



**Budget & Planning**

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**September 29, 2011**

**To: Auxiliary Budget Officers  
Budget Officers**

**From: Renee Stephenson  
Director, Office of Budget and Planning**

**Subject: Preliminary 2012-13 Auxiliary Cost and Budget Building Factors**

The 2011-13 Biennial Budget for the UW System requires the Board of Regents to fund UW institutions through block grants. Prior to the 2011-13 biennium, auxiliary operations were required by State Statute to be accounted for in Fund 128 (State Chapter 20.285 alpha appropriation 1(h)) which was defined as:

- “Except as provided under par. (gm) and subs. (5) (i) and (6) (g) (UWSA Comment-these are specific to UW-Madison), all moneys received by the University of Wisconsin system for or on account of any housing facility, commons, dining halls, cafeteria, student union, athletic activities, stationery stand or bookstore, parking facilities or car fleet, or such other auxiliary enterprise activities as the board designates and including such fee revenues as allocated by the board and including such moneys received under leases entered into previously with nonprofit building corporations as the board designates to be recipients under this paragraph, to be used for the operation, maintenance, and capital expenditures of activities specified in this paragraph, including the transfer of funds to pars. (kd) and (ke) (UWSA Comment – these are debt service and lease rental payments) and to nonprofit building corporations to be used by the corporations for the retirement of existing indebtedness and such other payments as may be required under existing loan agreements, and for optional rental payments in addition to the mandatory rental payments under the leases and subleases in connection with the providing of facilities for such activities. A separate account shall be maintained for each campus, the UW Colleges and Extension. Upon the request of the extension or any institution or college within the system, the Board of Regents may transfer surplus moneys under this paragraph to the appropriation account under par (kp) (UWSA Comment-(kp) was student related activities which rarely happened).

Under the 2011-13 Biennial Budget these operations now fall into the State's Chapter 20.285 appropriation 1(gb) defined as General Program Operations. Other funds that have been rolled into this appropriation are tuition revenue (previously Fund 131), and General Operations Receipts (previously Fund 136). The Statutes define appropriation 1(gb) as:

- “All moneys received from the operation of educational programs and related programs to carry out the purposes for which received, including the transfer of funds to par. (gj) (UWSA Comment-(gj) represents program revenue debt service). In each fiscal year, the Board of Regents shall transfer no more than \$20,338,500 from this appropriation account to the medical assistance trust fund (UWSA Comment-The \$20.3 million is UW-Madison specific).

Additionally, the Biennial Budget added a provision in statute 36.27 (6) which states:

- “The board shall ensure that segregated fees are used only for the purpose for which they are charged.”

The reporting requirement regarding the accumulation of auxiliary reserves in statute 36.46 (1) continues. The statute states:

- “The board may not accumulate any auxiliary reserve funds from student fees for any institution in an amount that exceeds an amount equal to 15% of the previous fiscal year's total revenues from student segregated fees and auxiliary operations funded from student fees for that institution unless the reserve funds are approved by the secretary of administration and the joint committee on finance under this subsection. A request by the board for such approval for any fiscal year shall be filed by the board with the secretary of administration and the cochairpersons of the joint committee on finance no later than September 15 of that fiscal year. The request shall include a plan specifying the amount of reserve funds the board wishes to accumulate and the purposes to which the reserve funds would be applied, if approved. Within 14 working days of receipt of the request, the secretary of administration shall notify the cochairpersons of the joint committee on finance in writing of whether the secretary proposes to approve the reserve fund accumulation.”

After the signing of the budget bill, discussions on the implementation of the block grant began with the Chief Business Officers (CBOs), Budget Officers, and Controllers.

The UW System convened a group of Budget Officers, Controllers, and others to make recommendations to the CBOs regarding the implementation of the block grant in the 2012-13 annual budget. System Administration will assure that all data is transferred appropriately under the block grant in both the budget and financial systems in Fiscal Year 2012 based upon decisions that will be made this year.

The Budget Officers and Controllers, while reviewing the long-term block grant implications acknowledged the need for more input from those that manage non-GPR funding. It was recommended that four groups be formed to provide recommendations to the CBOs regarding the funding structure, issues, and concerns under the block grant.

