall resulting from excess tuition remissions by a significant increase in both the amount and application of the tuition remission surcharge for graduate assistant appointments. They do not resolve the fundamental, structural budget issues that have led to the present situation. **We recommend that the University undertake a review of the issue of graduate student tuition—including projected and real tuition revenue, the policy of remissions granted for all graduate assistants, and the role of dissertator status in these issues—in order to address the causes of this structural deficit and remove it from the campus base budget.**

Finally, we wish to underscore the critical importance of graduate students to the missions of the University and the role of UW as a premier institution for graduate training. **We recommend that the campus leadership and UW community engage the Governor and State Legislature in a dialog focused on the importance of the contributions made by graduate students and our graduate training programs to the economic vitality of the State and the health and well-being of its citizens.**

## **I. INTRODUCTION**

The Tuition Remission Task Force (TRTF) was appointed by the Chancellor and the University Committee in May, 2005, and charged with “proposing a campus-wide approach for administering the cost of tuition remissions for graduate students.” We were asked to become familiar with the current revenue streams that support tuition remission, to study funding approaches at peer institutions, to meet with and seek input from relevant interested parties, and to obtain feedback from the campus as a whole through public listening sessions. Finally, in making our recommendations we were enjoined to consider the broad interests of the entire campus and the importance of the graduate programs to the teaching and research missions of the campus.

The TRTF has met approximately weekly since July, 2005, in our effort to meet the above charge. It became clear to us that the issue of excess graduate assistant tuition remissions is inherent to the University budget process and that our current practices have contributed to a widening gap between the University base budget and its supporting revenue streams. In October-December, 2005, we provided the campus community with information on the budgetary implications of tuition remission and sought broad input. With the invaluable help of Maury Cotter (Director, Office of Quality Improvement), we held two open forums, each attended by approximately 100 students, faculty, and staff, in mid-November. In addition, we met with seven smaller groups, including the TAA Executive Committee, Graduate Faculty Executive Committee, the Deans Council, and other campus leadership groups, between October 26 and December 16. We provided informational materials on a website and received approximately 100 e-mails from students, faculty and staff.

In this report, we first provide (Section II) a set of principles that guided our deliberations. Section III presents background on the relationship between tuition remission and the University budget and compares our approaches to funding graduate tuition to those at peer institutions. In Section IV, we provide specific recommendations for changing the methodology for assessing tuition remission surcharges to units appointing graduate assistants in order to address, in the near term, the budget shortfall resulting from excess remissions. We raise issues in Section V that should be considered in an effort to provide a long term, structural solution to these budget issues. Two appendices to the report summarize the e-mail responses received from the campus community, and provide analyses of other approaches considered, but not favored, by the task force.

## II. PRINCIPLES

We are guided by the following principles in making the recommendations in this report:

- Graduate students are crucial to the mission of the University of Wisconsin-Madison. As appropriate for a large land-grant institution, many of them are involved in outreach activities and teaching positions that are critical to education of students or citizens of Wisconsin. In addition, research advances made by graduate students as part of their thesis work benefit people in Wisconsin and the State economy in countless direct and indirect ways. It is partly because of our excellent graduate student population that the UW-Madison is ranked so highly by so many national indicators;
- We are committed to remaining a premier institution in graduate student training. Currently, UW-Madison is one of the top five producers of Ph. D. degrees in the country, and our graduates fill leadership positions throughout the State, the country, and the world;
- To continue providing this service to the people of Wisconsin and beyond, UW-Madison must remain competitive in graduate student and faculty recruiting and retention;
- The cost of graduate education, including tuition remissions, must be equitably shared among those who benefit from the activities of graduate assistants and should make minimal use of discretionary funds.

In making recommendations that support the guiding principles above, we (as members of the campus community) recognize the importance of the following operating principles:

- We must educate faculty, staff, students, and off-campus stakeholders concerning all aspects of graduate assistant tuition remission;
- Existing graduate assistants must be shielded as much as possible from any adverse effects of changes in existing tuition remission policy;
- We must provide adequate notification for any changes in existing tuition remission policy;
- Any changes in existing tuition remission policy must be implemented according to a coherent transition plan;
- We must anticipate possible behavioral, fiscal, demographic and operational changes caused by any changes in existing tuition remission policy;
- The consequences of any changes in tuition remission policy on the missions of this institution must be continually reviewed and adjusted as needed.

### III. BACKGROUND

#### *Tuition Remission and the University Budget Process*

The University provides tuition remissions—waivers of resident and non-resident tuition charges—to eligible graduate assistants under authority granted to the Board of Regents by State statute. Eligibility is determined by the appointment level of the graduate assistant: any graduate assistant with at least a 33% full-time equivalency position qualifies for a full remission. Until 1997-98, this authority was limited to non-resident tuition; graduate assistants were assessed the costs of resident tuition. With the collective bargaining agreement with the TAA in 1997-98, the Board was granted the additional authority to remit resident tuition. At this time, the University remits full resident and non-resident tuition for all eligible graduate assistants.

Following the collective bargaining agreement, the University implemented a base budget reduction to offset the loss of resident tuition for graduate assistants paid on base budget funds. The base budget reduction was in turn offset by a reduction in graduate assistant stipends, as provided by the collective bargaining agreement.

Remitted tuition represents a loss of revenue to support University programs. In these terms, the cost of such remissions is substantial. In 2004-05, the total value of graduate assistant remissions exceeded \$80 million. Over the previous six-year period (Figure 1), the University granted over \$400 million in graduate assistant remissions, and the annual cost of remissions increased by approximately \$34 million, from \$48 million in 1999-00 to \$82 million in 2004-05.

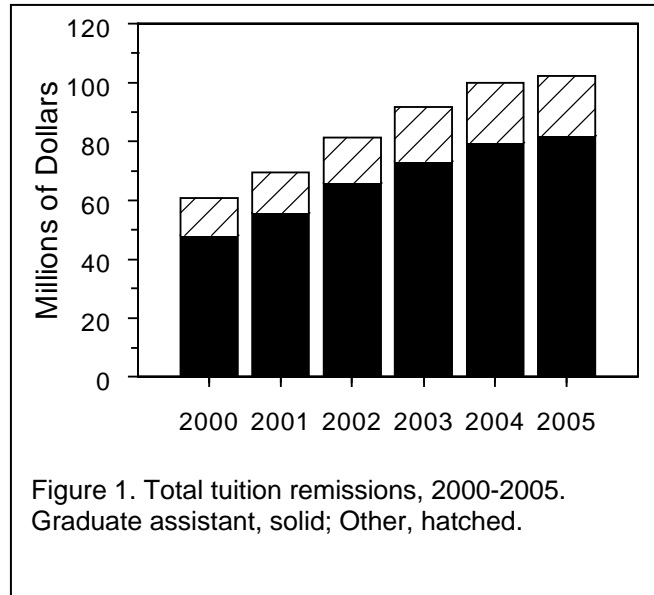


Figure 1. Total tuition remissions, 2000-2005. Graduate assistant, solid; Other, hatched.

