



2015-17 BUDGET PROCESS & DEVELOPMENT

February 6, 2014

Biennial Budget Presentation and Discussion

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Freda Harris
Associate Vice President
for Budget and Planning



Alex Roe
Associate Vice President for
Capital Planning and Budget



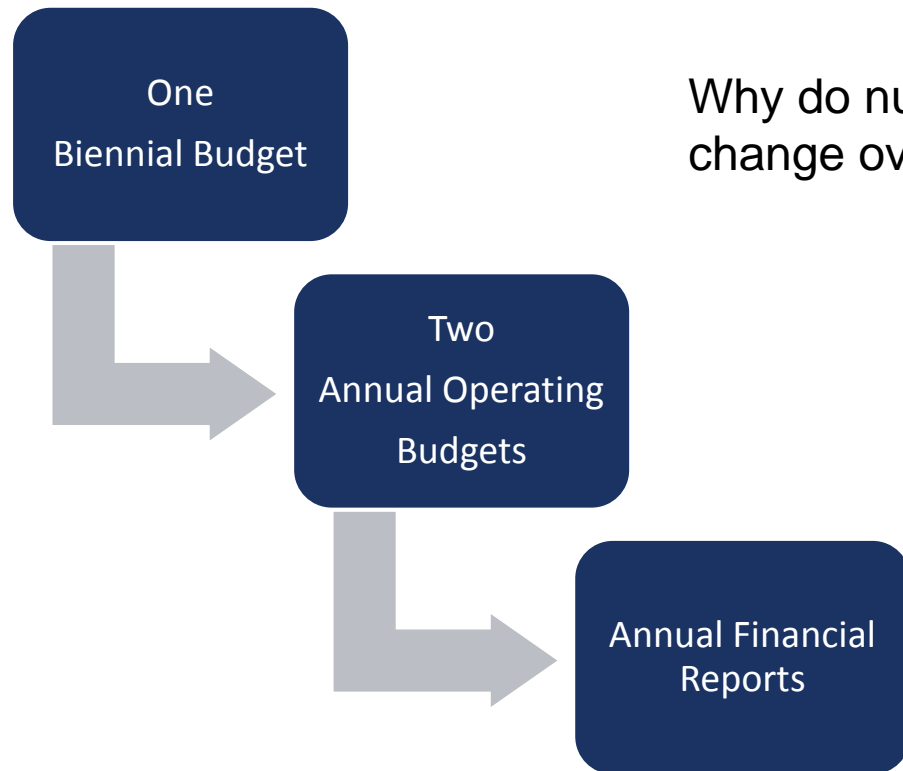
Steve Wildeck
Interim Vice President for
Finance



Biennial and Annual Budgets

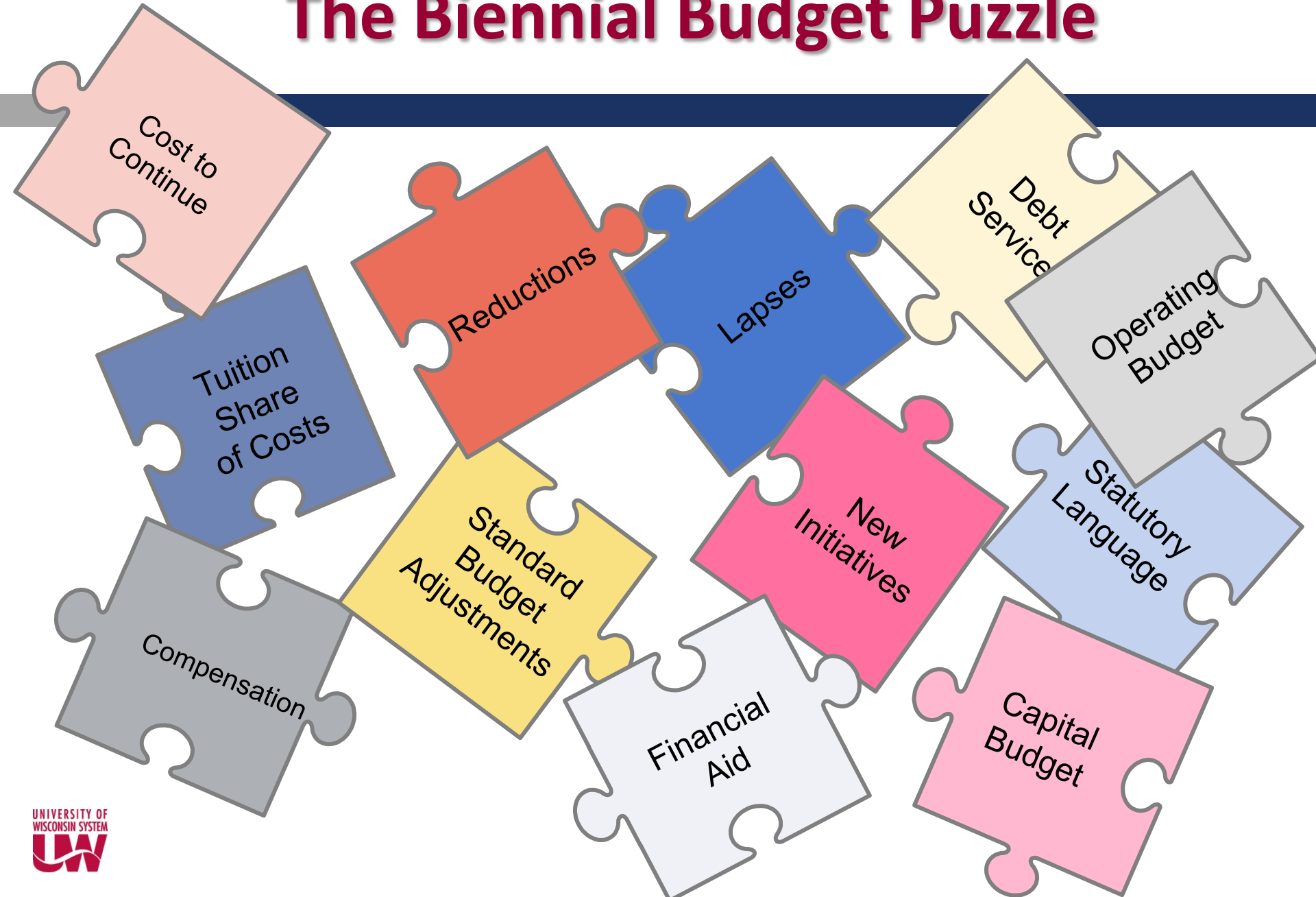
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General to Specific

