UNIVERSITY OF WISCONSIN SYSTEM

Budget & Planning

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September 14, 2023 **Via e-mail only**

To: **Auxiliary Budget Officers**
Budget Officers

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

Subject: **2024-25 Program Revenue Budget Building Cost Factors and Timeline**

Attached you will find the 2024-25 program revenue budget building cost factors. We will provide updates if we receive any different information regarding pay plan or other factors that should be considered.

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 2024-25 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 2024-25 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.

Like the previous year, the rate proposals submitted for FY25 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 do not hesitate to contact me (svoigts@uwsa.edu).

cc: Chief Business Officers
Senior Student Affairs Officers

2024-25 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 2024-25
- Market factor salary adjustments and fringe
- Other salary and fringe benefits
- Documented contractual increases
- Proposed student-initiated programming
- Student safety
- Debt service
- Capital projects, both enumerated in the 2023-25 budget and proposed for 2025-27
- Design Fees for capital projects being proposed for the 2025-27 Capital Budget
- Capital Improvement/Maintenance Fund

Changes needed due to decreasing enrollments *should 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 *2024-25 Rate Change Reasons* document for more information about each of the categories listed above.

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

2) Pay Plan Increases

The approved 2023-25 Biennial Budget includes funding for a 4% pay plan implemented on July 1, 2023, and an additional 2% pay play implemented on July 1, 2024.

Since the 2023-24 rates were built on the assumption of a 4% pay plan implemented on January 1, 2024, the budgets for 2024-25 will need to include the second half of the 4% pay plan implemented on July 1, 2023, or 2%, and the full 2% pay plan implemented on July 1, 2024. Please understand that the Joint Committee on Employment Relations (JCOER) still needs to approve the increases, so there is potential for change, pending that action.

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 Group Insurance Board voted to increase rates in 2024 to offset rising health benefit costs and to maintain reserve funds. The overall health insurance premium increase in 2024 will be 11.8% for state government employees. Unlike previous years, there are not surplus reserve funds available to reduce rate increases in 2024, but there is a multi-year plan to bring reserves back to an acceptable level, which will hopefully keep rate increases in future years at a more reasonable rate. If we receive any further information regarding any changes to the rate increases for 2024, we will provide them at that time.

- **Retirement Cost Increases**

The UW composite fringe benefit rate assumes that employer contributions to the Wisconsin Retirement System (WRS) and Sick Leave Conversion is 7.70% in the calendar year 2023. The rate for calendar year 2024 is 7.80%. WRS will increase from 6.80% to 6.90% and Sick Leave Conversion will remain at 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 2023-24, the rate is 3.75%. It is anticipated that the rate will remain at 3.75% through the fiscal year, then start to slowly decline.

4) 27th Pay Period

If any rates were increased in 2023-24 for the 27th pay period, those increases should now roll off the impacted rates for 2024-25 since that was a one-time cost for 2023-24.

5) Enrollments

Please use the anticipated 2024-25 enrollments for your campus.

6) Interest Income

The assumption for interest on the State Investment Fund is 5.0% 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 EDC (formerly Common Systems), the System Network, Multi-Institutional IT contracts, Fund 128, STAR and Financial Services Assessments, DOA Legal Services assessment, and Municipal Services. The most recent assessment amounts available are included below.

	FY23 EDC (formerly Common Systems)	* FY21 System Network	FY23 Multi-Institutional IT contracts	FY23 Fund 128	FY23 STAR	FY23 Financial Sevices	FY23 DOA Legal Services	FY23 Municipal Services
Madison	15,163,552	549,506	15,450,818	176,954	83,470	55,196	19,198.46	4,697,722
Milwaukee	6,232,244	194,125	6,616,229	36,302	33,972	22,464	1,989.22	486,466
Eau Claire	2,147,006	63,551	2,390,760	22,634	19,967	13,203	1,071.28	153,201
Green Bay	1,308,860	38,627	1,714,777	8,192	20,085	13,281	530.85	99,724
La Crosse	2,082,504	60,983	2,376,532	20,693	22,162	14,654	690.01	188,858
Oshkosh	2,347,783	68,407	2,613,510	18,731	21,202	14,019	919.58	186,387
Parkside	818,289	23,733	1,263,414	3,072	15,086	9,976	424.43	51,761
Platteville	1,720,580	50,977	1,946,235	11,987	17,736	11,729	567.18	128,572
River Falls	1,155,429	34,094	1,354,104	10,959	17,940	11,862	459.13	79,259
Stevens Poin	1,978,421	53,831	2,248,104	14,213	23,841	15,765	765.93	121,059
Stout	1,780,342	58,985	2,020,927	14,588	19,934	13,181	575.94	144,967
Superior	585,078	17,769	749,064	2,380	15,183	10,039	362.99	34,725
Whitewater	2,279,215	67,310	2,559,961	5377.04	20,947	13,851	852.39	186,152
System	517,134	18,102	871,747	-	14,145	9,353	1,687.61	44,650
Total	40,116,437	1,300,000	44,176,182	346,079	345,670	228,573	30,095	6,603,503
*No New Network charges in FY22 or FY23, and no expected charge for FY24 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 2024-25. Institutions that are not part of WIAC should use their own conference's assessment/fees.

10) Capital Projects and Design Funds

Rate increases are allowed for capital projects that were enumerated in the 2023-25 capital budget, only at the rates approved by the Board of Regents. This includes all-agency and minor projects. In addition, increases may be requested for projects that will be proposed in the 2025-27 capital request, including design funds for those projects. These requests should be itemized in both your preliminary auxiliary rate submission in December and in your capital budget submission to Capital Planning and Budget in the November-December timeframe. The requests will be reviewed with Capital Planning and Budget along with the President to evaluate their likelihood of moving forward prior to being recommended to the Board in April. If a fee increase is approved in April but ultimately not included in the 2025-27 Capital Budget Request, the fee will be removed from the rates at a subsequent Board meeting.

2024-25 AUXILIARY BUDGET TIMELINE

September 2023		Cost factors are distributed.
October 2023		System Budget Office sends out 2024-25 auxiliary templates, timeline, and instructions.
December 2023		
	December 15	Estimated Segregated Fees and Room and Board rates submitted to System Budget Office.
February 2024		
	February 2	Auxiliary templates submitted to System Budget Office.
		System Budget Office reviews budget submissions and completes the auxiliary budget tables that will be presented to the Board of Regents.
March 2024		
	March 18-22	System Budget Office sends auxiliary budget tables that will go to the Board of Regents out for institutional review.
April 2024		
	April 1	Comprehensive institution budgets and final auxiliary budget template pages submitted to System Budget Office.
	April 4-5	Board of Regents act on the 2024-25 Auxiliary rates.
	April 15	Madison and Milwaukee budgets and final auxiliary budget template pages submitted to System Budget Office.
May 2024		
		System Budget Office reviews budget submissions and prepares annual budget document.
		System Budget Office sends annual budget document materials that will go to the Board of Regents out for institutional review.
June 2024		
	June 6-7	Board of Regents act on the 2024-25 Annual Operating Budget.