UW System Operating Budget Update

The Board of Regents, at the July board meeting, adopted the 2015-16 (FY16) UW System operating budget, implementing the funding based on the state budget passed by the legislature this week.

A detailed analysis of the UW System FY16 operating budget begins on page 6 of the Board of Regents July 9, 2015 agenda package. Below are a few highlights to provide context as you review the documents:

The 2015-16 (FY16) budget adopted by the Board will, for the first time, include fund balances expenditures as part of the operating budget. This new level of detail is intended to provide transparency and accountability for all funds in our budget process. As a result of the inclusion of fund balance expenditures, which includes planned and obligated expenses, Table A-1 in the document indicates an overall increase in expenditures in FY16 compared to 2014-15 (FY15).

- The $6.194 billion operating budget for FY16 includes $180 million in one-time fund balances, including $134 million in tuition fund balances, while the FY15 budget did not include fund balance expenditures as part of the budget calculation.
- The total operating budget includes student financial aid, gifts, grants and other sources of funding that are reserved for specific purposes outside of the academic budget which is comprised of GPR and tuition dollars.
- General Purpose Revenue (GPR) expenditures for UW System for FY16 will be $1.029 billion, down from $1.142 billion in FY15.

The $125 million in funding reductions approved by the legislature was distributed to campuses through the traditional UW System funding formula and the additional $25 million restored by the legislature was allocated to campuses based on need. The Board is in the process of reviewing the full funding formula and evaluating formula changes before the next budget.

Due to a combination of spending down fund balances and the ongoing tuition freeze, fund balances have decreased significantly over the last several years.

- FY14 tuition year-end balance was $395.4 million.
- FY15 year-end carry forward is projected to be 316.4 million (down 20%)
- FY16 year-end carry forward is projected by the annual operating budget to be $204.6 million (down another 35%, or 48% over two-years).
- In comparison to the high point of $551.5 million in tuition balances in FY13; FY16 projections would be down $347 million or 63%.
- Auxiliary Operations balances are projected to decline 15.8% and General Operations are expected to decline 10.2% in FY16.
- Overall, we project FY15 total unrestricted fund balances to be $880 million compared with $973 million last year (about a 10% decrease). The FY16 total fund balance projection is $690 million, down from $1.1 billion in FY14. A 37.3% reduction.