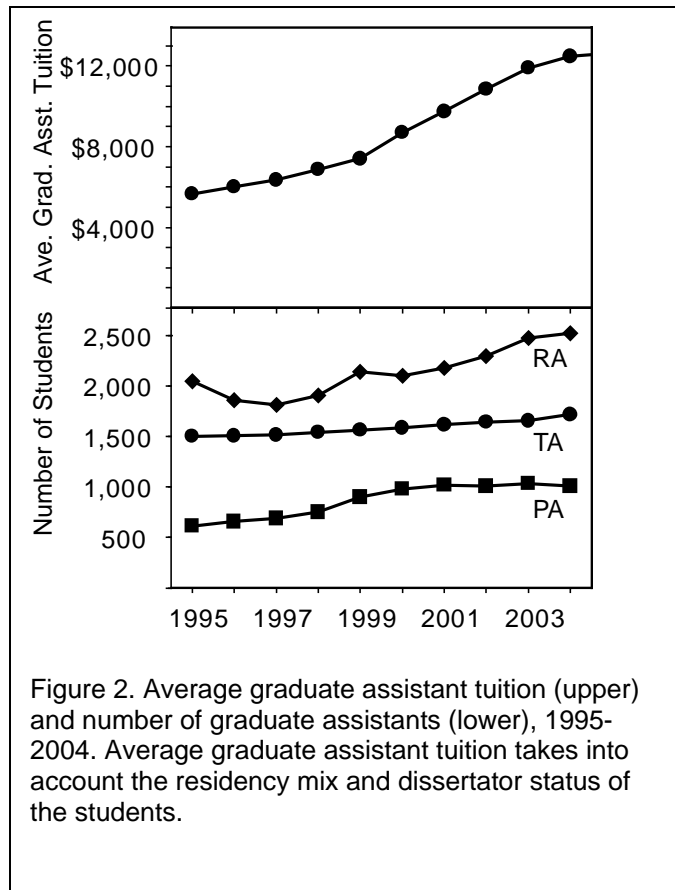


Figure 2. Average graduate assistant tuition (upper) and number of graduate assistants (lower), 1995-2004. Average graduate assistant tuition takes into account the residency mix and dissertator status of the students.

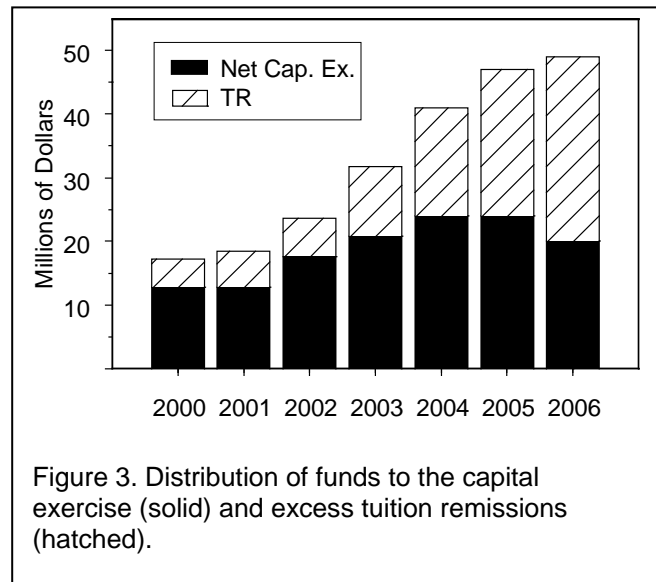
The enormous growth in the total value of remissions over this period is attributable to three primary factors (Figure 2, above): the growth rate in resident tuition charges (the “price” assessable to graduate students), an increase in the proportion of graduate students who receive graduate assistantships, and a shift in the demographic mix of the graduate population. Between 1995 and 2004, the number of graduate assistant appointments increased by approximately 25%, while the average tuition costs for those students increased by 220%. The growth rate in tuition accounted for approximately 70% of the overall increase in the total cost of graduate assistant remissions.

The total cost of graduate assistant remissions enters into the University base budget in the following way. As noted above, State statutes in existence prior to the 1997-98 amendments define a non-resident remission offset, often referred to as the “non-resident remission ceiling.” This offset represents a dollar value of remitted non-resident tuition that the University cannot exceed; it also represents a dollar value of tuition that the University is not required to collect. Further, in reduced form, the tuition revenue target equals the projected number of students by level (undergraduate, graduate, *etc.*) and residency multiplied by official tuition rates, less the non-resident remission offset. The tuition revenue target is established as part of the annual budget process, and this target is a component of the University base budget. If the University does not meet its revenue target through actual tuition collections from students, it must either reduce the base budget or identify other funding mechanisms to cover the uncollected tuition.

As the cost of graduate assistant remissions has grown, so has the amount of the annual tuition revenue target that is not recovered through actual tuition collections from students. As a result, the amount that the University is required to provide from sources other than tuition to meet the tuition revenue target has grown by a corresponding magnitude. That amount is often referred to as “excess remissions.” The annual amount of excess remissions increased from approximately \$7 million in 1999-00 to \$24 million in 2004-05. The current rate of annual growth in excess remission is approximately \$4 million per year.

Historically, the University has relied on two funding mechanisms to cover the cost of excess remissions: a tuition remission surcharge and the capital exercise. The tuition remission surcharge at the present time is a percentage rate (25%) applied to graduate assistant stipends funded by extramural grants and contracts. Between 2002 and 2005, the cost of graduate assistant tuition remissions has increased by \$16.2M (from \$65.9M to \$82.1M), while the amount collected by the tuition remission surcharge has increased by only \$2.4M (from \$9M to \$11.4M). The balance of excess remissions is covered from the capital exercise.

Because revenue from the tuition remission surcharge has been relatively constant over the past several years, most of the growth in excess remissions has been offset by ever increasing deductions from the capital exercise (Figure 3). This imbalance has had a significant negative impact on the size of the capital exercise over the last five years. To compound the problem, growth in the available funds has been marginal over the past two years. As a result, growth in the required payment for excess remissions now exceeds the annual growth rate in revenues, which means that the University can no longer sustain the capital exercise at previous levels. The capital exercise (Figure 3) was reduced in the current year; it will be reduced even further next year. At the present rate of growth in excess remissions, the capital exercise could be completely eliminated within the next four to five years.



The erosion of the capital exercise funds presents a serious threat to the vitality and excellence of the University. These funds are critical sources of support for the recruitment and retention of first-rate faculty, the development of new programs, and for modernization and enhancement of our research infrastructure. Our competitiveness as an outstanding research university will be seriously compromised if we do not have resources that can be invested in strategic ways to support our missions.

### ***Tuition Remission and the Cost of Graduate Education—Peer Comparisons***

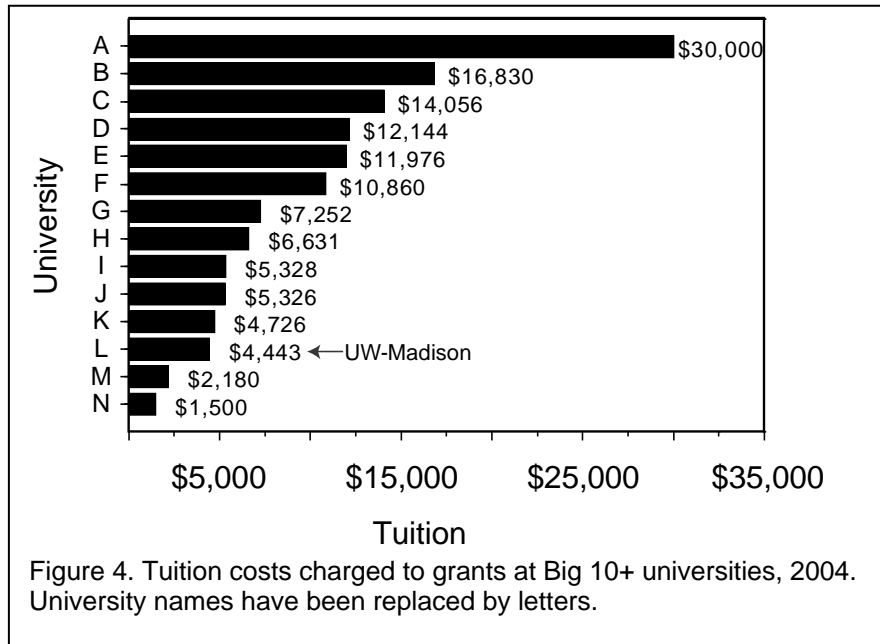
The University of Wisconsin-Madison is not the only U.S. research university concerned about the cost and sources of financial support for graduate students. The Tuition Remission Task Force benchmarked other leading U.S. research universities to compare financial support provided to graduate assistants, along with the costs and funding approaches for that support, in our peer institutions. Wide variations were noted in the approaches used by different universities; however, benchmarking our peer institutions permitted the Task Force to make some general observations. Complications also arise due to variability in the unionization of graduate assistants and the fact that many peer institutions do not have project assistant (PA) positions. As a result, we chose to benchmark research assistants (RAs). This choice allows a direct “apples to apples” comparison.