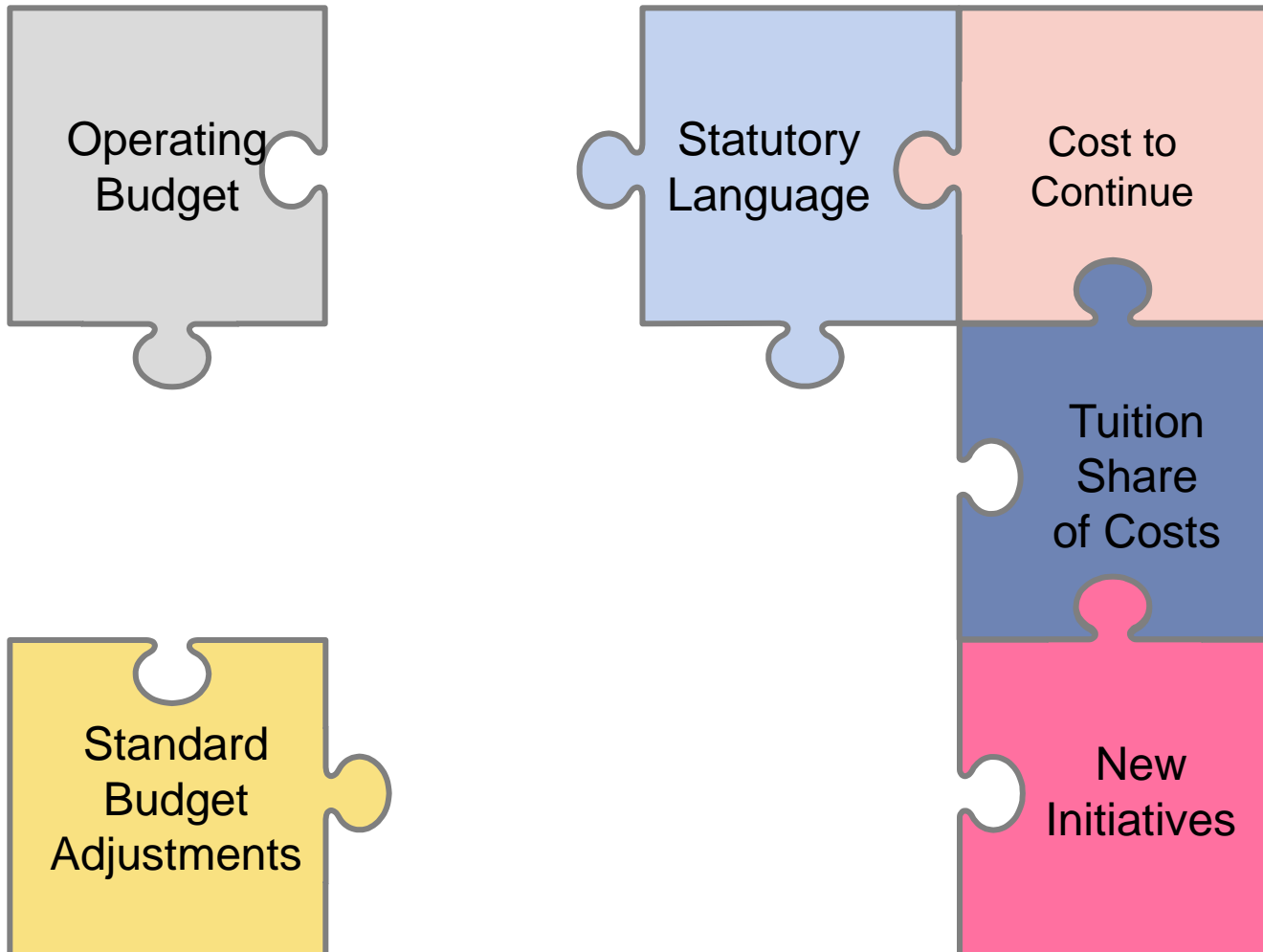


Why do numbers change over time?