Attached you will find the recommendations from the working group on auxiliary enterprises and program revenue general program operations. The working group has recommended that Fund 128 be defined in accordance with the NACUBO Financial Accounting and Reporting Manual (FARM) 703.11 definition for student, faculty and staff, and intercollegiate athletics. The CBOs will be reviewing these recommendations at their meeting on October 5<sup>th</sup>, 2011. **Please note that these recommendations have not yet been adopted. We will keep you apprised of the final decisions.**

#### **General Guidelines:**

Auxiliary budgets should not automatically increase by applying cost factors to every budget category. Institutions should review budget to actual expenditure experience over the past several years and apply percentages that reflect those experiences wherever possible.

We should also continue to place an emphasis on aligning our budgets with actual expenditures. Student affordability is a priority of the Board of Regents and should be considered as rates are developed. To accomplish this, budgeting only those positions and expenditures anticipated in 2012-13, reviewing reserve balances for one time funding, and phasing in of rate increases should be considered. This is of particular importance given that of the 14 reserve reporting institutions, eight exceeded the 15% reporting threshold for student fee funded auxiliary reserves in the latest report to the Joint Committee on Finance. Three institutional balances have been specifically questioned by a state legislator.

The UW System Budget Office will be working in the upcoming months to revise the reporting requirements and templates for auxiliary budgets under the block grant. Updated information will be provided once it is available.

Please contact me with any questions.

cc: Chief Business Officers  
Chief Student Affairs Officers  
Luke Nelson  
Paige Rusch

## **2012-13 University of Wisconsin System Auxiliary Budget Building Cost Factors**

### **1) Reporting Threshold**

At the December 9<sup>th</sup>, 2010 meeting, the Board of Regents approved a detailed reporting requirement minimum of 3.0%, or the rolling average of the prior three years of Wisconsin Disposable Income Per Capita, whichever is greater. The current three year rolling average is 2.46%, so please use 3.0% as the reporting threshold for the 2012-13 submissions.

### **2) Pay Plan Increases**

At this time the Office of State Employee Relations (OSER) has not made any general wage adjustment recommendations for the 2011-13 biennium.

The 2011-13 Biennial Budget for the UW System included a provision which allows for supplemental pay plans. Any supplemental pay plan must be approved by the Board of Regents and OSER. Please consult with your CBO regarding the impact this may have at your institution.

### **3) Fringe Benefits**

2011 Wisconsin Act 10 (Budget Repair Bill) included changes to the contribution rates employees must pay for their health insurance and retirement benefits. This change will have a significant impact on the fringe benefit rates of the UW System. Until actual expenditures for fringe benefits are available and new fringe benefit rates are able to be calculated it is estimated that the rate for permanent staff will be approximately 40%. The rate for student help will be 1.84%.

If the reduction in fringe benefit rates were not taken into consideration when establishing the 2011-12 budgets, there should be one-time savings available in 2012-13.

### **4) Enrollments**

As in 2011-12, institutions are asked to use actual enrollments from the prior year to budget for the upcoming fiscal year. For 2012-13, please use the 2011-12 actual enrollment numbers for your institution.

### **5) Health Insurance Cost Increases**

Having already taken into consideration 2011 Wisconsin Act 10 (as identified in #3 above) the Department of Employee Trust Funds (ETF) estimates health insurance costs will decrease 3.3% (weighted average) in January of 2012 due to changes in policy coverage which is primarily the result of co-insurance for non-preventative care.

**6) Inflation**

Indices provided by The Department of Revenue (DOR) project an estimated 1.5% increase in inflation for FY 2013. This is given as a guideline. Please limit inflation applications to supplies and services. Also, historical expenditure data is preferred to using inflation estimates whenever possible.

**7) Interest Income**

The State Investment Fund earning rates averaged .12% as of June 30, 2011. Please use this rate when estimating interest earnings.

**8) Chargebacks**

There are a number of miscellaneous chargebacks that can be distributed by funding source to assess a fair share of the cost to auxiliary operations.

The most recent allocations for both common systems and OSER are below. The allocation of these amounts by funding source is at the discretion of each institution.