One of the more complete data sets readily available to the Task Force is from the so-called Big 10+ Universities. A summary showing the high, low, median, and average for key financial data (stipend, tuition cost, fringe benefits cost, and total cost to the granting agency) for research assistants holding a 50% appointment at Big 10+ institutions is given in Table 1.

	High	Low	Median	Average	UW
Indirect Cost Rate	0.600	0.450	0.500	0.497	0.455
Stipend Cost to Grant	\$23,760	\$12,663	\$19,000	\$19,331	\$17,890
Tuition Cost to Grant	\$30,000	\$1,500	\$7,250	\$9,884	\$4,443
Indirect Cost to Grant	\$15,308	\$7,689	\$10,000	\$10,316	\$10,175
Fringe Benefit Cost to Grant	\$6,622	0	\$400	\$1,171	\$4,473
Total Cost to Grant	\$63,345	\$24,588	\$39,000	\$40,765	\$36,981

\* Deans of the colleges of engineering in the 'Big 10' and selected peer institutions meet regularly to share information. The Big 10+ includes Colleges of Engineering at: Illinois; Iowa; Michigan; Michigan State; Minnesota; Northwestern; Ohio State; Penn State; Purdue; Wisconsin; UC Berkeley; Carnegie Mellon; Cornell; GA Tech; MIT; Stanford; and UT-Austin. Data for UC-Berkeley, Stanford, and Minnesota were not available and are not included.

Analysis of the data for 2004 reveals that the average cost of an RA on a 50% appointment at UW-Madison is well below both the median and average cost for a comparable appointment in this peer group. For engineering students, the largest total cost to a grant in the Big 10+ is \$63,345 and the average cost is \$40,765, compared to \$36,981 at UW-Madison. Fringe benefit costs are highly variable with UW being near the maximum. In contrast, the cost of tuition remission to a grant (Figure 4) at UW-Madison (\$4,443) is well below the median (\$7,250) and less than half the average (\$9,884) tuition cost for this group of peer institutions. To ensure a valid comparison, these data are for non-dissertators (*e.g.*, first-year graduate students).



#### IV. RECOMMENDATIONS OF THE TASK FORCE

In view of the present threat to the sustainability and viability of the annual capital exercise, the Chancellor and the University Committee appointed this Task Force to provide a faculty perspective on possible alternatives to the existing funding model for graduate assistant remissions. We studied in detail several different options, including *a*) rationing, or controlling the allocation of remissions with the goal of limiting the number and value of tuition remissions that are granted; *b*) restructuring the method used to apply the tuition remission surcharge and increasing the revenue derived from the surcharge; and *c*) campus-wide budget reductions. Our analyses of the approaches based on rationing remissions or applying budget reductions led us to discard these avenues for reasons that are discussed in Appendix 2. Instead, we recommend a new model for the tuition remission surcharge, as discussed in detail below. We also make several less far-reaching recommendations aimed at improving consistency in handling tuition remissions across the campus.

##### *Proposed Model for the Tuition Remission Surcharge*

**We recommend that a tuition remission surcharge of a fixed dollar amount be applied to appointments for all PAs and RAs eligible for tuition remission, regardless of funding source.** This new model would distribute the budgetary burden across the campus according to the numbers of graduate assistants, would tie the cost of graduate assistant appointments to the appointing unit, and would allow the surcharge amount to be adjusted to bring the budget into balance. Because the fixed surcharge model is a significant departure from current practice, we recommend that the campus allow sufficient time to resolve several critical issues and avoid compromising our missions. **We recommend a target date during calendar year 2007 for complete implementation of this model.** Our recommendation consists of three distinct elements.

*Flat tuition remission surcharge.* We propose that the current percent of stipend surcharge be replaced by a flat rate. A fixed surcharge rate better matches the *per capita* way remission costs are generated. As discussed above, excess tuition remissions for graduate assistants are partially offset by assessment of a tuition remission surcharge applied to extramural funds supporting PAs and RAs. The current practice, begun in 2001, is to charge 25% of the stipend rate to those extramural funds. The cost of tuition remission does not depend on appointment level, while the surcharge varies by the percent appointment, from \$2,476 for a 33% PA appointment to \$5,591 for a 62% RA appointment.

*Application to all PA and RA appointments.* We propose that the surcharge be assessed for all PA and RA appointments that lead to tuition remission. Under the present rules, only 80% of the PAs and RAs receiving tuition remission are appointed on funding sources that are required to pay the surcharge. The cost of tuition remission does not vary with the funding source for the graduate assistant appointment. This inconsistency also presents difficulties in explaining our tuition remission surcharge policy to funding agencies.

*Uniform surcharge.* The same tuition remission surcharge should be applied regardless of the residency or dissertator status of the student. An alternative approach would be to apply a

surcharge that was some fraction of the resident tuition that would have been paid by the student, making the surcharge higher for students at the beginning of their graduate careers and lower when they became dissertators. Our current practice does not distinguish between dissertators and non-dissertators. We believe that this feature should be preserved in the proposed model in order to avoid the potential for discrimination in appointments that favors more advanced students, allowing consistency of support for students throughout their graduate training.

**We recognize that, despite the advantages noted above, the fixed tuition remission surcharge model carries with it several significant implications that must be considered carefully.** Features of this model and problems that must be resolved prior to its implementation are discussed in detail below.

*No surcharge for teaching assistant (TA) appointments.* The proposed surcharge would be limited to PA and RA appointments and excludes TAs as they are currently appointed. Several factors contributed to this design decision. Appointment of TAs is driven by the undergraduate educational mission. Undergraduate tuition collected for the courses in which TAs teach may be appropriately viewed as contributing to the cost of instruction. The number of graduate students appointed as TAs has risen modestly from 1,507 in 1993 to approximately 1,716 in 2005, with an average appointment level of approximately 43% throughout that period. Finally, virtually all TAs (95%) are appointed on 101 funds, with nearly 75% of them in the College of Letters and Sciences. Applying the surcharge to this group would require a substantial reallocation of base budget funds in order to maintain this critical mission. Significant changes to the number or pattern of TA appointments across campus would require that this policy be revisited.