The Biennial Budget Puzzle

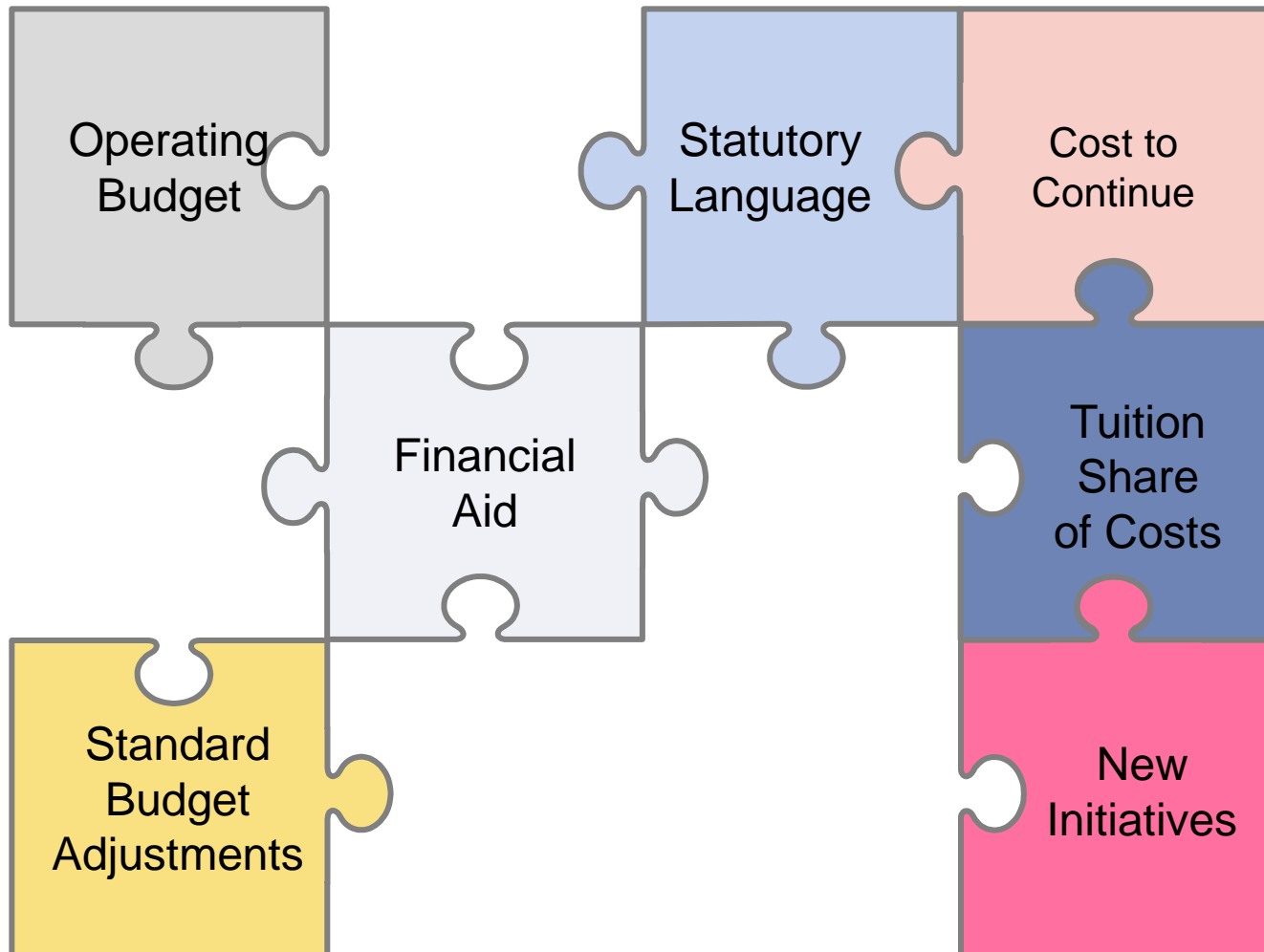


Board of Regents Request

