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September 17, 2024 **Via e-mail only**

To: **Auxiliary Budget Officers**
Budget Officers

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

Subject: **2025-26 Program Revenue Budget Building Cost Factors and Timeline**

Attached you will find the 2025-26 program revenue budget building cost factors. We will provide updates if and when we receive any different information regarding pay plan, composite fringe rates, 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 2025-26 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.

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 in previous years, the rate proposals submitted for FY26 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 Anna Dorn (anna.dorn@wisconsin.edu) or Sara Voigts (sara.voigts@wisconsin.edu).

cc: Chief Business Officers
Senior Student Affairs Officers

2025-26 University of Wisconsin System
Program Revenue Budget Building Cost Factors

1) Proposed Rate Changes

Any changes in rates, whether increases or decreases, will be closely examined, and you may need to provide documentation for these adjustments. Specifically, operating increases in segregated fees, room, and board rates that exceed the current approximate inflation rate of 3% will receive additional scrutiny. Therefore, it is advisable for universities to keep these increases below 3%.

All 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. Please itemize all changes in rates. For example, if a rate decreases for an initiative or project that is ending, but a rate is increasing for a different project or initiative, both should be itemized as separate decreases and increases. Transferring fees from one area to another is also not allowed.

Changes in rates should be limited to:

- Pay plan and associated fringe benefit increases for 2025-26
- Market factor salary adjustments and fringe
- Other salary and fringe benefits (including CFBR impact)
- Documented contractual increases
- Proposed student-initiated programming
- Student safety
- Debt service
- Capital projects enumerated in the 2023-25 Capital Budget, or Planned in the 2025-27 Capital Budget
- Design Fees for capital projects planned 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 changes 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 *2025-26 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 2025-27 Biennial Budget request includes funding for a proposed 5% pay plan implemented on July 1, 2025, and an additional proposed 3% pay play implemented on July 1, 2026.

Universities should build their FY26 budgets assuming a 5% pay plan effective July 1, 2025. If the pay plan is approved at a different rate, adjustments will be made in either a phase 2 budget adjustment for FY26 or in the second year of the biennium in FY27.

3) Fringe Benefits

Effective July 1, 2025, the UWs will be using composite fringe benefit rates to budget and record actuals fringe benefit costs on all funds. The FY26 composite fringe rates for each university are calculated based on their actual fringe costs in FY24, with a built-in factor for pay plan and health insurance increases. We anticipate the composite fringe benefit rates for each university will be available by October 1 and will be communicated at that time.

In the meantime, for initial planning purposes, a university may choose to calculate a preliminary rate, using the FY24 actual fringes on all funds, divided by the total salaries on all funds, or use the 2023-25 UW composite fringes rates (all institutions, all funds). The 2023-25 rates were 37.82% for permanent staff, 27.27% for graduate assistants, 17.76% for LTE, and 1.73% for student help.

4) Enrollments

Please use the anticipated 2025-26 enrollments for your campus.

5) Interest Income

The assumption for interest on the State Investment Fund is 4.0% for the next year. Please use this rate when estimating interest earnings.

6) Chargebacks

There are a number of chargebacks to UW universities 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 on the next page.

	FY24 EDC (formerly Common Systems)	* FY21 System Network	FY24 Multi-Institutional IT contracts	FY24 Fund 128	FY24 STAR	FY24 Financial Sevices	FY24 DOA Legal Services	FY24 Municipal Services
Madison	15,163,553	549,506	293,180	190,058.04	82,871	46,412	18,150.94	4,526,267.00
Milwaukee	6,232,244	194,125	357,783	40,010.53	32,793	18,366	1,846.00	473,348.00
Eau Claire	2,147,006	63,551	215,893	19,389.71	19,395	10,862	499.68	165,369.00
Green Bay	1,308,860	38,627	609,861	10,126.42	19,792	11,084	491.84	111,896.00
La Crosse	2,082,504	60,983	434,269	15,805.73	21,792	12,205	693.56	201,772.00
Oshkosh	2,347,783	68,407	557,333	14,316.34	21,850	12,237	453.79	183,741.00
Parkside	818,289	23,733	406,070	4,296.91	14,869	8,327	257.72	53,320.00
Platteville	1,720,580	50,977	177,686	12,576.75	15,829	8,865	433.30	124,633.00
River Falls	1,155,429	34,094	294,094	11,702.16	17,539	9,823	446.64	78,640.00
Stevens Point	1,978,421	53,831	504,047	15,270.27	23,947	13,411	689.63	141,552.00
Stout	1,780,342	58,985	463,967	13,845.09	19,136	10,718	658.29	147,503.00
Superior	585,078	17,769	213,748	2,892.04	13,601	7,618	200.97	39,470.00
Whitewater	2,279,215	67,310	238,424	18736.18	20,161	11,291	536.07	172,807.00
System	517,134	18,102	339,379	-	13,557	7,592	1,683.57	44,646.53
Total	40,116,438	1,300,000	5,105,734	369,026	337,132	188,811	27,042	6,464,964.53
*No New Network charges in FY22, FY23 or FY24. FY25/FY26 funding is still under review.								

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

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

8) WIAC

The WIAC assessments are $45,730 per institution in 2025-26. 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 are being 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. 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 enumerated in the 2025-27 Capital Budget, the fee will be removed from the rates at a subsequent Board meeting.