FY23 Year End Review
&
FY24 Annual Operating Budget

Board of Regents Meeting     August 22, 2023
Sean P. Nelson, Vice President for Finance and Administration
FY23 Year End Review
FY23 Budget-to-Actuals Report

- *Individual campus Budget-to-Actual reports included in board materials*
- Total revenues exceeded budget by $387.4M
- $235.3M (60%) of variance from restricted sources, such as gifts, grants, contracts
  - *Unpredictable revenue sources given volume of donors/grantors and timing of receipts*
Expenses from all funds exceeded budget by $250.8M
73% of variance in salary and benefit costs, largely due to UW-Madison’s expenses related to gifts, grants, and contracts
FY23 expenses 0.5% above total revenue
11 UW campuses had expenses exceed revenue at year end

A total of $37.1M in balances deployed in FY23 to balance budgets
Year End Review, continued

- Inflation, flat state support, enrollment headwinds, market compensation continue to constrain budgets
- Structural deficits (recurring expenses exceeding ongoing revenue) persist within several campuses
- UW System contracted with Deloitte Consulting to conduct financial and strategic assessments
- Campuses with budget deficits are developing recovery plans; some are accelerating actions

➢ Financial recovery plans will be required by June 30, 2024
GPR/Tuition balances are down $51.6M, or 17% from prior year
FY24 Annual Budget: 
*Budget Sources*
Total Expense Budget

Estimated FY2023-24 Expenditures: $7.53 billion

- General Program Operations: $603M (11.6%)
- Gifts, Grants, Contracts: $241M (13.7%)
- Federal Indirect Reimbursement: $241M (3.2%)
- Federal Financial Aid/Other: $876M (23.5%)
- Tuition: $1.8B (15%)
- GPR Debt Service: $198M (2.6%)

Total Budget: $1.7B

$1.12B

$1B

$603M

$241M

$1.8B

$1.12B

$198M

$1.7B

$876M

$1.8B

$198M

$1.12B

$1.8B

$198M

$1.12B

$1.8B

$198M
Revenue Source: GPR (state support)

- General Purpose Revenue (GPR): 15%
- GPR Debt Service: 2.6%
- Tuition: 23.5%
- Gifts, Grants, Contracts: 22.4%
- Federal Indirect Reimbursement: 3.2%
- General Program Operations: 8%
- Auxiliary Operations: 11.6%
- Federal Financial Aid/Other: 13.7%

Total Revenue: $1.12B

- GPR: $198M
Budget Change: GPR (state support)

- Federal Financial Aid/Other
- Gifts, Grants, Contracts
- Federal Indirect Reimbursement
- General Program Operations
- Auxiliary Operations
- General Purpose Revenue (GPR)
- GPR Debt Service

+$89.8M
($13.3M)
Budget Change: GPR (state support)

Attributable to increases in salaries due to pay plan and fringe benefits, a one-time increase for a 27th pay period, potential funding held in the JFC appropriation, and a GPR reduction included in the State’s 2023-25 Biennial Budget.

+ $89.8M

($13.3M)
### Breakdown of Changes in General Purpose Revenue (GPR)

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<th>FY23 Expenditure Budget</th>
<th>FY24 Expenditure Budget</th>
<th>Dollar Change</th>
<th>Percent Change</th>
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<tr>
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- **GPR change less one-time funding and potential JFC funding is $31.7 million, or 2.5%**
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- **GPR change less one-time funding and potential JFC funding is $31.7 million, or 2.5%**
$15.9M Reduction in General Purpose Revenue (GPR)

- UW-Madison and UW System combined to absorb 52% of the GPR reduction
- Remaining GPR reduction was distributed based on the campus percentage allocations from the **Outcomes-Based Funding** formula, as approved by JFC in FY19
- For most campuses, new tuition revenue will partially mitigate reduction in GPR
GPR Reduction by Campus

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<th>UW Institution</th>
<th>Percentage of Reduction by Campus*</th>
<th>FY24 GPR Reduction</th>
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<tr>
<td>Madison</td>
<td>43.9%</td>
<td>$(7,005,037)</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>13.5%</td>
<td>$(2,144,248)</td>
</tr>
<tr>
<td>Eau Claire</td>
<td>4.9%</td>
<td>$(776,009)</td>
</tr>
<tr>
<td>Green Bay</td>
<td>2.8%</td>
<td>$(440,853)</td>
</tr>
<tr>
<td>La Crosse</td>
<td>4.0%</td>
<td>$(639,682)</td>
</tr>
<tr>
<td>OshKosh</td>
<td>4.5%</td>
<td>$(715,914)</td>
</tr>
<tr>
<td>Parkside</td>
<td>0.9%</td>
<td>$(142,275)</td>
</tr>
<tr>
<td>Platteville</td>
<td>2.9%</td>
<td>$(465,492)</td>
</tr>
<tr>
<td>River Falls</td>
<td>2.6%</td>
<td>$(418,971)</td>
</tr>
<tr>
<td>Stevens Point</td>
<td>3.7%</td>
<td>$(584,737)</td>
</tr>
<tr>
<td>Stout</td>
<td>3.3%</td>
<td>$(518,631)</td>
</tr>
<tr>
<td>Superior</td>
<td>0.6%</td>
<td>$(92,734)</td>
</tr>
<tr>
<td>Whitewater</td>
<td>4.3%</td>
<td>$(681,948)</td>
</tr>
<tr>
<td>UW System Administration</td>
<td>8.3%</td>
<td>$(1,314,369)</td>
</tr>
<tr>
<td>Totals:</td>
<td>100.0%</td>
<td>$(15,940,900)</td>
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- Total FY24 reduction reflects a 1.55% decrease in operational GPR over FY23

