



Budget & Planning

780 Regent Street Suite 241
PO Box 8010
Madison, WI 53708-8010
608/263-4422

e-mail: budget@uwsa.edu
website: <http://www.uwsa.edu>

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Via e-mail only

**To: Auxiliary Budget Officers
Budget Officers**

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

**Subject: Preliminary 2018-19 Program Revenue Budget Building Cost Factors and
Timeline**

Attached you will find the preliminary 2018-19 program revenue budget building cost factors.

The factors provided are to assist with the development of program revenue budgets. Institutions should continue to place 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 2018-19, and consider using reserve balances for one time funding and/or phasing in rate increases.

2017 Wisconsin Act 59, the 2017-19 State of Wisconsin Budget, creates statute 36.11 (57) Classification of Segregated Fees. This statute requires the Board of Regents to revise the policies regarding segregated fees to ensure the classification of allocable and non-allocable is consistent across institutions. It also requires the Board to submit the revised policies to the Joint Committee on Finance for a 14-day passive review. If a Finance Committee member does not indicate and objection within the 14 working days they are considered approved. If a Committee member does raise and objection, the policies may not be implemented until they are approved by the Joint Committee on Finance. The Board of Regents cannot approve any allocable segregated fee increases until the policies are approved.

Three policies were identified to be revised as a result of the new statute; RPD 30-3 "Guidelines for Student Governance", RPD 30-5 "Policy and Procedures for Segregated University Fees," and UW System Administrative Policy 820 "Segregated University Fees."

At its November 2017 meeting, Board of Regents approved revisions to RPD 30-3 "Guidelines for Student Governance" and 30-5 "Policy and Procedures for Segregated University Fees." In addition, President Cross has approved UW System Administrative Policy 820 "Segregated University Fees."

The policies will be forwarded to the Joint Committee on Finance for approval as required by Act 59.

Should the policies be approved by the Joint Committee on Finance as submitted, the only allocable segregated fee will be organized activities (which will include club sports and green/sustainability fees) including student help and LTE costs for organized activities and their associated fringe benefits. All other segregated fees and associated personnel costs will be non-allocable.

Institutions will also need to review their non-allocable segregated fee processes with student governance as a result of these changes. The updated procedures allow student governance groups to “request earlier and more extensive participation in specific program areas such as (but not limited to) transit and intercollegiate programming”. These procedures are to be reviewed with student governance groups annually and should be submitted with your 2018-19 budget.

For 2018-19 there will not be a reporting threshold for any rate changes (including room and board). All rate changes will need to be detailed. Please see Section 1 of the attached cost factors for additional information regarding permissible rate increases.

If you have any questions regarding the cost factors or timeline please don't hesitate to contact me or Tawseef Talukdar (ttalukdar@uwsa.edu).

cc: Chief Business Officers
Senior Student Affairs Officers

**2018-19 University of Wisconsin System
Program Revenue Budget Building Cost Factors**

1) Reporting Threshold

There is no reporting threshold for rate increases this year. **All** rate increases will be highly scrutinized and documentation may be requested for changes. Any change in rates for segregated fees, room and board, whether an increase or a decrease will need to be explained in the budget submission.

Increases in rates should be limited to:

- Pay plan and associated fringe benefit increases for 2018-19
- Documented contractual increases
- Debt service
- Enumerated capital projects
- Student initiated programming

Changes needed due to decreasing enrollments will need to be managed within current rates (with the exception of debt service).

Starting this year, Room and Board rate increases will have to be itemized and reported to the Board in the same manner that segregated fees have reported in the past. Additionally, institutions will be need to provide **all** room, board, and textbook rental rates available for students.

A template will be provided in January for reporting on the rate changes.

2) Pay Plan Increases

The 2017-19 Biennial Budget includes funding for a 2% pay plan to be implemented on July 1st, 2018 and an additional 2% pay play to be implemented on January 1st, 2019. This must still be approved as a part of the compensation plan by the Joint Committee on Employee Relations (JCOER). At this time a meeting has not been scheduled.

Institutions that planned for a 2% pay plan increase in their 2017-18 budgets should not require a significant increase in their salary budgets in 2018-19 as the 2017-18 pay plan was 0%.

3) Fringe Benefits

The 2017-19 UW System composite fringe benefit rates (all institutions, all funds) are 38.69% for permanent staff, 32.40% for graduate assistants, 24.69% for LTE, and 1.91% 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) has indicated that there will be no increase in health insurance plans in calendar year 2018. 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 is 8.1% in the calendar year 2017. The rate for calendar 2018 is 7.9% due to a decrease of 0.1% in WRS and a decrease of 0.1% in Sick Leave Conversion.

4) Enrollments

Please use your campuses anticipated 2018-19 enrollments.

5) Inflation

While inflationary factors are not an appropriate justification for rate increases as indicated in 1) above, for internal planning processes, indices provided by The Department of Revenue (DOR) project a 1.8% increase in inflation for 2018-19. This information is given as a guideline as historical expenditure data is preferred to using inflation estimates wherever possible.