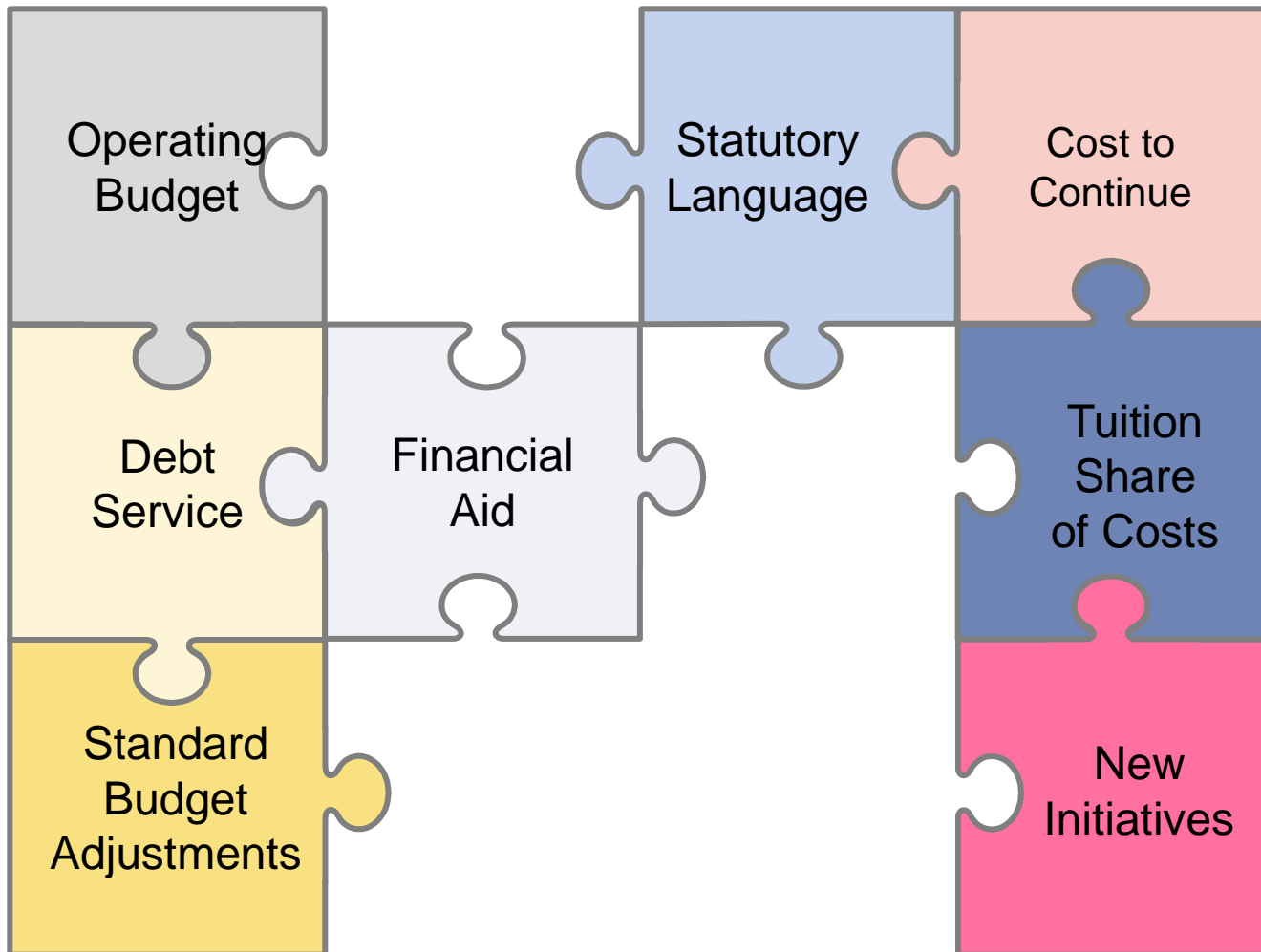


Student Financial Aid

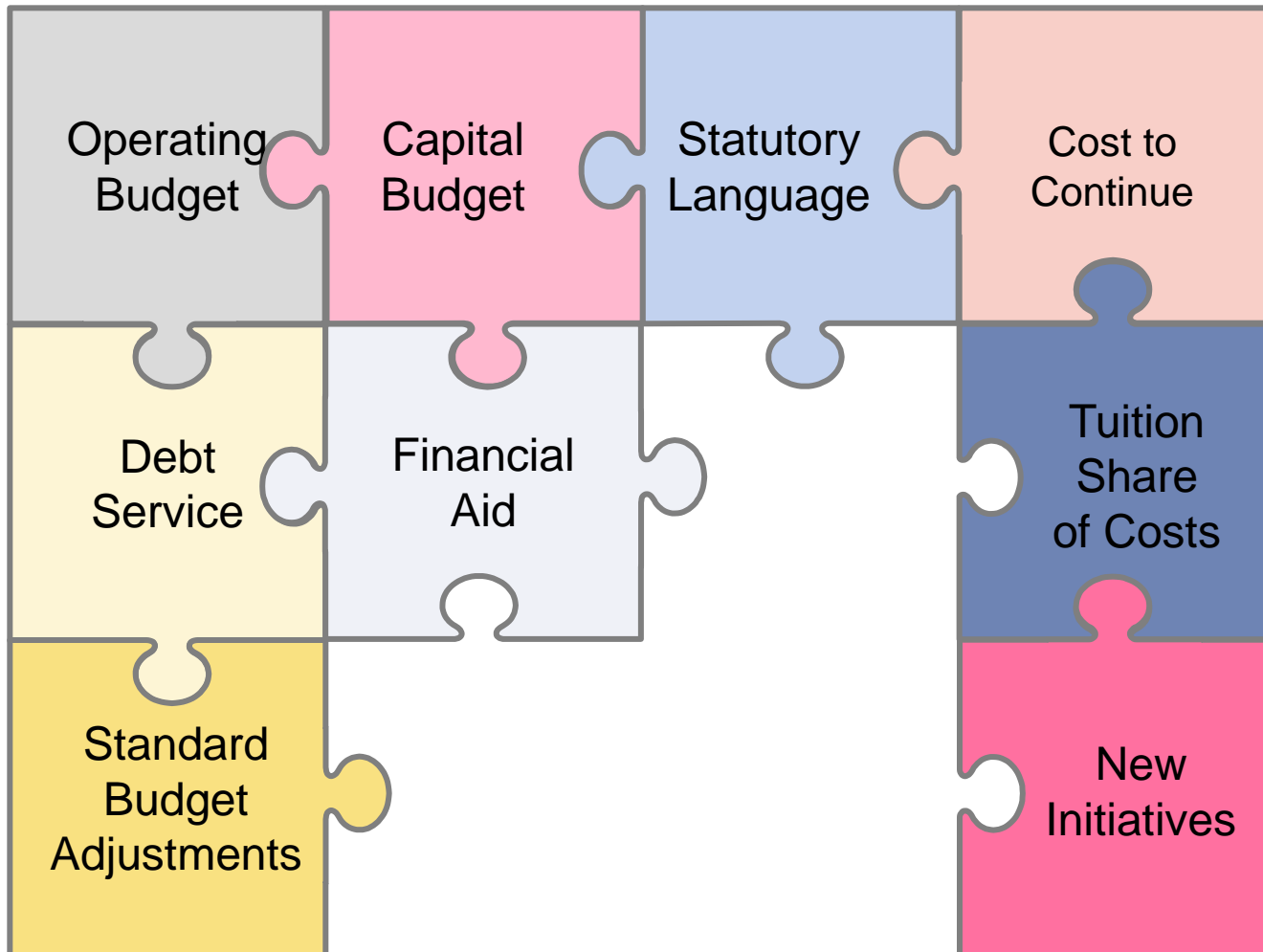
