



**Budget & Planning**

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To: Auxiliary Budget Officers  
Budget Officers

From: Jake Miller  
Budget & Policy Analyst, Office of Budget and Planning

Subject: Preliminary 2015-16 Program Revenue Budget Building Cost Factors

Attached you will find the preliminary 2015-16 program revenue budget building cost factors.

The factors provided are to assist with the development of program revenue budgets. Auxiliary and other Program Revenue budgets should not automatically increase by applying cost factors to every budget category. Institutions should review their budget to actual expenditure experience over the past several years and apply percentages that reflect those experiences wherever possible.

Institutions should continue to place an emphasis on aligning budgets with actual expenditures. Student affordability is a priority of the Board of Regents and total cost of attendance (tuition, segregated fees, and room and board costs) should be taken into consideration as rates are developed. To assist in managing towards projected costs, budget only those positions and expenditures anticipated for use in 2015-16, and consider using reserve balances for one time funding and/or phasing in rate increases.

Please let me or Renee Stephenson know if you have any questions as you review the attached budget building cost factors, or if there is additional guidance that would be helpful and has not been provided.

cc: Chief Business Officers  
Senior Student Affairs Officers  
Renee Stephenson  
Freda Harris

## **2015-16 University of Wisconsin System Program Revenue Budget Building Cost Factors**

### **1) Reporting Threshold**

The University of Wisconsin System uses a reporting threshold to determine the level of information that needs to be provided by institutions on proposed rate increases. The Board of Regents decided at its December 9<sup>th</sup>, 2010 meeting that the detailed reporting requirement for auxiliary rate increases should be the greater of 3.0%, or the rolling average of the increase in the prior three years of the Wisconsin Disposable Income Per Capita. The most recent three-year rolling average for 2011-2013 is 2.98%, so please use 3.0% as the reporting threshold for the 2015-16 submissions.

### **2) Pay Plan Increases**

At this time there have been no recommendations on salary increases for the 2015-17 biennium. Institutions may want to plan for a 1.0% pay plan increase based on the amounts provided in the current biennium.

### **3) Fringe Benefits**

The 2015-16 UW System composite fringe benefit rates (all institutions, all funds) are estimated to be 40.03% for permanent staff, 33.00% for graduate assistants, 26.63% for LTE, and 1.96% for student help. Institutions should use their own experience in establishing fringe benefit rates for employees, taking the following information into consideration:

- **Health Insurance Cost Increases**

The Department of Employee Trust Funds (ETF) currently estimates an increase of 5.0% in the cost of health insurance plans in calendar year 2015. The cost increases will vary based upon the plans available in a region.

- **Retirement Cost Increases**

The UW composite fringe benefit rates assumes that employer contributions to the Wisconsin Retirement System (WRS) and Sick Leave Conversion will be 8.00% in calendar year 2015, down from an estimated 8.40% in calendar year 2014, due to reductions of 0.2% in both WRS and Sick Leave Conversion contributions for employers in calendar year 2015.

### **4) Enrollments**

Institutions are asked to use actual enrollments from the prior year to budget for the upcoming fiscal year. So for 2015-16, please use the actual 2014-15 enrollment numbers for your institution.

### **5) Inflation**

Indices provided by The Department of Revenue (DOR) project a 2.1% increase in inflation for 2015-16. This information is given as a guideline. Historical expenditure data is preferred to using inflation estimates wherever possible. Please limit inflation applications to supplies and services.

**6) Interest Income**

The State Investment Fund earning rates averaged 0.07% as of June 30, 2014. Please use this rate when estimating interest earnings.

**7) Assessments**

There are a number of miscellaneous assessments to UW System institutions that can be distributed among various funding sources for their fair share of the costs. These include charges for Common Systems, the System Network (which replaced WiscNet in 2014), Office of State Employee Relations (OSER), Fund 128, and Wisconsin State Management Accounting and Reporting Tool (WisMART). The most recent assessment amounts are listed on the following pages.

