WISCONSIN
UNIVERSITY OF WISCONSIN–MADISON

MEMORANDUM

Date: January 24, 2025

To: Nancy Lynch, Vice Chancellor for Legal Affairs
Craig Thompson, Vice Chancellor for University Relations
Diana Harvey, Vice Chancellor for Strategic Communications
Lori Reesor, Vice Chancellor for Student Affairs
Dorota Brzezinska, Vice Chancellor for Research
Charles Isbell, acting Vice Chancellor for Inclusive Excellence

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

Re: FY26 Budget Guidance

We are writing to outline the FY26 budget development process. 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 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.

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, preceded by a one-on-one meetings with the VCFA.

Ahead of your meeting with the Chancellor, VCFA Cramer will discuss your plans and presentation with you in a one-on-one meeting. For your meeting with the VCFA, please prepare the following:

- Draft of 8-10 PowerPoint slides that capture your unit's top priorities for FY26 and FY27, including any examples of where your unit has reallocated resources internally from lower to higher priority activities.
- A 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. Academic units will be required to undergo a similar 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

In addition, due to the limited amount of incremental resources available to fund emerging campus priorities, we are considering implementing a limited reallocation from vacancies and turnover to create a pool of resources available for reallocation. MBO will provide vacancy and turnover data for all units.

Budget requests will be considered for mandatory needs that support the entire campus, such as cybersecurity, and collaborative requests in support of academic and student success or improving services and efficiency.

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