UNIVERSITY OF WISCONSIN SYSTEM

Budget & Planning

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November 8, 2022 **Via e-mail only**

To: **Auxiliary Budget Officers**
Budget Officers

From: **Sara Voigts**
Office of Budget and Planning

Subject: **Updated 2023-24 Program Revenue Budget Building Cost Factors and Timeline**

Attached you will find the 2023-24 program revenue budget building cost factors. Updates since the August verson of the memo are highlighted in green.

The factors provided are to assist with the development of program revenue budgets. Institutions should continue to place emphasis on aligning budgets with actual revenue and 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 2023-24 and consider using reserve balances for one-time funding and/or phasing in rate changes.

Please closely review the language in UW System Administrative Policy 820, *Section I-Segregated University Fees, B. Limitations on Expenditures of SUF, (3) Prohibited SUF Expenditures*. Please ensure your campus is operating within the intent of the items listed as prohibited expenditures. For example, if a student may receive academic credit for a particular activity (e.g., a music credit for participating in the marching band), segregated fees may not support that activity.

For 2023-24 there will not be a reporting threshold for any rate changes (including room and board). All rate changes will need to be reported in detail. Please see Section 1 of the attached cost factors for additional information regarding permissible rate increases.

Due to this being the first year on the accelerated rate-setting schedule, the rate proposals submitted for FY24 should be the "not to exceed" rates, meaning these are the rates proposed, given the cost factors laid out in this document, including pay plan. Any necessary adjustments after the initial proposal will not increase the rates.

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

cc: Chief Business Officers
Senior Student Affairs Officers

2023-24 University of Wisconsin System
Program Revenue Budget Building Cost Factors

1) Proposed Rate Changes

All rate increases or decreases will be highly scrutinized, and documentation may be requested for changes. Any change in rates for segregated fees and 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 2023-24
- Market factor salary adjustments and fringe
- Other salary and fringe benefits
- Documented contractual increases
- Proposed student-initiated programming
- Student safety
- Debt service
- Enumerated capital projects
- New for FY24: Capital Improvement/Maintenance Fund (see note below)

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

Room and board rate increases will have to be itemized and reported to the Board in the same manner that segregated fees have been reported in the past. Additionally, institutions will need to provide **all** room, meal, and textbook rental rates available for students. Starting with 2019-20, room and board rates are reported as the average rate for the majority of students. All Board approved rates should be implemented on campus and rates reported in the annual Tuition & Fee Report should be consistent with Board approved rates.

Please see the attached *2023-24 Rate Change Reasons* document for more information about each of the categories listed above.

Note on the Capital Improvement/Maintenance Fund:
Rate increases for a Capital Improvement/Maintenance Fund should be categorized in this new category starting in FY24. These increases should be limited to specific projects planned for FY24 and the future, and *not* used to accumulate balances for unknown projects. The auxiliary template will also include a new tab for showing the existing rate attributed to capital improvement/maintenance along with detailed plans regarding any new increases. Once complete, we will have a baseline rate in each operation attributable to the capital improvement/maintenance fund, like the separate rate attributed to major projects in the segregated fee operations. On this new tab, we would like to collect detailed, project specific information, the rate impact and timing of when we can expect to see that project-specific rate increase roll back off the rates.

The auxiliary budget template will be provided in October for reporting on the rate changes.

2) Pay Plan Increases

The 2023-25 Biennial Budget request includes funding for a proposed 4% pay plan implemented on January 1, 2024, and an additional proposed 4% pay play implemented on January 1, 2025.

Budgets for 2023-24 will need to include the second half of the 2% pay plan implemented on January 1, 2023, or 1%, and the first half of the proposed 4% pay plan implemented on January 1, 2024, or 2%. At this time, the proposed 4% pay plan has not been approved; however, institutions should include the proposed amounts in their planning. If the pay plan is approved for a different amount, adjustments will be made in the second year of the biennium in FY2024-25.

3) Fringe Benefits

The 2023-25 UW System composite fringe benefit rates (all institutions, all funds) are 37.82% for permanent staff, 27.27% for graduate assistants, 17.76% for LTE, and 1.73% 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 an overall 4.0% health insurance increase in calendar year 2023. 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 7.30% in the calendar year 2022. The rate for calendar year 2023 is 7.70%. WRS will increase from 6.50% to 6.80% and Sick Leave Conversion will increase from 0.8% to 0.9%.