*Surcharge would vary as needed to meet shortfall.* The amount of the surcharge should be set to meet the tuition remission shortfall. For example, a surcharge of \$8,000 per year for all PAs and RAs eligible for tuition remission would generate \$28.4M as opposed to \$11.4M provided by the current 25% of stipend charge. The additional funds coming from an \$8,000 fixed surcharge very nearly match this year's shortfall of \$17.4M. Note that this projection assumes that the increased costs do not result in a significant reduction in the number of PA or RA appointments. In particular, approximately 40% of PAs (390) are appointed at exactly 33% time, the minimum required for tuition remission. The annual cost of those appointments (including stipend, tuition remission surcharge, and fringe benefits) would increase from \$17,892 to \$22,910, a 28% increase. In contrast, the cost of a 50% PA appointment would increase by only 13%. If budgetary constraints resulted in the appointment of the same number of FTE at 50% (260 vs. 390), the \$8,000 fixed surcharge would generate approximately \$1M less than the \$28.4M estimated above. We anticipate that the amount of the surcharge would be reviewed on an annual basis.

*Reallocation required for 101-funded PAs and RAs.* As shown in Table 2 (right), approximately 230 PAs and 170 RAs are currently supported on 101 funds; these appointments do not at present generate tuition remission surcharges. Three colleges, CALS, Education, and L&S, account for 75% of the 101-funded RAs and PAs. The proposed model will result in a new surcharge of, for example, \$8,000 for each of these graduate assistants for a total of \$3.4M. We recommend reallocation of 101 funds to mitigate the adverse consequences of the new tuition remission surcharge for those units in which 101-funded PAs and RAs perform mission critical roles.

*Impact depends on the distribution of appointment levels.* As noted above, the cost of supporting a PA or RA at the 33% appointment level will increase by approximately 28% if an \$8,000 tuition remission surcharge were to be applied. At the other extreme, the cost of appointing a student at the 62% level would increase by only 7%, from \$33,546 to \$35,955. We investigated the possibility that the flat surcharge would place a disproportionate burden on specific colleges or disciplines by comparing the average appointment levels for PAs and RAs. As shown in the Table 3 (below), the average appointment levels are comparable across the colleges, with the exception of the Business School. Analysis by discipline reveals that the Humanities do have significantly lower average appointment levels.

	101 <sup>a</sup>	128	133	135	142	144	161	Oth <sup>b</sup>	Tot.
	<b>136</b>								
<b>RA</b>									
Business	0	0	6	0	0	1	0	0	7
CALS	115	2	70	64	139	243	9	4	646
Education	0	0	0	0	0	13	0	0	13
Engineering	9	2	134	43	0	379	22	18	607
Grad Sch.	1	0	20	28	0	60	1	2	112
L&S	2	0	33	53	0	446	15	3	552
Law	4	0	7	0	0	0	0	0	11
Medical Sch.	13	12	133	36	0	246	30	2	472
Nursing	0	0	4	0	0	2	3	0	9
Pharmacy	4	0	6	1	0	22	0	4	37
Vet Med	24	0	0	3	0	24	0	0	51
Other	1	1	4	6	0	19	0	0	31
<b>RA Total</b>	<b>173</b>	<b>17</b>	<b>417</b>	<b>234</b>	<b>139</b>	<b>1455</b>	<b>80</b>	<b>33</b>	<b>2548</b>
<b>PA</b>									
Business	4	14	132	3	0	1	0	2	156
CALS	9	3	8	1	0	13	0	3	37
Education	98	2	42	14	0	54	1	0	211
Engineering	10	2	22	0	0	19	0	2	55
Grad Sch.	0	2	8	3	0	61	0	0	74
L&S	63	2	94	44	0	70	9	3	285
Law	4	0	0	0	0	1	0	0	5
Medical Sch.	0	0	31	1	0	27	5	1	65
Nursing	1	0	0	2	0	8	2	0	13
Pharmacy	1	10	1	0	0	3	0	0	15
Other	37	16	23	4	0	12	0	9	101
<b>PA Total</b>	<b>227</b>	<b>51</b>	<b>361</b>	<b>72</b>	<b>0</b>	<b>269</b>	<b>17</b>	<b>20</b>	<b>1017</b>
<b>Grand Total</b>	<b>400</b>	<b>68</b>	<b>778</b>	<b>306</b>	<b>139</b>	<b>1724</b>	<b>97</b>	<b>53</b>	<b>3565</b>
<sup>a</sup> Fund types: 101, State; 128/136, Charge-back; 133, Non-Fed. gifts and grants; 135, Grad. School; 142, Hatch; 144, Fed. grants; 161, Trust.									
<sup>b</sup> Other=104, 118, 150, 177, 182, 190, 402, 528									

College	PA		RA		PA+RA	Discipline	PA		RA		PA+RA
	Num.	Avg. Appt. (%)	Num.	Avg. Appt. (%)	Avg. Appt. (%)		Num.	Avg. Appt. (%)	Num.	Avg. Appt. (%)	Avg. Appt. (%)
Med. School	66	47.0	472	54.2	53.3	Clinical Health Sci.	22	48.0	124	56.6	55.4
Grad. School	73	45.7	112	50.8	48.8	Natural Sci. (L&S)	12	50.2	484	51.8	51.8
Engineering	55	42.6	607	49.2	48.6	Basic Health Sci.	89	47.0	393	52.3	51.4
L&S	286	41.7	553	51.5	48.2	Engr. & Phys. Sci	65	45.0	636	49.2	48.8
CALS	36	47.1	647	47.5	47.5	Ag. & Life Sci.	49	43.3	720	48.1	47.8
Education	211	46.3	13	59.3	47.0	Other	45	47.0			47.0
Other	133	45.4	140	47.0	46.2	Social Sci. (L&S)	162	42.3	67	49.9	44.5
Business	157	35.2	7	35.4	35.2	Soc. & Behav. Sci	453	42.2	124	47.5	43.4
Total	1,017	43.0	2,551	50.2	48.1	Humanities	121	39.6	2	41.5	39.7
						Total	1,017	43.0	2,551	50.2	48.1

The impact of the new policy will be exacerbated by the low budgets of many extramural awards in the Humanities and Social Sciences that may not be able to accommodate an increase of more than \$5,000 per graduate assistant appointment. In the interim, it would be appropriate to use some of the capital exercise funds generated by the flat surcharge model and returned to the colleges to assist those programs for which the additional tuition remission surcharge is a serious hardship.

*Implementation of a flat surcharge is technically complex.* Assessing the flat surcharge to the appropriate funding sources will require changes to the campus accounting systems, which readily accommodate a percent of stipend charge, particularly for graduate assistants whose appointment is split across multiple funds. Hourly PA appointments, for those students whose total hours exceed the 33% level, will also present a significant challenge.

### ***Additional Issues Related to Graduate Student Funding***

We also investigated other practices related to our tuition remission policies that could provide potential sources of income. Specifically, these potential additional sources of income arise from existing exceptions or special allowances granted to particular areas of graduate assistantship funding. Some of these allowances have historically developed over many years (or decades). As we investigated many of these issues, other areas related to graduate student funding arose and we developed additional recommendations related to consistency of tuition remission policy and graduate fellowships.

*Professional Students:* Currently, professional students (*i.e.*, students seeking professional degrees such as the J.D., S.J.D., M.D., Pharm.D., or D.V.M.) can be appointed as TAs, PAs, or RAs and thereby qualify for remission of their professional school tuition if the appointments are at or above 33% time. The Task Force understands the logic of such appointments if these students are participating in and progressing toward a masters or doctoral degree in an approved graduate degree granting program. However, some appointments do not fit this profile and rationale for graduate support. **We recommend a change in policy such that professional students cannot hold graduate assistantships (*i.e.*, TA, PA or RA appointments) unless they are participating in an approved graduate degree granting program.** Historically, when the Graduate School surveys the professional students holding graduate assistantships the average is about 50 students. Excluding the approximately 20 professional students working toward an advanced graduate degree (M.S. or Ph.D.), tuition exceptions for this group total about \$800,000.