<b>2014-15 Estimated Common Systems Assessments</b>	
Madison	\$11,043,279
Milwaukee	\$4,191,279
Eau Claire	\$1,511,617
Green Bay	\$711,313
La Crosse	\$1,372,998
Oshkosh	\$1,522,375
Parkside	\$635,812
Platteville	\$1,059,068
River Falls	\$852,029
Stevens Point	\$1,258,651
Stout	\$1,215,417
Superior	\$441,004
Whitewater	\$1,391,460
Colleges	\$1,042,007
Extension	\$1,020,592
SA/ SYS	\$91,235
<b>Total</b>	<b>\$29,360,135</b>

<b>System Network Assessment</b>		
	<b>2014-15</b>	<b>Estimated 2015-16</b>
Madison	\$1,381,518	\$1,231,280
Milwaukee	\$505,320	\$450,368
Eau Claire	\$179,376	\$159,869
Green Bay	\$83,447	\$74,373
La Crosse	\$161,546	\$143,978
Oshkosh	\$179,376	\$159,869
Parkside	\$76,672	\$68,334
Platteville	\$124,101	\$110,605
River Falls	\$100,921	\$89,946
Stevens Point	\$148,351	\$132,218
Stout	\$145,141	\$129,357
Superior	\$53,849	\$47,993
Whitewater	\$161,902	\$144,296
Colleges	\$117,682	\$104,884
Extension	\$134,800	\$120,140
SA/ SYS	\$12,125	\$10,806
<b>Total</b>	<b>\$3,566,127</b>	<b>\$3,178,317</b>

<b>2013-14 OSER Assessments</b>	
Madison	\$877,059
Milwaukee	\$169,585
Eau Claire	\$66,670
Green Bay	\$33,494
La Crosse	\$56,270
Oshkosh	\$63,300
Parkside	\$27,602
Platteville	\$51,399
River Falls	\$34,145
Stevens Point	\$61,343
Stout	\$64,651
Superior	\$24,558
Whitewater	\$61,008
Colleges	\$37,276
Extension	\$34,643
SA/ SYS	\$17,658
<b>Total</b>	<b>\$1,680,661</b>

<b>2013-14 Fund 128 Assessments</b>	
Madison	\$123,451
Milwaukee	\$36,887
Eau Claire	\$15,776
Green Bay	\$7,989
La Crosse	\$17,880
Oshkosh	\$17,117
Parkside	\$4,612
Platteville	\$12,247
River Falls	\$10,112
Stevens Point	\$14,569
Stout	\$11,835
Superior	\$4,139
Whitewater	\$16,612
Colleges	\$3,151
Extension	\$1,616
<b>Total</b>	<b>\$297,995</b>

<b>2013-14 WisMART Assessments</b>	
Madison	\$133,192
Milwaukee	\$54,829
Eau Claire	\$28,987
Green Bay	\$26,894
La Crosse	\$31,954
Oshkosh	\$29,816
Parkside	\$20,253
Platteville	\$27,842
River Falls	\$25,133
Stevens Point	\$37,407
Stout	\$35,731
Superior	\$22,416
Whitewater	\$28,151
Colleges	\$24,375
Extension	\$28,686
System Admin	\$14,766
<b>Total</b>	<b>\$570,422</b>

### **8) Payments for Municipal Services**

Prior experience for municipal services is the best indicator of future assessments. The February 2014 billing amounts provided by the Department of Administration, was distributed as shown below.

<b>2013-14 Payments for Municipal Services Assessments</b>	
Madison	\$4,733,180
Milwaukee	\$626,798
Eau Claire	\$180,503
Green Bay	\$82,190
La Crosse	\$220,612
Oshkosh	\$198,402
Parkside	\$59,978
Platteville	\$169,621
River Falls	\$98,188
Stevens Point	\$157,603
Stout	\$161,785
Superior	\$45,665
Whitewater	\$204,413
Colleges	\$142,737
Extension	\$263,843
System Admin.	\$12,294
Systemwide	\$6,915
<b>Total</b>	<b>\$7,364,687</b>

### **9) Property, Liability, and Worker's Compensation Program Cost Adjustments**

Premiums from the Department of Administration for 2015-16 should be available in November. Overall premium changes realized by the UW System in 2013-14 were an increase of 27.2% for Property, a decrease of 2.5% for Liability, and an increase of 4.2% for Worker's Compensation. Individual institutions will see larger or smaller changes based on actual experiences. Please contact your institution's risk manager for the actual experiences.