- **Prior Service Increases**

The UW System is assessed a share of the State's bond payments related to Prior Service costs based upon the UW's proportional share of the entire State's payroll. The UW System sets what percentage needs to be added to the fringe benefit rates to make these payments. In 2022-23, the rate is 3.75%. It is anticipated that the rate will increase to 4.00% in 2023-24. These payments are expected to plateau at 4.00% through 2025-26, then start to decline.

4) 27th Pay Period

Every 11 years there is a 27th pay period for employees paid bi-weekly. 2024 is one of those years. Employees should continue to be budgeted at their current annual rates; however, a lump sum should be built into the budget submissions to account for an additional 1/26th salary expenditure.

5) Enrollments

Please use your campuses anticipated 2023-24 enrollments.

6) Interest Income

The assumption for interest on the State Investment Fund remains at 1.0% for the next year. 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 System Network, Fund 128, STAR and Financial Services Assessments and a DOA Legal Services assessment. The most recent assessment amounts available are included below, however, the prior actual experience is the best indicator for future assessments.

	*FY22 EDC (formerly Common Systems)	** FY21 System Network	FY22 Multi-Institutional IT contracts	FY22 Fund 128	FY22 STAR	FY22 Financial Sevices	FY22 DOA Legal Services	FY22 Municipal Services
Madison	13,643,738	549,506	13,961,509	173,759	93,478	46,093	17,690	4,388,866
Milwaukee	6,197,624	194,125	6,421,616	33,575	38,840	19,151	1,658	567,508
Eau Claire	2,106,273	63,551	2,256,604	18,006	22,213	10,953	1,129	169,068
Green Bay	1,280,137	38,627	1,438,053	10,076	22,630	11,158	559	104,942
La Crosse	2,028,657	60,983	2,230,599	20,564	25,402	12,526	765	205,122
Oshkosh	2,305,326	68,407	2,479,794	21,063	22,080	10,888	933	201,380
Parkside	781,910	23,733	901,812	2,490	15,231	7,510	461	57,123
Platteville	1,700,863	50,977	1,849,877	12,175	22,973	11,328	558	152,627
River Falls	1,123,151	34,094	1,252,771	9,767	21,033	10,371	654	87,520
Stevens Point	1,943,390	53,831	2,099,504	6,729	26,086	12,862	548	132,693
Stout	1,757,961	58,985	1,924,603	11,017	23,581	11,628	760	160,390
Superior	563,401	17,769	653,667	2,765	16,380	8,077	414	39,206
Whitewater	2,241,034	67,310	2,459,529	19,091	23,106	11,394	829	203,555
System	532,665	18,102	562,630	-	16,205	7,990	2,313	47,732
Total	38,206,130	1,300,000	40,492,568	341,077	389,238	191,929	29,272	6,517,732
*Updated FY23 estimates for EDC were distributed to Chancellors, Provosts, CBO's and Controllers on July 18, 2022.								
**No New Network charges in FY22 and no expected charge for FY23 due to getting a federal subsidy								

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

Please contact your institution's risk manager for actual expenses.

9) WIAC

The WIAC assessments are $45,730 per institution in 2023-24. Institutions that are not part of WIAC should use their own conference's assessment/fees.

9) Enumerated Capital Projects

Rate increases for capital projects should only include projects that were enumerated in the 2021-23 capital budget. Any capital projects that might be enumerated in the 2023-25 biennial budget shouldn't impact rates until FY25 at the earliest.

2023-24 AUXILIARY BUDGET TIMELINE

August 2022	Cost factors are distributed.
October 2022	Meeting with System Budget Office, Auxiliary Budget Officers, and Budget Officers to discuss changes for FY24.
	System Budget Office sends out 2023-24 auxiliary templates, timeline, and instructions.
December 2022	
December 16	Estimated Segregated Fees and Room and Board rates submitted to System Budget Office.
January 2023	
January 30	Auxiliary templates submitted to System Budget Office.
February 2023	
February	System Budget Office reviews budget submissions and completes the auxiliary budget tables that will be presented to the Board of Regents.
March 2023	
March 13-17	System Budget Office sends auxiliary budget tables that will go to the Board of Regents out for institutional review.
March 30-31	Board of Regents act on the 2023-24 Auxiliary rates.
April 2023	
April 15	Comprehensive institution budgets and final auxiliary budget template pages submitted to System Budget Office.
April 30	Madison and Milwaukee budgets and final auxiliary budget template pages submitted to System Budget Office.
May 2023	System Budget Office reviews budget submissions and prepares annual budget document.
June 2023	System Budget Office sends annual budget document materials that will go to the Board of Regents out for institutional review.
July 2023	
July 6-7	Board of Regents act on the 2023-24 Annual Operating Budget.