*Consistency in Tuition Remission Policies:* The Bursar's Office is responsible for establishing and monitoring Tuition Remission Policy on campus. This policy can be found at the web site <http://www.bussvc.wisc.edu/bursar/remis2.html>. Many of these policies were discussed extensively during our deliberations and examined for consistency and financial impact. Consider one example: Prior to the current tuition remission policy (*e.g.*, in the 1970s), gifts provided to the University of Wisconsin via the UW Foundation for graduate fellowships were not charged graduate tuition. The current policy for all graduate fellowships derived from third-party funds (gift funds as well as federal or industrial fellowship competitions) is that these types of support for graduate students must pay the full cost of tuition, in contrast to the "grandfathered" fellowships, which pay just the tuition remission surcharge. The result is

inconsistency in how graduate fellowships are treated for tuition remission based on their history. Consistent treatment of such appointments should be a goal. **We recommend that the campus leadership appoint a review team to consider issues of consistency in all aspects of the Tuition Remission Policy.** Relevant issues include, but are not limited to: remissions for students other than graduate assistants; consistent treatment for all extramurally funded fellowships; tuition remission eligibility for hourly project assistants; Summer session tuition remission for students not currently holding graduate assistantships; and tuition remission for academic staff. Currently it is not possible to judge the financial and programmatic impact of a review of the campus Tuition Remission Policy. However, given the importance of tuition remission for our graduate students, and the growing financial burden of these remissions, it is imperative to have a coherent set of guidelines to govern these remissions.

*Graduate Fellowships and Training Grants:* The University receives a large number of funds to directly support graduate assistants on specific Fellowships and/or Traineeships. Some of these fellowship awards arrive as a result of federal or industrial competitions (*e.g.*, Department of Energy or corporations like GE or 3M) and are awarded to departmental units or directly to top-notch students. Some Fellowship/Traineeship competitions are awarded to Principal Investigators and are supplemented by the Graduate School because of their programmatic importance. Other Fellowships are derived from gift funds provided by WARF or the UW Foundation and administered through the UW Graduate School (*i.e.*, WARF Fellows, Distinguished UW Fellows, AOF fellows). In many cases these Fellowships and Traineeships are treated as third-party funds and are subject to the current UW Fellowship policies. In other cases it is not clear how to disperse the funds for student stipends (*i.e.*, some units are appointing them as RAs, rather than as trainees, to obtain tuition remission). The current Task Force charge is not directly focused on Fellowships and Traineeships, but the Task Force members are quite aware of the uneven and sometimes inconsistent financial treatment of Fellowships and Traineeships. One approach may be to develop a multi-tiered structure that would parse the trainees/fellows and RAs very carefully based on contract/agreement language. An alternative approach would be to simply treat all trainees and fellows like RAs and apply the tuition remission surcharge. This approach clearly would result in decreased tuition revenue, but would allow us to apply the proposed policy that all appointments (except TAs) be charged a fixed tuition remission surcharge. **We recommend that this issue be addressed in a follow-on study to develop a clear and consistent policy for Fellowships and Traineeships regardless of origin.**

## V. ISSUES FOR PERMANENT, LONG-TERM RESOLUTION

The recommendations that this report puts forward suggest short- to medium-term solutions for sharing the fiscal burden of covering tuition remission among various stakeholders. However, these solutions only partially address the fundamental issues that have led to the current critical budgetary problems. While this committee was not charged with finding long-term solutions, inevitably our extensive discussions revealed core issues that we think must be resolved in the near future. One of our primary recommendations is that the campus leadership continues the process that we have started in order to reconsider the present budget process.

### *Fundamental Issue – The Structural Deficit*

The solutions suggested in this report relieve the pressure on the University base budget caused by a shortfall in graduate tuition through both a redistribution and a significant increase in the tuition remission surcharge. This solution, while a critical short-term solution to the current excess remissions, does not address the fundamental structural budget issue that has led to the present situation.

For the purposes here, the budget process described in Section III can be simplified to the following:

1. The University has a set of expenditures that must be met by a combination of general purpose revenue (GPR) and tuition income;
2. This number is reduced by the amount of tuition remission set by State statute (at a level intended to roughly match non-resident graduate tuition);
3. Tuition levels are set based on estimated student numbers so as to provide the necessary income to meet the reduced target.

But, because since 1997-1998 the resident graduate tuition is also remitted, the tuition revenue – specifically, the graduate student tuition revenue – never in fact meets that target. This practice results in a fundamental, structural deficit in the budget building process. Thus, the University must either cut the base budget or identify other funding mechanisms to cover the tuition revenue shortfall.

Prior to 1997-98, only non-resident tuition was remitted and the annual tuition “target” was one that in effect required the University to operate near the non-resident remission ceiling (a fixed dollar amount established at the merger with the UW System and inflated over subsequent years by the growth rate in non-resident graduate tuition). During the years between merger and 1997-98, the University was sometimes required to make reimbursements for excess non-resident remissions, sometimes in substantial amounts (\$2-3 million), but usually at lesser levels. In many years no reimbursement was required. When excess remissions did occur, the cause was closely, if not uniquely, correlated with the number and residency mix of the graduate student population. At any time, the University could have managed the excess remissions (and corresponding required reimbursement) to zero by managing the graduate student population through admissions, time to degree efforts, *etc.* Thus, the excesses were not structural. They were not permanent. They did not grow with time.

With the 1997-98 collective bargaining agreement and the advent of resident tuition remissions for graduate assistants, a structural problem was introduced into the tuition portion of the campus base budget. The structural deficit consisted of all of the forgone annual resident graduate tuition revenue that resulted from the agreement. It would now be a permanent deficit. Each year, the University would be required to reimburse the tuition account for the full amount of the forgone revenue.

The University elected to eliminate a portion of this structural deficit by reducing stipends (and thus the base budget) by an amount corresponding to the resident tuition savings of graduate assistants funded by the base budget. The TAA agreement stipulated that graduate assistants would accept a reduction in stipend levels in exchange for resident remissions. In the first year the base budget reduction was taken, the University fully offset the portion of the structural deficit associated with base budget funded graduate assistants. However, the University did not undergo additional base budget reductions in subsequent years to compensate for the subsequent tuition increases associated with that graduate student population. Thus, a significant portion of the current structural deficit is attributable to base-budget-funded graduate assistants, and the amount is growing over time as resident tuition rates increase. Of course, in the year the agreement was implemented and the base budget reduction was taken, the University still faced a deficit associated with the remitted resident tuitions of those graduate assistants that were not funded by the base budget, *i.e.*, extramurally funded graduate assistants.

Whether this structural deficit was ever to become a significant problem was to be a function of growth rates in resident graduate tuition, changes in the appointment rates for graduate assistants (the proportion and number of graduate students who receive graduate assistantships), and any marginal effects of changes in mix of graduate assistants (the number that are from in- or out-of-state and the fraction of them that are dissertators). As the data show, the problem has become substantial due to significant increases in tuition (~70% of the shortfall) and increases in the number of graduate assistants (~25% of the shortfall).

