WISCONSIN
UNIVERSITY OF WISCONSIN–MADISON

MEMORANDUM

Date: January 23, 2025

To: Marcelle Haddix, Dean of the School of Education
Glenda Gillaspy, Dean of the College of Agricultural & Life Sciences
Vallabh Sambamurthy, Dean of the Wisconsin School of Business
Soyeon Shim, Dean of the School of Human Ecology
Jon Levine, Dean of the School of Veterinary Medicine
Linda Scott, Dean of the School of Nursing
Daniel Tokaji, Dean of the Law School
Jeffrey Russell, Dean of the Division of Continuing Studies
William Karpus, Dean of the Graduate School
Eric Wilcots, Dean of the College of Letters & Science
Robert Golden, Dean of the School of Medicine & Public Health
Ian Robertson, Dean of the College of Engineering
Steve Swanson, Dean of the School of Pharmacy
Paul Robbins, Dean of the Nelson Institute for Environmental Studies
Karl Martin, Dean of the Division of Extension
Frances Vavrus, Dean and Vice Provost of the International Division
Erla Heyns, Dean and Vice Provost of Libraries

From: Charles Lee Isbell Jr., Provost and Vice Chancellor for Academic Affairs
Rob Cramer, Vice Chancellor for Finance and Administration

Cc: Natalie Feggestad
David Murphy

Re: FY26 Budget Guidance

We are writing to outline the FY26 budget development process. This will be the final budget under the "incremental" process before we move to the new budget approach for FY27.

The context for FY26 is one of significant uncertainty at the federal and state levels. With a new administration in Washington, there are many fiscal and policy changes that may impact higher education broadly and UW-Madison in particular. As a major public R1 institution, federal actions affect us in a myriad of ways and a prudent course is to be fiscally cautious.

At the state level, the development of the 2025-27 biennial budget will be in progress as we make FY26 operating budget decisions. The Board of Regents put forward requests for broad investments in the Universities of Wisconsin, and we will benefit from some of the proposals if enacted. These include a 5% pay plan in FY26 and a 3% pay plan in FY27, full state funding for statutorily required veterans tuition and fee remissions, creation of an AI Hub, continued investments in the Dairy Innovation Hub, capital projects to move the Music Department and School of Arts fully out of the Humanities Building, and construction of a new residence hall. Until the outcome of this biennial budget is clear, we need to preserve flexibility to adjust to a range of potential outcomes.

A significant portion of recent discretionary revenue growth has come from undergraduate enrollment increases. UW-Madison degrees are highly valued, and we continue to see record numbers of applications. However, housing on campus for new students is at capacity and, therefore, we are assuming minimal changes in undergraduate enrollment until a new residence hall is completed.

UW-Madison will continue to adhere to the agreement reached with the Legislature in December 2023, including managing to the position cap established for a set of administrative positions. The agreement exempted faculty positions, those spending at least 75% of their time with students or patients, and several other categories. As the FY26 budget is developed, any proposals will be structured to comply with the position cap. MBO will provide additional guidance on this.

In each of the past several fiscal years, supplemental enrollment funding has been distributed to schools and colleges, based on 65% of incremental undergraduate tuition revenue net of financial aid and compensation initiatives. This will be evaluated in Fall 2025 following 10th day enrollment numbers.

Letters & Science, Business, and Engineering have preexisting modest funding commitments related to enrollment that were set through FY26. These will be planned for based on the prior commitments.

The recent actions by the Joint Legislative Council Study Committee on the Future of the University of Wisconsin System included a vote in favor of asking the Legislature to explore granting some level of bonding authority to the University of Wisconsin System. This is an encouraging development and speaks further to the wisdom of being conservative in our resource decisions so that our financial position remain strong based on metrics used by credit rating agencies. Being able to issue debt would allow us to address a range of high priorities and more aggressively work to reduce our deferred maintenance backlog.

Major components of the planned FY26 budget include:

- Conservatively planning for **$10 million** in revenue from the Minnesota reciprocity agreement.
- Incorporating into the budget **$10 million** of revenue annually from a recently created investment pool enabled by the Legislature through 2021 Act 165.
- Funding the **campus share of a 5% pay plan** in FY26.

Continuing to fund **faculty hires** in schools and colleges through the **RISE initiative**.

Assessing **recouping the salary of certain vacant positions** included in the base fund 101 budgets.

Operating within this uncertain environment, we do need to continue to make investments to support academic and research excellence. Funding will be provided to DoIT and several schools and colleges to expand our research computing capabilities to support computing in all disciplines. We will earmark a portion of incremental tuition revenue toward financial aid to keep UW-Madison affordable and we will fund our previously announced commitment for graduate aid.

For development of FY26 budget proposals, we will streamline the upcoming process, knowing that incremental resources are limited, and administrative staff need time to prepare for the Workday launch. We do want to continue the annual practice of individual meetings with the Chancellor, Provost and VCFA. Further, deans will again present to their fellow deans, outlining their strategic plans and unit priorities.

The presentation to the Deans Council should be done with 8-10 PowerPoint slides. The presentation should be future oriented and capture your unit's top priorities for FY26 and FY27. You may use the same slides in your meeting with Chancellor Mnookin although your oral presentation may take on a different focus.

Ahead of the Deans Council presentations, Provost Isbell will discuss your plans and presentation with you in a one-on-one meeting. Please also prepare a short memo describing how you would accommodate a fund 101 budget cut equal to 3% of your unit's 101 non-compensation budget. Incorporate this description in your PowerPoint presentation as well. Although our financial condition remains strong, we believe it would be valuable for divisions to evaluate and report on strategies to manage a budget reduction. It also offers an opportunity to showcase recent initiatives to improve efficiencies or identify potential savings through greater efficiencies. Administrative units will be required to undergo the same exercise. MBO will provide additional details to you. While the amount for this exercise is based on your unit's non-compensation budget; reductions may be spread across any budget lines, including compensation

For budget proposals in FY26, we are asking units to provide a limited and focused proposal around the following:

- Provide one-time funds as seed capital to support school and college investments
- Advance teaching excellence
- Grow our research base
- Spur economic growth in the state
- Support the Chancellor's initiatives in entrepreneurship, sustainability, and inclusive excellence.

Thank you for your assistance in this process. Please reach out to David Murphy or Natalie Feggestad if you have any questions.