* Based on the FY23 Outcomes Based Funding distribution, adjusted to include UW System Administration’s contribution
JFC Supplemental Budget Request

- FY24 state budget set aside $15.9M in supplemental funding held by the Joint Committee on Finance (JFC)
  - Funding contingent upon approval of UW’s proposal to support workforce development
- UW System solicited proposals from all campuses to support additional capacity in 4 priority workforce areas: Engineering, Nursing/Healthcare, Computer/Data Science, and Business
- Will seek Board of Regents’ approval for UW’s proposed submission to JFC at the October 5th meeting
Other Notable FY24 GPR Budget Items Funded through Higher Education Aids Board (HEAB)

- **Wisconsin Grant**: the state’s primary need-based financial aid program
  - Level funding from FY23 at $61.9M
  - Pending legislation, if approved, would increase eligibility and remove statutory cap of $3,150 on grant awards
Other Notable FY24 GPR Budget Items Funded through Higher Education Aids Board (HEAB)

- **Wisconsin Grant**: the state’s primary need-based financial aid program
  - Level funding from FY23 at $61.9M
  - Pending legislation, if approved, would increase eligibility and remove statutory cap of $3,150 on grant awards

- **Nursing Educators Initiative**: fellowships and loan repayment program for Wisconsin institutions of higher education
  - Level funding from FY23 at $5M
  - UW campuses received $1.5M in FY23, or 30% of total appropriation
Revenue Source: Tuition

- Tuition: 23.5%
- General Program Operations: 8%
- Federal Indirect Reimbursement: 3.2%
- Gifts, Grants, Contracts: 22.4%
- Federal Financial Aid/Other: 13.7%
- Auxiliary Operations: 11.6%
- General Purpose Revenue (GPR): 15%
- GPR Debt Service: 2.6%

Total Revenue: $1.8B
Budget Change: Tuition

+ $115.2M
Attributable to increases in undergraduate and differential tuition across UW System and professional school tuition increases, enrollment growth at UW-Madison, and utilization of one-time balances.
Budget Change: Auxiliary Operations

- Federal Financial Aid/Other
- Gifts, Grants, Contracts
- Federal Indirect Reimbursement
- General Program Operations
- General Purpose Revenue (GPR)
- GPR Debt Service
- Tuition

Auxiliary Operations: + $48.8M
Budget Change: Auxiliary Operations

Includes additional revenue from increased housing/dining rates, debt service, and pre-design costs of capital projects, and use of balances for one-time costs.

+ $48.8M

Includes additional revenue from increased housing/dining rates, debt service, and pre-design costs of capital projects, and use of balances for one-time costs.
Revenue Source: General Program Operations

- General Purpose Revenue (GPR): 15%
- General Program Operations: 8%
- Auxiliary Operations: 11.6%
- Federal Indirect Reimbursement: 3.2%
- Gifts, Grants, Contracts: 22.4%
- Tuition: 23.5%
- Federal Financial Aid/Other: 13.7%
- GPR Debt Service: 2.6%

Total Revenue: $603M
Budget Change: General Program Operations

- General Purpose Revenue (GPR)
- GPR Debt Service
- Tuition
- Gifts, Grants, Contracts
- Federal Financial Aid/Other
- Federal Indirect Reimbursement

General Program Operations: $106.5M
Budget Change: General Program Operations

- General Purpose Revenue (GPR)
- GPR Debt Service
- Tuition
- Gifts, Grants, Contracts
- Federal Indirect Reimbursement
- Federal Financial Aid/Other
- Auxiliary

General Program Operations + $106.5M

Includes revenue growth in enterprise activities across system and one-time costs associated with ATP implementation.
Revenue Source: Gifts, Grants, Contracts

- Federal Financial Aid/Other: 13.7%
- Gifts, Grants, Contracts: 22.4%
- Federal Indirect Reimbursement: 3.2%
- General Program Operations: 8%
- Auxiliary Operations: 11.6%
- General Purpose Revenue (GPR): 15%
- GPR Debt Service: 2.6%
- Tuition: 23.5%

Total: $1.7B
Budget Change: Gifts, Grants, Contracts

- Federal Indirect Reimbursement
- General Program Operations
- Federal Financial Aid/Other
- General Purpose Revenue (GPR)
- GPR Debt Service
- Tuition
- Auxiliary Operations
- Gifts, Grants, Contracts