### ***Possible Internal Actions***

*Change the budget process.* The most fundamental long-term solution to the shortfall in tuition remission is to evaluate the process and assumptions used to build the campus budget. Put simply, the present system budgets for dollars that we know we are not going to collect. **As a consequence, we recommend that the University undertake a thorough review of the issue of graduate student tuition – including projected and real tuition revenue, the policy of remissions granted for all graduate assistants, the role of dissertator status in these issues – in order to address the causes of this structural deficit and eliminate it from the campus base budget.** Without a long-term solution to the causes of this budget deficit, the resulting secular growth in the financial burden on either the GPR component of the University budget or extramural grants, gifts, and fellowships will compromise the education, research and outreach missions of this University and erode our ability to serve the students and the citizens of Wisconsin.

*Restructure the graduate stipend system.* At all universities, graduate assistants in some disciplines – especially the sciences – receive higher stipends than graduate research assistants in other disciplines – especially the humanities. This difference is a simple consequence of differential market pressures and resources in different disciplines. At most institutions, the hourly rate or stipend amount is permitted to vary for research assistants. Teaching assistant stipends may also vary, although this practice is less common. At UW, the stipend amount for each title (research assistant, project assistant, teaching assistant) is fixed and, instead, appointment levels vary from a low of 33% to a high of 62%. To some, this practice implies that those on 62% appointments are working nearly twice as many hours as those on 33% appointments, which is rarely actually the case. Perceived grievances are likely when nominal appointment levels do not match the actual expectations for effort in a position. We suggest that it may be desirable to modify our system to recognize the reality of market pressures and permit different stipend levels in different disciplines. While such a change in the logic of our system does not directly address the deficit, it would provide a substantially more flexible and fair foundation upon which to implement other possible long-term solutions (see, for example, the next paragraph).

*Link remission and appointment levels.* At some institutions, tuition remission is a variable percentage of appointment level rather than all-or-nothing. For example, at the University of Minnesota, tuition remission is set at double the appointment level. There is some logic in linking the tuition remission to the appointment level, the latter being a measure of the time when a student is not drawing on tuition-based resources linked to progress to degree (*e.g.*, classes, libraries, *etc.*). Furthermore, the large discontinuities in all-or-nothing systems such as ours remove that linkage and produce behavioral distortions as those making appointments seek to barely exceed the remission threshold. Variable remission accumulations might also permit more straightforward accumulation of remission from multiple appointments. Finally, such a system has the potential to increase tuition revenue and thereby reduce the structural deficit. (Here we note that some departments have told us that they do not think that tuition remissions are necessary for them to recruit excellent students, and would prefer not to offer – and not pay for – tuition remission). However, any such shift in the tuition remission system must be predicated on a prior shift in the system of appointment percentages. To be equitable, the appointment percentages must reflect actual work levels, as discussed above.

*Link tuition with instructional units.* Our system of accounting for tuition obscures its relevance as revenue for instructional units. Because tuition here is essentially “counted” at the System level, instructional units do not view tuition as a resource but rather as a tax on their graduate students. In our system, if a graduate student enrolled in Unit A receives a tuition remission as a result of an appointment as a project assistant in Unit B, Unit A perceives that it has received a benefit from Unit B because Unit B has provided funding for one of Unit A's graduate students. However, in most other institutions, where instructional units receive budget credit for the tuition they generate, Unit B would owe Unit A for the lost tuition revenue. Similarly, our budget system does not explicitly give financial credit to units whose graduate students actually pay tuition. The cost of graduate education is primarily the cost of the faculty salaries for those who teach and advise graduate students. Tuition is the primary source of revenue supporting faculty salaries in most instructional units. Although it is not possible or desirable to connect funds generated by undergraduate and graduate tuition directly to department budgets, an accounting

system that more explicitly recognizes the role of tuition in funding salaries would promote better awareness of budget constraints and, hopefully, a greater ability to make informed decisions in program planning.

### *Possible External Actions*

UW-Madison graduate assistants are partners in developing the next generation of educators, scholars, artists and innovators who will educate our citizens and improve the economic and social quality of life in Wisconsin for years to come. Graduate research and project assistants make new discoveries while obtaining training in laboratories, they assist faculty on numerous research projects, and their findings lead to patents, drive economic development of the State, or benefit the residents of Wisconsin in many other ways. Graduate teaching assistants provide education for many undergraduate students as leaders of discussion sections; teachers of computational, writing, or communication skills; instructors in elementary languages; and as partners with faculty and staff to improve the undergraduate experience on campus. For these reasons, we make the following additional recommendations for a long-term solution.

*Increase the graduate tuition remission ceiling.* At UW-Madison and comparable institutions across the country, tuition remission for research, project and teaching assistants is critical to attracting the talented and ethnically diverse pool of students needed to support the teaching, research, and outreach missions of the institution. The dollar amount of tuition remissions currently granted to UW-Madison is insufficient to support the missions of this campus given the size of the graduate education enterprise, the increases in graduate tuition outlined earlier in the report, and the erosion of State GPR support for UW-Madison. A long-term solution targeted directly at enhancing the graduate student contributions to the University and the State would be to increase the statutory ceiling to a level appropriate to both resident and non-resident tuition remission. This action would both resolve the structural deficit and directly enhance the ability of UW-Madison to attract high quality graduate students and maintain its position as an internationally premier institution in teaching, research, and service.

*Increase State funding.* At the present time, State GPR comprises just over 19% of the UW-Madison budget. However sizeable, the State GPR contribution is currently equaled by gifts and segregated fees, and is dwarfed by federal sources of revenue, which represent some 31% of the total revenue. Federal money not set aside for undergraduate financial aid is largely intended to support the research mission of the university, and is our primary source for growth and innovation. Likewise, gifts and other grants are usually targeted by donors for use in specific areas outside the basic operations of the university.

Broadly speaking, we feel that the State GPR funds should increase to contribute a larger fraction of the UW-Madison budget. Given the key functions provided by graduate students while and after they receive training at UW-Madison, if that increase does not include raising the tuition remission ceiling, then a share of those additional resources should be used to support the crucial area of graduate education. As the cost of graduate assistant appointments increases, we risk shifting our emphasis in training to the postdoctoral level and losing our position as a preeminent graduate training institution. **We recommend that the campus leadership and UW community engage the Governor and State Legislature in a dialog focused on the**

**importance of the contributions made by graduate students and our graduate training programs to the economic vitality of the State and the health and well-being of its citizens.**

## Appendix 1: UW Community Reactions

### *Summary*

Following the November and December 2005 town meetings with the campus community, the Task Force invited e-mail reactions that would provide further sources for its report to the Chancellor and the University Committee. The Task Force received 103 e-mails from graduate students (40), faculty (53), and academic staff (10). The reactions addressed the Task Force's guiding principles, *i.e.*, the equity of any actions taken, their consistency, and the need for a transition period before any measures are instituted. One respondent argued for a simplified system of tuition remission.

The largest number of reactions argued for a **legislative solution**, which the Task Force did propose as a longer-term approach. Concerns about the **tuition remission surcharge rates** at UW expressed the misperception that UW surcharge rates are higher than those of our peers. A substantial number of reactions addressed the likelihood that principal investigators would prefer **postdoc appointments** over more costly graduate students. The diminishing **capital exercise and indirect (overhead) costs** brought a number of differing opinions as to their best use, *e.g.*, one group suggesting to stop using the capital exercise funds for other than research needs, while another group argued for increased indirect costs to be used for capital exercise and start-up funding. Three types of suggestions were made about the **tuition remission rate**: apply a flat fee (many e-mails), raise the rate (few e-mails), and do not raise the rate (substantial number of e-mails). Two e-mails argued for elimination of tuition remission for professional students.