Higher Educational Aids Board



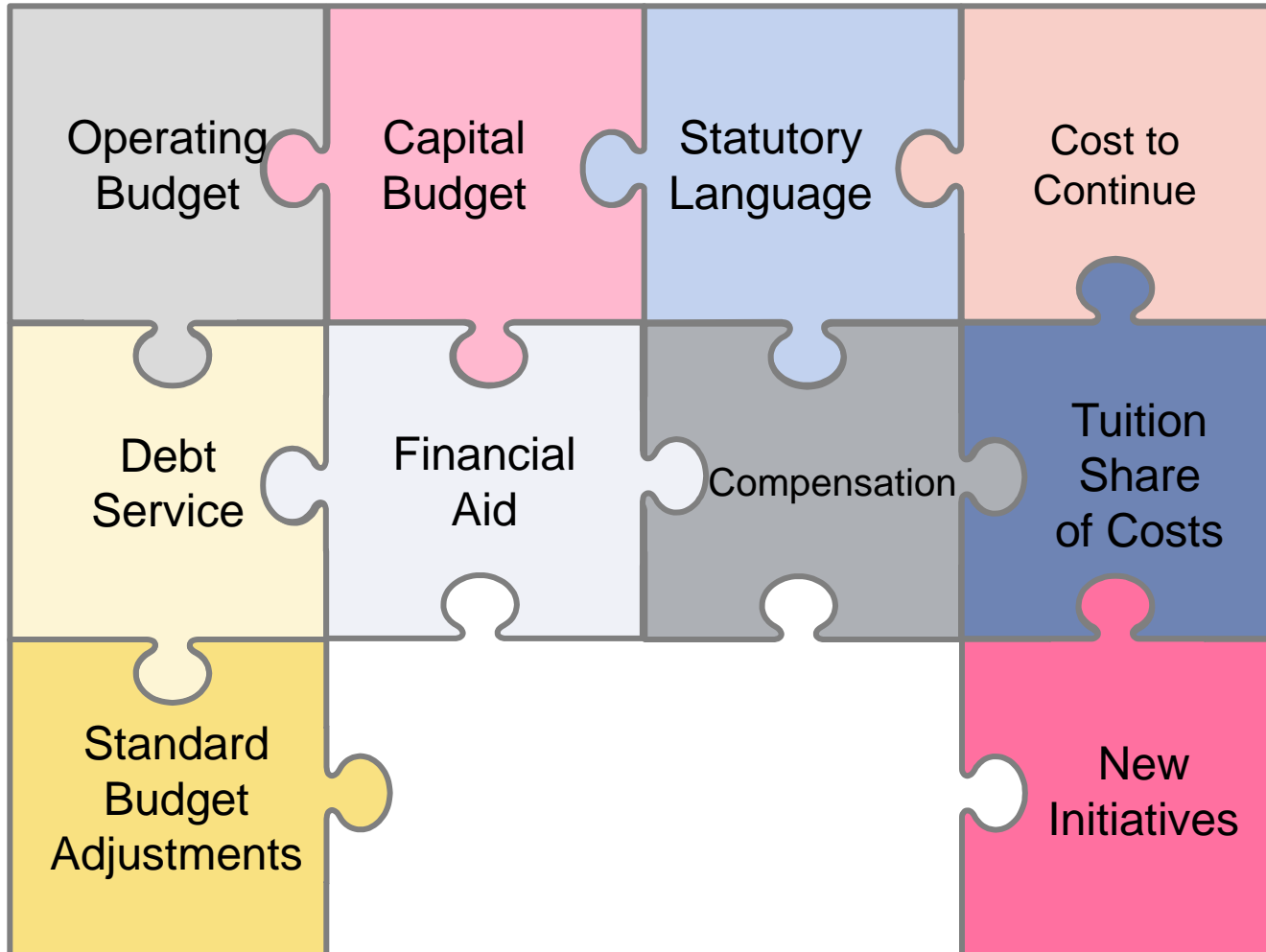
Governor's Executive Budget