### **10) Central Utility Systems**

The UW System has discontinued annual billings to fund the Program Revenue portion of the Central Utilities Pool. Institutions should be funding the Program Revenue portion of campus utility projects through bonding, internal borrowing, or cash payments.

### **11) WIAC**

The WIAC assessments are \$30,000 per institution in 2014-15. The committee will meet with the chancellors in the spring of 2015 to develop the 2015-16 assessments. No estimates of that assessment are available at this time. Institutions who will not part of WIAC in 2015-16, please use your own conference's assessment/fees.

## **12) Reserve Levels and Reporting**

The Board of Regents approved a new policy in June 2014 regarding reporting thresholds and minimum balances for program revenue funds. Institutions with balances in certain fund categories (including Tuition, Auxiliary Operations, General Operations and Other Unrestricted funds) above 12% of the prior year's expenditure levels will need to provide spending plans while institutions with negative balances in Tuition and Auxiliary Operations are required to develop savings plans. Please see Regent Policy 21-6 regarding Program Revenue Calculation Methodology and Fund Balances Policy and additional reporting that may be needed.

Institutions should budget all anticipated expenditures for the 2015-16 fiscal year. There will be further guidance regarding how to account for and report these figures in alignment with the year-end cash balance report in the near future however, to be consistent with the fund balance reporting, all reporting for program revenue operations (including auxiliary operations) will be based on the program revenue balances calculation methodology in Regent Policy 21-6 which states:

### **“Definitions and Methodology for Calculating**

Program revenue balances shall be calculated subsequent to year-end reconciliation. Balances will be calculated starting with the prior year's ending cash balance, adding revenues received, and deducting expenditures made during the fiscal year. This produces the budgetary fund balance at the end of a given fiscal year. Balances will not reflect accruals for advance deposits received for future academic terms, accounts payable, or accounts receivable.”

In the development of the 2014-15 Annual Operating Budget, institutions were asked to include a new report with information regarding beginning and end-year cash balances. This reporting is expected to be an ongoing part of annual budget development, and all institutions should be prepared to provide information regarding:

- Actual beginning balance for the Fiscal Year beginning July 1, 2014.
- Projected beginning balance for the Fiscal Year beginning July 1, 2015.
- Estimated cash flow from operations in Fiscal Year 2015-16.
- Projected year-end fund balance in Fiscal Year 2015-16.
- Obligated, planned, and designated amounts of the projected Fiscal Year 2015-16 fund balance.

## **2015-16 Auxiliary Budget Building Timeline**

### **October, 2014**

October 17 System Budget Office sends out preliminary 2015-16 auxiliary cost factors.

October 23 2015-16 Auxiliary Director's/Budget Director's Meeting.

### **January, 2015**

System Budget Office sends out 2015-16 auxiliary templates, timeline, and instructions.

### **February, 2015**

February 13 Estimated Segregated Fees, Room, and Board rates submitted to System Budget Office, including any built in pay plan assumptions.

### **March, 2015**

March 1 Auxiliary transfer requests from Fund 128 for 2015-16 are due to the System Budget Office.

### **April, 2015**

April 15 Comprehensive institution budgets submitted to System Budget Office.

April 30 Madison, Milwaukee, Colleges and Extension auxiliary budgets submitted to System Budget Office.

### **April/May, 2015**

System Budget Office reviews budget submissions and completes the auxiliary budget tables that will be presented to the Board of Regents.

### **June, 2015**

System Budget Office sends auxiliary budget tables that will go to the Board of Regents out for institutional review.

### **July, 2015**

July 9 Board of Regents act on the 2015-16 Annual Operating Budget.

### **September, 2015**

Institutions submit 2015-16 auxiliary reserve report to System Financial Administration.