Some respondents, facing the fiscal and political realities, felt that perhaps a **reduced University budget** needs to be the way out of the current situation, adding, in one e-mail for example, "Plan to have a slump in the academic community. Plan to lose faculty, students and prestige." A significant number of e-mails were in favor of **increasing undergraduate tuition**, while another, much smaller, group of respondents suggested **increased fundraising**. A number of comments, mainly from students, criticized the fact that the Task Force did not include students among its members.

A considerable number of e-mails reflected misunderstandings about the Task Force's charge. Many graduate students were concerned that its intent was to abolish tuition remission altogether, while others thought that students alone would carry the weight of solving the budget shortfall.

### *General Principles*

One e-mail suggested a guiding principle implicit in the Task Force's discussions, but not explicitly listed: "*I encourage the committee to simplify the process and let all the players adjust to the cleaner system.*" Simplification resonates strongly with the solutions that the Task Force recommends.

The elusive definition of "equity" formed the basis of several e-mails. The opinions varied from "*The view that graduate student tuition should provide a viable revenue stream needs to be*

*completely revised;” to “I think to address this problem the concept of having some graduate students pay a portion of their fees is not unreasonable.” The relation of TAs to other graduate assistants arose prominently in this context: “All graduate assistantships are not treated equally. PAs and RAs are surcharged but TAs are exempt. Furthermore, the very same programs that are blessed with the ability to pay low stipends, and therefore pay less surcharge per student, also overwhelmingly use TAs to support their graduate students. Consequently, the programs that already pay the highest surcharges, and provide the lion’s share of the capital exercise, are selectively burdened with the tuition surcharge. Is that equitable?”*

Several e-mails addressed what were perceived as inconsistencies in the selection of graduate assistants to receive the tuition waiver without a corresponding grant or UW unit paying a tuition remission fee. For example, *“Close all existing loopholes to appointing graduate students without payment of the tuition remission surcharge ...”* and *“Grant no new loopholes that would create additional graduate student appointments that circumvent an equal per student assessment of a tuition remission surcharge, including no new surcharge-exempt TA positions.”* Similarly, *“Creating categories of students exempt from the tuition remission surcharge increases the overall tuition remission shortfall and therefore amounts to raising a tax on those students for whom the surcharge must be paid. Some view the current TA exemption as already representing a shifting of the costs of undergraduate education onto research grants that were awarded for a different purpose.”*

A transition period was requested by several responders. Typical responses included *“If the surcharge method is changed, existing grants need to be grandfathered in at the old rates.”* and *“I am proposing that implementation of the committee’s recommendations be phased in, with remission charges levied against RA and PA positions submitted after July 1, 2006, and remission charges on internally funded PAs held off until July 2007 or later, to give units time to prepare.”*

### ***Legislative Solution***

Many e-mails favored persuading the Wisconsin Legislature to provide more funding to UW to resolve the budget crisis, an approach that the Task Force considered a longer term solution. Sample e-mail comments include *“Can a compelling and persuasive economic argument be made for how investing in graduate students leverages state funds in a way that results in more dollars being gained in extramural competition, that in turn present more educational opportunities for undergraduate and graduate students?”* and *“While I like your last alternative, of relying on University leaders to raise revenues from the state legislature, I have no optimism for the short term;”* and *“Whatever actions are taken now to solve the tuition remission shortfall, they should be implemented in a manner that maximizes delivering the political message to the state government that the UW research and graduate education missions are in trouble, and in particular that the ability to shift costs onto research grants, which has minimized the damage in the past, is not a productive strategy for the future.”* Although many e-mails in this category came from students, faculty and staff also hoped that this solution would prove viable.

### ***Other School's Approaches***

A few e-mails queried the tuition remission rates at peer institutions and some mistakenly thought that the UW rate was high: *"I can't believe that Michigan, UCLA, and Texas are asking their donors and grant-givers to pay a substantially greater share of graduate tuition."* The Task Force presentations did not attempt to highlight peer institution data, because accounting systems at these institutions have no standardized approach, and thus interpretation is not straightforward. What the data show, however, is that the present UW tuition remission surcharge rate is almost the lowest of approximately a dozen peer institutions surveyed.

### ***Appointment of Postdocs versus Grad Students***

Several respondents predicted that a higher tuition remission charge-back rate or flat fee would lead to using postdocs in place of grad students in research labs: *"My lab already has more postdoctoral scientists than graduate students, ever since the 25% tuition remission was instituted, because postdocs are much more cost-effective;"* and *"Unless grad students are less expensive to me than a postdoc or a scientist, I'm going to have to stop training them;"* and *"I am very concerned about the economies of research shifting to discourage the hiring of graduate students and replacing that labor with post docs."*

### ***Capital Exercise Funds***

The shrinking capital exercise greatly concerned some respondents, typically: *"If our CapEx return is reduced or eventually eliminated, we, and most other departments, are in dire straits."* The broader issue of the appropriate use of overhead funds caused divergent opinions: *"UW should increase the availability of capital exercise funds to support research equipment infrastructure by eliminating use of indirect costs to pay UW costs that do not directly support research programs."* and, on the other hand, *"UW must aggressively seek an increase in overhead rates. ...an increase of 10% in overhead rates will fund the \$20M shortfall in tuition remission ... The virtue of this part of the solution is that it is intended to leave in place our present overhead expenditures into re-investments, like capital exercise, start-up funding etc. Increased overhead would then be streamlined into solving the tuition shortfall. It is beyond belief that our institutional overhead rate has remained so low for so long compared to our peer research institutions."*

### ***Tuition Remission Rate***

A large number of respondents favored the Task Force's option 2 of a flat fee for tuition remission that more equitably tracked the per-student cost of graduate education: *"I'm all in favor of changing the surcharge methodology. ... I would say that Dept X [name changed] (and others) are subsidizing those 33% appointment big time. A flat dollar amount is more equitable."* and *"Charge the tuition remission surcharge as a flat fee calculated on a per student basis rather than as a percentage of salary or stipend."* and *"Clearly we have a serious problem and setting a flat rate on all grad students would certainly go a long way toward solving the problem by raising additional funds."*

A small number of e-mails favored simply raising the tuition remission rate charged to research grants, rather than applying a flat rate, for example: *"I am not in favor of a flat fee for grad assistantships, but raising the percentage from 25% to 35% would be easier to handle in the grant budgeting world. This percentage should not be assessed only on sponsored programs, but all appointments, regardless of funding."*

Significant numbers of respondents advocated not raising the tuition remission rate: *"Any changes that undermine my department's ability to fund graduate assistantships will threaten the viability of our graduate program;"* and *"As graduate students at UW make important and essential research contributions, which are critical for generating competitive ROI ... applications, I request that the UW do everything possible to ensure that investigators and departments do not encumber additional expenses to support graduate student training;"* and *"Therefore, I suggest that the committee focus on methods to decrease the cost of tuition, instead of taxing research contracts even more than they are currently taxed."* Most of this group instead favored legislative or UW budget reduction solutions.