+ $252.6M
Budget Change: Gifts, Grants, Contracts

Reflects a 18% increase over previous year, primarily attributable to UW Madison increase in research activity and philanthropic support.
Revenue Source: Federal Indirect Reimbursement

- Federal Financial Aid/Other: 13.7%
- Gifts, Grants, Contracts: 22.4%
- Federal Indirect Reimbursement: 3.2%
- General Program Operations: 8%
- Auxiliary Operations: 11.6%
- General Purpose Revenue (GPR): 15%
- GPR Debt Service: 2.6%
- Tuition: 23.5%

Total Revenue: $241M
Budget Change: Federal Indirect Reimbursement

An increase of 14% over last year due to increased research activity

+ $30M
Revenue Source: Federal Financial Aid/Other

- Federal Financial Aid/Other: 13.7%
- Tuition: 23.5%
- Gifts, Grants, Contracts: 22.4%
- Federal Indirect Reimbursement: 3.2%
- General Program Operations: 8%
- Auxiliary Operations: 11.6%
- General Purpose Revenue (GPR): 15%
- GPR Debt Service: 2.6%
Budget Change: Federal Financial Aid/Other

Federal Financial Aid/Other: + $28.1M

- Gifts, Grants, Contracts
- Federal Indirect Reimbursement
- General Program Operations
- Auxiliary Operations
- General Purpose Revenue (GPR)
- GPR Debt Service
- Tuition
Change in Budget over FY23

Total Change over FY23: $657.7M

- Federal Financial Aid/Other: + $28.1M
- Gifts, Grants, Contracts: + $252.6M
- Federal Indirect Reimbursement: + $30M
- General Program Operations: + $106.5M
- Tuition: + $115.2M
- Auxiliary Operations: + $48.8M
- GPR Debt Service: + $89.8M
- General Purpose Revenue (GPR): - $13.3M

Total Change over FY23: $657.7M
Supplemental Budget Information:

- Revenue Diversity on UW System Campuses
- Structural Deficits
- Budget Alignment with Strategic Plan
- Looking Ahead
Revenue Diversity: UW Madison

- **FY23 Revenue Budget - $4B**

- **General Purpose Revenue (GPR)**: 11.5%
- **GPR Debt Service**: 2.2%
- **Tuition**: 21.1%
- **Auxiliary Operations**: 10.1%
- **General Program Operations**: 8.4%
- **Federal Indirect Reimbursement**: 4.6%
- **Gifts, Grants, Contracts**: 33.0%
- **Federal Financial Aid/Other**: 9.1%

**Budget Amounts**:
- **$364.4M**
- **$185.5M**
- **$339.1M**
- **$463M**
- **$849.4M**
- **$406.3M**
- **$88.3M**
- **$1.33B**
- **$364.4M**

**Total Revenue Budget**: $4B
Revenue Diversity: Non-Madison Campuses

FY23 Revenue Budget - $2.63B

- General Program Operations: $386.8M (4.1%)
- Tuition: $779M (29.6%)
- Auxiliary Operations: $633.7M (14.7%)
- Federal Indirect Reimbursement: $129.3M (4.9%)
- Gifts, Grants, Contracts: $108.3M (4.9%)
- Federal Financial Aid/Other: $386.8M (24.1%)
- General Purpose Revenue (GPR): $457.5M (17.4%)
- GPR Debt Service: $123.1M (4.7%)

Total Revenue: $129.3M + $123.1M + $386.8M + $108.3M + $129.3M + $10.6M + $633.7M = $2.63B
FY24 Structural Deficit as a Percent of FY23 Actual Expenses

- 5% - 10%: 3 Campuses
- 1% - 4%: 2 Campuses
- <1%: 10 of 13 UW campuses are reporting a structural deficit for FY24
Individual campus narratives in the budget document highlight specific initiatives that support the UW Strategic Plan, including:

- UW-Oshkosh, UW-Parkside, and UW-Platteville: considering and taking various actions to address budget deficits in 2023-24 (Strategy 5)
- UW-Milwaukee: targeting student aid packages through comprehensive 4-yr awards and retention/completion grants of $9M (Strategy 2)
- UW-Green Bay: expanding number of high schools participating in Rising Phoenix early college program, increase from 20 students in inaugural year to 400 in 2023-24 (Strategy 1)
- UW-River Falls: improving transfer enrollment with a CVTC partnership and transfer advisor co-funded with UW-Stout and UW-Eau Claire (Strategy 1)
Summary Budget Detail by UW Institution

- Enrollments, Revenue/Expense, Balance Projections, & Alignment with Strategic Plan
Looking Ahead

- Awaiting final approval of Pay Plan by the Joint Committee on Employment Relations (JCOER)
- Financial and strategic assessment on planning and benchmarking to continue through May 2024
- Review considerations for the allocation of GPR for the 13 campuses
- Ongoing review and discussion of options for the branch campuses
  - Board of Regents to be apprised on any substantive changes and developments regarding FY24