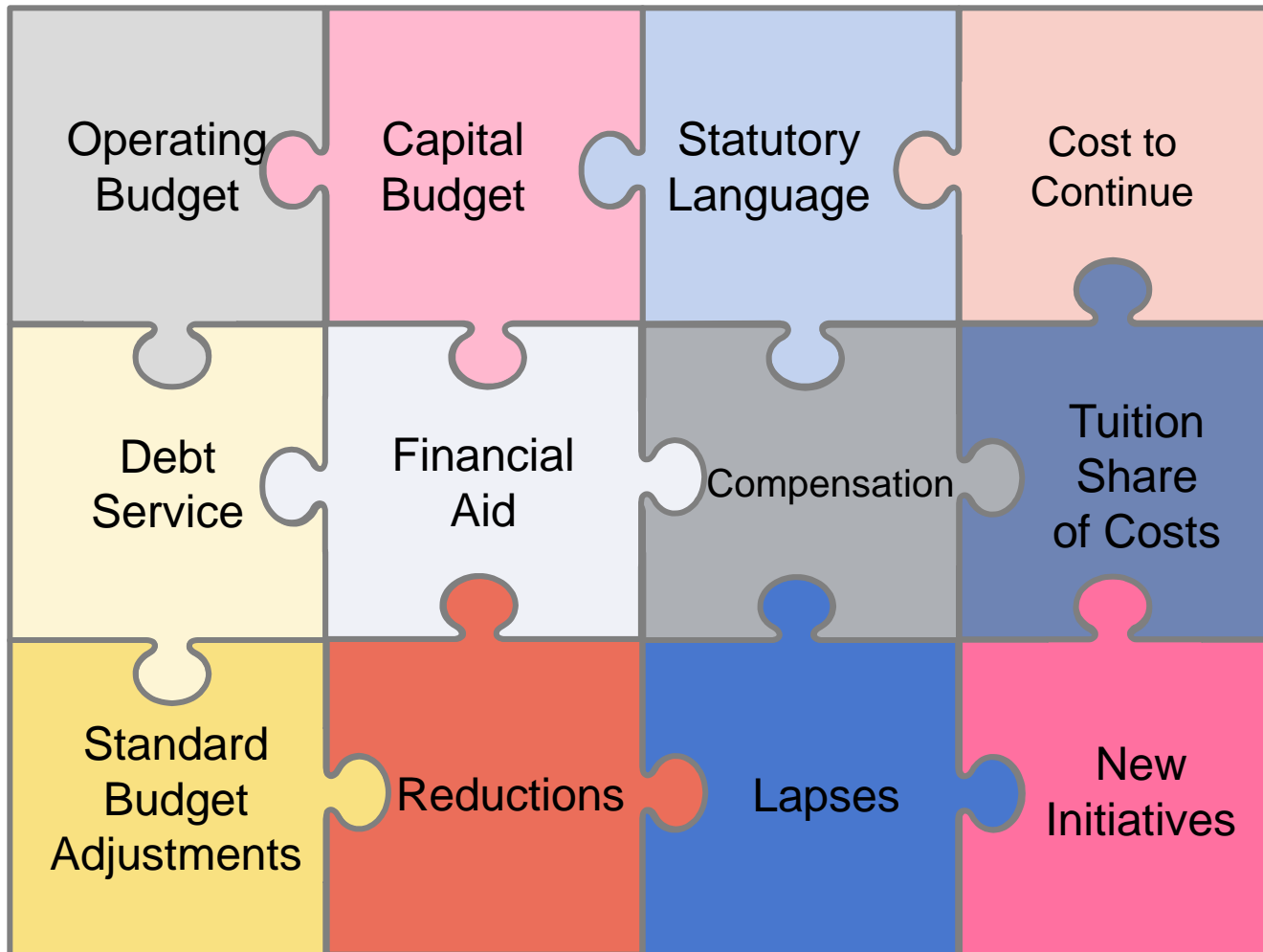
Capital Budget



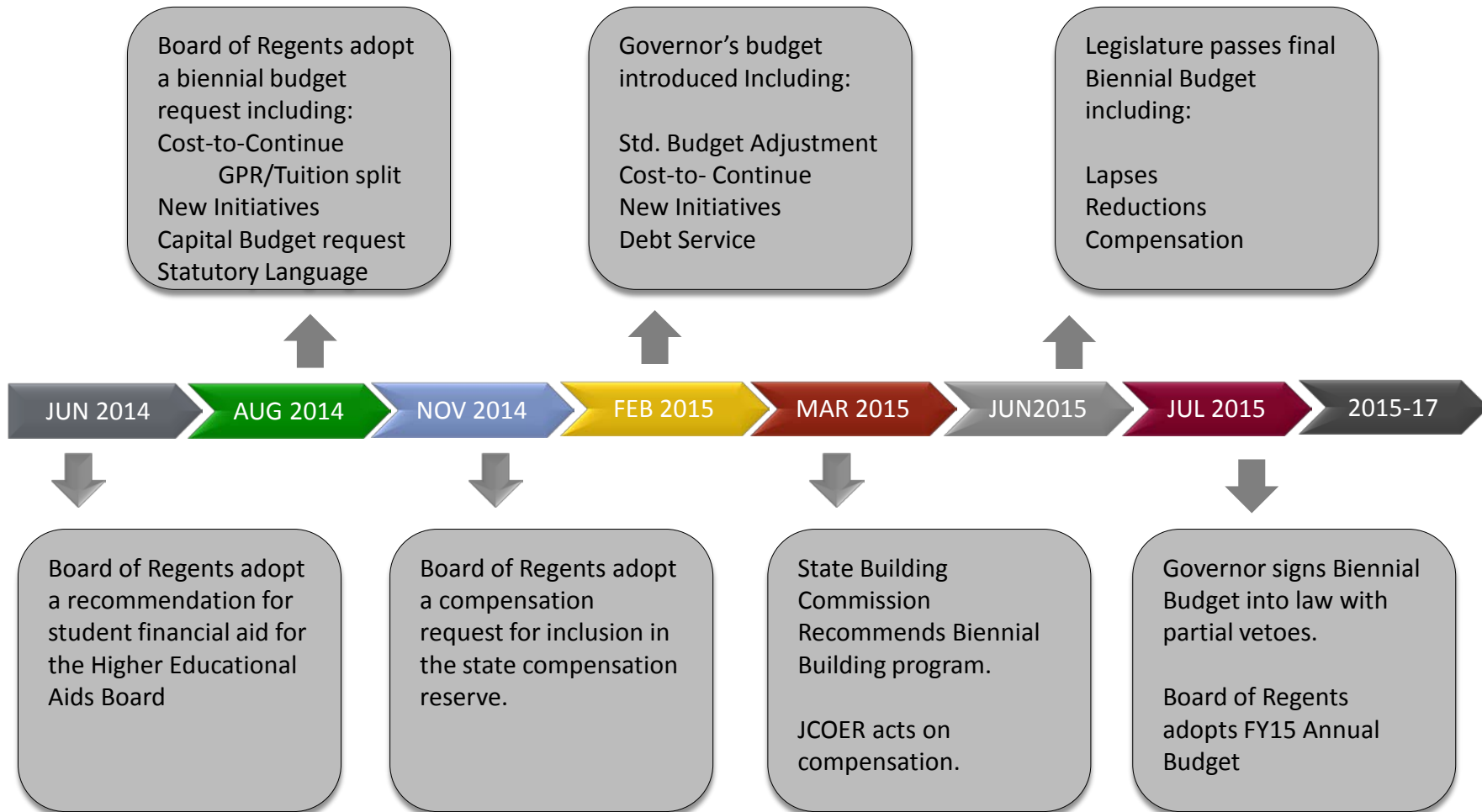