### ***Professional Students***

Two e-mails raised this issue, both supporting eliminating graduate assistantships for professional students, for example: *"All students in professional programs (Law, Pharmacy, etc), and who are not dual students in some other graduate program, e.g. the MD-PhD program, should not be granted tuition remission, as tuition remission is for graduate students."*

### ***UW Should Reduce Budget or Target Tuition Level***

Despite the already tightly constrained times for the UW budget, the difficult solutions of reducing the budget or convincing the UW System to reduce the target tuition level were suggested: *"So what can we do? Plan to downsize. If there is limited money to fund students, support less students, but fund them fully. Plan to have a slump in the academic community. Plan to lose faculty, students and prestige;"* and *"The solution seems simple, reduce the number of graduate assistants, or at least control the hiring of new graduate assistants to stay within the limits of available funding. This may also require reducing the number of faculty so that funds may be allocated effectively;"* and *"The solution seems quite simple: reduce the target tuition revenue from graduate programs in the UW budget. This step would acknowledge the essential role of graduate assistants in the work of the university."*

### ***Increase Undergraduate Tuition***

Increasing undergraduate tuition to balance the budget was raised in several e-mails: *"Graduate student tuition issues can not be separated from overall UW tuition revenue issues. Tuition for undergraduates at UW is too low. Families that can afford to pay are getting an absolute fire-sale bargain. This is amply documented by comparing our tuition to peer state universities. It would make great sense, and be politically palatable, if UW-Madison would raise tuition substantially and simultaneously raise need-based financial aid;"* and *"... graduate students serve dual functions. They carry part of the teaching load as TA's but as RA's they are really*

*paid junior researchers. In both cases they are working as much as they are studying, and it is not sensible to expect them to pay for tuition to the same extent that undergraduates do.”*

### ***Fund Raising***

Several e-mails suggested fund-raising as an attractive option: *“Our UW Foundation does a great job, but it seems like the primary emphasis at times is to endow buildings or professorships. Endowing graduate students, and especially endowing just tuition is not sexy. But there must be some creative folks out there who can make it sexy;”* and *“At UW-Madison, we have a very strong infrastructure for fund raising and donations-as I understand it, one of the best among public institutions. I suggest getting this apparatus to specifically target graduate education to assemble a portfolio that can be used to directly fund graduate fellowships (with tuition payments) and to help pay for some of the tuition shortfalls. This solution will take some time before it has a pay-off.”*

### ***Governance***

A number of e-mails, mainly from students, argued that governance considerations should have motivated the inclusion of students on the Task Force. This issue falls under the purview of the Chancellor and University Committee.

### ***Interpretation of the Tuition Remission Surcharge to Grants as the Tuition Waiver for Students***

The name of the Task Force led to a great deal of misunderstanding. Nearly half of the student e-mails plus a few others interpreted the discussion of the tuition remission charge paid by grants and UW units to be threatening the tuition waivers that the students receive, which was not an option on the table.

## **Appendix 2: Approaches Rejected by the Task Force**

We considered two additional approaches, campus-wide reductions in the base budget, and rationing tuition remissions, as ways to reduce the problem of excess remissions. We found both of these options to be unworkable, but describe our reasoning in this appendix for the sake of completeness.

### ***Budget Cuts as an Alternative***

As we learned in Section III, tuition remissions simply represent revenues never actually collected. Thus, one of the first strategies considered by the Task Force was to recommend that the size of the overall campus budget be reduced to match revenues received. That is, it seemed sensible that the institution learn to “live within its means,” and not spend more than it brings in. As a single strategy for addressing the shortfall problem, this was viewed as unacceptable. The Task Force recognized that State tax-derived funding has decreased by 15% (in 2004 dollars) since 2000. The campus has endured three successive biennia with budget cuts. This history means that any overall budget reduction could not reasonably be taken from support functions but must come from critical areas such as faculty and graduate students, thus compromising the mission of the campus.

There is an important multiplier effect in any attempt to balance the budget by reducing the number of faculty. Faculty bring substantial external research funding into the Madison budget; these awards provide for campus overhead as well as provide funds for tuition remission. Trying to balance the budget by reducing faculty will not only reduce costs but will also reduce revenues, creating a vicious downward spiral. Another alternative we discussed would be to reduce the number of graduate students supported. However, no savings would be achieved by reducing the number of students supported on research awards if those awards support the cost of instruction. Similarly, if reducing support for graduate students leads to lower enrollments, there will be an offsetting drop in revenue for every cost saving. The only way to improve the budget through cutting graduate support is to cut the students supported on state (101) funds. But these students are generally either teaching assistants or project and research assistants who are funded precisely because they serve core educational missions of the State mandate to the University. Graduate teaching assistants are cost effective, serve our undergraduate student population well, and are the next generation of faculty. Moreover, it is the view of the Task Force that it is specifically these students that were granted remissions in the 1997-98 budget negotiations that allowed the campus to provide in-state tuition remissions.

We believe that multiple strategies will be required to address the shortfall difficulties. Certainly, remission reallocation and budget reduction will be important supplemental strategies for the campus and individual colleges to meet budget goals. However, these were viewed by the Task Force as poor first choices for addressing the excess remissions problem.

### ***Rationing Remissions: A Non-Solution***

The statutory cap on remissions is a dollar cap that has been adjusted as tuition has increased, but more slowly than the rise in tuition. Because the initial framing of the problem was one of

excess tuition remissions, and a bill for excess remissions that has been paid through the capital exercise, the logical response appears to be to stop exceeding the statutory cap on tuition remissions. However, this is not actually a solution to the problem. As we report elsewhere, about 75% of the growth in excess tuition remissions is due to tuition increases rather than to increases in the number of graduate assistants whose tuition is remitted. Reducing tuition remissions helps the revenue shortfall problem only if the students who receive the excess remissions pay tuition or have tuition paid for them by some third party. Graduate students in academic disciplines are generally unwilling and unable to pay out-of-state pre-dissertation tuition, and the expectation is that a reduction in tuition remissions would lead to a proportionate decline in graduate enrollments in most academic disciplines. If reducing remissions leads to a proportional reduction in graduate student enrollments, this reduction in expected tuition revenue would produce a revenue shortfall that would have to be made up somewhere else in the budget. In the current budgetary climate, this could well lead to another round of tuition increase and a concomitant increase in the excess tuition remission charge. For this reason, attempting to solve the tuition remission problem by reducing tuition remissions without seeking external sources of revenue is fundamentally a budget cutting exercise, as either tuition revenue declines from reduced enrollments, or units pay the tuition bills for their graduate assistants beyond their allocated amounts.

Even though this approach cannot actually solve the problem, working through the implications of different potential models shows how units are affected differently depending on what principles are used for allocating cuts. To assess the impact of a strategy focused on simply cutting remissions, we developed four different models and applied them to three different fiscal scenarios. The most reasonable fiscal target would be the \$5.5 million that is the amount of the \$21 million in excess remissions that is not covered by the current 25% tuition charge to grants and that is due to graduate assistantships, rather than other types of remissions.

Targeting the cuts on RA and PA remissions (and leaving TA remissions uncut) would mean that units with higher proportions of TAs (especially L&S and Human Ecology) would take smaller proportional cuts of 4% and 5% respectively, while most other units' proportional cuts would be higher than 10% (with Education, Business, Engineering, Nursing and Pharmacy being roughly the same under either scenario). Targeting the cuts to the growth in remissions since 1997 would imply especially high proportional cuts (above 15%) for the School of Medicine, International Studies, the Psychiatric Institute and the School of Veterinary Medicine. Schools that have had below average increases and thus would experience very low cuts (less than 5%) under the "change in RA and PA" model include Human Ecology, Pharmacy, IES, and CALS. Of course, these units differ greatly in their total volume of remissions generated from graduate assistantships. The largest cuts would have to come from the largest schools. The cut experienced by Letters and Science would be highest if the policy were a simple proportion of all assistantships, and would be lowest if the cut were made on the basis of RA and PA positions only. By contrast, the cut to Engineering, CALS, the Medical School and the Graduate School would be smallest if all assistants were included, and largest if cuts are based in changes in the number of RA and PA positions. Thus the principles used in deciding how to cut remissions would have substantial redistributive implications between L&S and the other large units.