<b>2011-12 Common Systems Allocations</b>	
Madison	\$7,637,575
Milwaukee	\$2,777,806
Eau Claire	\$912,001
Green Bay	\$477,591
La Crosse	\$762,047
Oshkosh	\$965,276
Parkside	\$426,026
Platteville	\$638,426
River Falls	\$559,467
Stevens Point	\$828,021
Stout	\$773,826
Superior	\$304,113
Whitewater	\$824,153
Colleges	\$656,702
Extension	\$983,303
SA/ SYS	\$120,444
<b>Total</b>	<b>\$19,646,777</b>

<b>2010-11 OSER Assessments</b>	
Madison	\$873,259
Milwaukee	\$162,755
Eau Claire	\$66,673
Green Bay	\$33,420
La Crosse	\$52,636
Oshkosh	\$66,171
Parkside	\$29,911
Platteville	\$41,775
River Falls	\$38,266
Stevens Point	\$62,161
Stout	\$65,002
Superior	\$25,065
Whitewater	\$57,649
Colleges	\$37,597
Extension	\$37,597
SA/ SYS	\$21,054
<b>Total</b>	<b>\$1,670,991</b>

In 2011-12 institutions were assessed for costs associated with auxiliary operations at System Administration and Systemwide. This will continue in 2012-13. The assessment is prorated based on each institutions percentage of total Fund 128 expenditures in the prior year. Below is UW System Financial Administration's estimated assessment amount for 2011-12 by institution.

<b>2011-12 Estimated Fund 128 UW System Assessment</b>	
Madison	\$86,119
Milwaukee	\$43,407
Eau Claire	\$15,421
Green Bay	\$9,926
La Crosse	\$15,852
Oshkosh	\$21,524
Parkside	\$4,953
Platteville	\$12,807
River Falls	\$13,269
Stevens Point	\$17,718
Stout	\$14,780
Superior	\$5,701
Whitewater	\$21,585
Colleges	\$4,806
Extension	\$3,450
<b>Total</b>	<b>\$291,318</b>

The Department of Administration's 2011-13 Biennial Budget instructions indicated that the billing for the State Accounting System will continue at the 2009-11 level. The 2010-11 program revenue amounts are shown below.

<b>2010-11 WISMART Assessments</b>	
Madison	\$111,967
Milwaukee	\$42,153
Eau Claire	\$23,271
Green Bay	\$17,518
La Crosse	\$22,973
Oshkosh	\$21,652
Parkside	\$13,895
Platteville	\$19,947
River Falls	\$16,793
Stevens Point	\$27,235
Stout	\$26,809
Superior	\$13,596
Whitewater	\$20,203
Colleges	\$17,390
Extension	\$21,396
System Admin	\$9,419
<b>Total</b>	<b>\$426,217</b>

**9) Payments for Municipal Services**

There are no estimates available at this time for Payments for Municipal Services. Prior experience for municipal services is the best indicator of future assessments.

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

There are no estimates for 2012-13 at this time. Premium changes for the UW System in 2010-11 were 0.2% for Property, -40.1% for Liability, and 21.4% for Worker's Compensation. Individual institutions will see larger or smaller changes based on actual experiences. Please contact your institution's risk manager for the actual loss experience.

**11) Central Utility Systems**

The UW System has discontinued annual billings to fund the Program Revenue portion of the Central Utilities Pool. In 2012-13, institutions will fund the Program Revenue portion of campus utility projects through bonding, internal borrowing, or cash payments.

**12) WIAC**

There are no estimates available for the WIAC assessment at this time; however the assessments for both 2010-11 and 2011-12 were \$28,000 per institution. The committee will meet with the chancellors in the spring of 2012 to develop the 2012-13 assessments.

### **13) Reserve Levels**

In February of 2010, an Auxiliary Working Group recommended the formation of an operating and a capital reserve.

The operating reserve maximum will be the sum of 15% of prior year revenue, two years of planned routine capital expenditures, and one year of debt service.

The capital reserve should consist of funds set aside for specific renovations, acquisitions, or building projects. The capital reserve should be held in fund 228 with specific project codes or departments set up for each planned renovation, acquisition or building project. Specific projects codes or departments should not accumulate funds earlier than four years prior to the commencement of the project in the absence of documented extenuating circumstances.

The reserve accumulation policy can be found at:

<http://www.uwsa.edu/fadmin/fppp/fp43at3.htm>