



Budget & Planning

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Via e-mail only

**To: Auxiliary Budget Officers
Budget Officers**

**From: Renee Stephenson
Office of Budget and Planning**

**Subject: Preliminary 2016-17 Program Revenue Budget Building Cost Factors
and Timeline**

Attached you will find the preliminary 2016-17 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 2016-17, and consider using reserve balances for one time funding and/or phasing in rate increases.

You should note that there are two factors that could result in decreased expenditures for 2016-17. The first is an anticipated reduction in the employer share of health insurance beginning in January of calendar year 2016. The second is the lack of a pay plan in either 2015-16 or 2016-17. Those institutions that assumed a 1% pay plan increase for 2015-16 should consider reallocating those revenues or decreasing rates to properly align revenues with actual anticipated expenditures.

The System Budget Office does not currently have an auxiliary budget analyst so as you review the attached cost factors, please let me know if any information is unclear or if there is additional guidance that would be helpful but has not been provided.

cc: Chief Business Officers
Senior Student Affairs Officers
Freda Harris

2016-17 University of Wisconsin System Program Revenue Budget Building Cost Factors

1) Reporting Threshold

Room, Board and Textbook Rentals -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 9th, 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 2013-14 is 2.52%, so please use 3.0% as the reporting threshold for the 2016-17 submissions. However, you should be prepared to provide additional information regarding the need for rate increases below the threshold if requested.

Segregated Fees-As in 2015-16, there will be no reporting threshold for segregated fees. Any change in rates for segregated fees, whether an increase or a decrease needs to be explained in the budget submission. The review of the Segregated Fee setting process was included in a set of University of Wisconsin reforms that was introduced to the Board of Regents in December 2014. A Segregated Fee Work Group has been charged with providing recommendations and will begin to meet soon. The work group's recommendations are not anticipated until next spring so would not be expected to impact fee setting for 2016-17. In lieu of other changes, the suspension of the threshold for Segregated fees will remain in place for this planning process. A template will be provided in January for narrative reporting on the rate changes.

2) Pay Plan Increases

The General Wage Adjustment for the state of Wisconsin is 0% in 2015-16 and 0% for 2016-17. The 2015-16 Auxiliary Budget Building Cost Factors indicated that institutions might want to plan for a 1.0% pay plan increase. Those institutions that did so should consider whether there is the potential to hold down or reduce rates this year to reflect the lack of salary increases planned for in 2015-16.

3) Fringe Benefits

The 2015-17 UW System composite fringe benefit rates (all institutions, all funds) are 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 a decrease of 6.3% in the cost of health insurance plans in calendar year 2016. The actual change will vary based upon the plans available in a region.

- **Retirement Cost Increases**

The UW composite fringe benefit rate assumes that employer contributions to the Wisconsin Retirement System (WRS) and Sick Leave Conversion will be 8.00% in calendar year 2015. The rate for calendar 2016 is estimated to be 7.8% due to a .02% decrease in WRS.

4) Enrollments

Institutions are asked to use actual enrollments from the prior year to budget for the upcoming fiscal year. So for 2016-17, please use the actual 2015-16 enrollment numbers for your institution.

5) Inflation

Indices provided by The Department of Revenue (DOR) project a 1.6% increase in inflation for 2016-17. This information is given as a guideline as 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 0.1% as of June 30, 2015. Please use this rate when estimating interest earnings.

7) Chargebacks

There are a number of chargebacks to UW System institutions that can be distributed by funding source to assess a fair share of the cost to program revenue operations. These include charges for Common Systems, the Systems Network (which replaced WiscNet in 2014), Fund 128, Wisconsin State Management Accounting and Reporting Tool (WisMART), and new in FY16 is a DOA Legal Services assessment. Due to the implementation of UPS/HRD there is no longer an Office of State Employee Relations (OSER) assessment. The most recent assessment amounts available are included on the next page, however, prior actual experience is the best indicator for future assessments.