6) Interest Income

The State Investment Fund earning rates averaged 0.78% as of June 30, 2017. 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 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, the prior actual experience is the best indicator for future assessments.

	2017-2018 Common Systems	2017-2018 System Network	2016-2017 Fund 128	2016-2017 WisMART* (STAR)***	2016-2017 WisMART* (Financial Services)***	2016-2017 DOA Legal Services	2016-2017 Municipal Services**
Madison	\$ 12,955,439	\$ 657,535	\$ 100,222.92	\$ 29,747.00	\$ 24,701.00	\$ 31,531.85	\$ 3,877,252.00
Milwaukee	\$ 4,762,027	\$ 231,002	\$ 30,092.81	\$ 13,476.00	\$ 11,191.00	\$ 5,228.41	\$ 548,088.00
Eau Claire	\$ 1,651,201	\$ 77,041	\$ 14,222.86	\$ 6,917.00	\$ 5,744.00	\$ 1,834.92	\$ 152,103.00
Green Bay	\$ 867,894	\$ 40,721	\$ 7,384.14	\$ 7,759.00	\$ 6,443.00	\$ 751.91	\$ 86,485.00
La Crosse	\$ 1,642,454	\$ 76,272	\$ 15,666.03	\$ 8,813.00	\$ 7,319.00	\$ 2,711.85	\$ 204,413.00
Oshkosh	\$ 1,642,116	\$ 75,494	\$ 12,975.86	\$ 7,940.00	\$ 6,593.00	\$ 2,273.92	\$ 202,436.00
Parkside	\$ 633,240	\$ 29,683	\$ 3,138.26	\$ 5,260.00	\$ 4,367.00	\$ 673.73	\$ 51,232.00
Platteville	\$ 1,269,025	\$ 58,901	\$ 10,879.43	\$ 7,262.00	\$ 6,031.00	\$ 2,096.39	\$ 168,507.00
River Falls	\$ 909,600	\$ 42,641	\$ 11,346.22	\$ 6,684.00	\$ 5,551.00	\$ 1,649.24	\$ 81,455.00
Stevens Point	\$ 1,405,164	\$ 66,181	\$ 13,225.31	\$ 9,930.00	\$ 8,246.00	\$ 1,545.17	\$ 139,382.00
Stout	\$ 1,424,089	\$ 67,327	\$ 10,334.97	\$ 8,669.00	\$ 7,199.00	\$ 2,065.10	\$ 161,613.00
Superior	\$ 456,819	\$ 22,224	\$ 1,924.12	\$ 6,728.00	\$ 5,587.00	\$ 1,037.15	\$ 46,539.00
Whitewater	\$ 1,737,374	\$ 79,757	\$ 14,336.13	\$ 7,537.00	\$ 6,258.00	\$ 2,411.43	\$ 187,495.00
Colleges	\$ 1,083,652	\$ 48,769	\$ 2,069.51	\$ 5,975.00	\$ 4,962.00	\$ 629.54	\$ 124,970.00
Extension	\$ 858,038	\$ 47,208	\$ 1,133.70	\$ 9,517.00	\$ 7,903.00	\$ 1,933.67	\$ 235,003.00
Sys. Adm.	\$ 94,051	\$ 5,175	-	\$ 5,464.00	\$ 4,538.00	\$ 2,183.72	\$ 17,847.07
Total	\$ 33,392,182	\$ 1,625,932	\$ 248,952.27	\$ 147,678.00	\$ 122,633.00	\$ 60,558.00	\$ 6,284,820.07
*Old wismart report is now STAR and Financial Services Assessments							
** Municipal Services exclude UW-Madison Hospital Authority							

8) Property, Liability, and Worker's Compensation Program Cost Adjustments

Premiums from the Department of Administration for 2017-2018 should be available shortly. Overall premium changes realized by the UW System in 2016-2017 were a decrease of 6.23% for Property, and an increase of 2.62% for Liability, and 9.56% 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 \$33,000 per institution in 2017-18. No estimates of what assessments may be in 2018-19 are available at this time. Institutions that are not part of WIAC in 2018-19 should use their own conference's assessment/fees.

11) PR Balance Reporting

Board of Regents' Policy 21-6 (approved in June 2014) 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. These reports are completed at the close of every fiscal year.

2018-19 AUXILIARY BUDGET TIMELINE

October, 2017

October 25-26 Combined Controller/Budget Officer Meeting

November, 2017

Cost factors are distributed.

January, 2018

System Budget Office sends out 2018-19 auxiliary templates, timeline, and instructions.

February, 2018

February 9

Estimated Segregated Fees, Room, and Board rates submitted to System Budget Office.

February 12

Auxiliary transfer requests from Fund 128 for 2018-19 are due to the System Budget Office.

April, 2018

April 2

Comprehensive institution budgets submitted to System Budget Office.

April 16

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

April/May, 2018

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

May, 2018

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

June, 2018

June 7-8

Board of Regents act on the 2018-19 Annual Operating Budget.