	2015-16	2016-17			2014-15	2014-15
	Common	System	2014-15	2014-15	DOA Legal	Municipal
	<u>Systems</u>	<u>Network</u>	<u>Fund 128</u>	<u>WisMART</u>	<u>Services</u>	<u>Services*</u>
Madison	10,966,070	885,221	113,853	131,729	28,288	4,312,075
Milwaukee	4,162,093	323,789	39,096	55,485	4,691	607,588
Eau Claire	1,506,193	114,937	14,971	29,167	1,646	173,158
Green Bay	707,281	53,470	9,071	26,831	675	88,281
La Crosse	1,373,505	103,512	14,400	31,591	2,433	233,470
Oshkosh	1,520,723	114,937	17,233	29,368	2,040	199,351
Parkside	633,584	49,128	4,117	20,012	604	59,086
Platteville	1,058,730	79,519	14,908	28,139	1,881	178,530
River Falls	846,758	64,666	11,717	25,971	1,480	88,736
Stevens Point	1,256,789	95,057	16,865	36,794	1,386	159,984
Stout	1,212,456	93,001	13,151	35,296	1,853	168,490
Superior	439,530	34,504	4,079	22,923	930	43,989
Whitewater	1,390,115	103,740	18,307	27,936	2,163	206,218
Colleges	1,042,059	75,406	3,489	23,637	565	144,341
Extension	1,007,293	86,374	1,426	30,462	1,735	253,111
Sys. Adm.	89,958	7,769	-	15,081	1,959	19,341
Total	29,213,137	2,285,030	296,683	570,422	54,329	6,935,749
* Municipal Services exclude UW-Madison Hospital Authority						

8) 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 2014-15 were an increase of 9.7% for Property, 12.9% for Liability, and 33.8% 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.

9) 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.

10) WIAC

The WIAC assessments are \$30,000 per institution in 2015-16. No estimates of what assessments may be in 2016-17 are available at this time. Institutions that are not part of WIAC in 2016-17 should use their own conference's assessment/fees.

11) Reserve Levels and Reporting

In the development of the Annual Operating Budget, institutions have been asked to include information regarding beginning and end-year cash balances. This reporting is an ongoing part of annual budget development, and all institutions should prepare to provide information regarding:

- Actual beginning balance for the Fiscal Year beginning July 1, 2015. UW System Administration will provide ending balance amounts for the 2014-15 fiscal year. These numbers should be the same.
- Projected beginning balance for the Fiscal Year beginning July 1, 2016.
- Estimated Cash flow from Operations in Fiscal Year 2016-17.
- Projected year-end fund balance in Fiscal Year 2016-17.

Institutions will need to provide information regarding commitments for funds in the cash balance beyond June 30, 2016 as part of the new program revenue reporting requirements.

Institutions should budget all anticipated expenditures for the 2016-17 fiscal year. Additional guidance on accounting for and reporting these figures in alignment with the year-end cash balance report will be provided at the November 10 Budget and Auxiliary Director's meeting.

Board of Regents' Policy 21-6 (approved in June 2014) on provides information on reporting thresholds for program revenue fund groups/. 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.

2016-17 AUXILIARY BUDGET TIMELINE

October, 2015

October 26

System Budget Office sends out preliminary 2016-17 auxiliary cost factors.

November, 2015

November 10

2016-17 Auxiliary Director's/Budget Director's Meeting.

January, 2016

System Budget Office sends out 2016-17 auxiliary templates, timeline, and instructions.

February, 2016

February 12

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

March, 2016

March 1

Auxiliary transfer requests from Fund 128 for 2016-17 are due to the System Budget Office.

April, 2015

April 1

Comprehensive institution budgets submitted to System Budget Office.

April 15

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

April/May, 2016

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

May, 2016

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

June, 2016

June 9-10

Board of Regents act on the 2016-17 Annual Operating Budget.