State-Funded Compensation



Final Legislative Budget



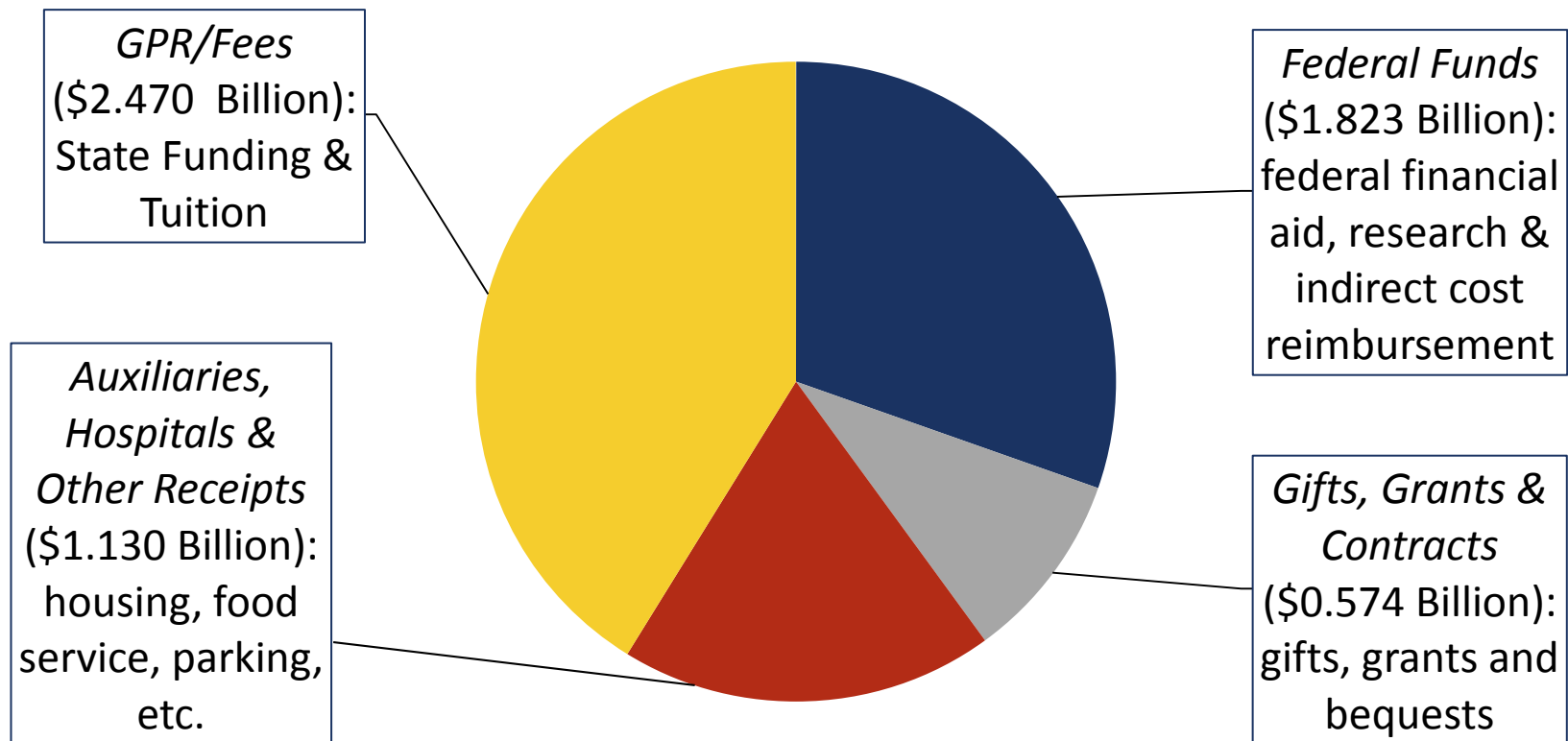
Biennial Budget Timeline



FY14 Total Budget: Sources

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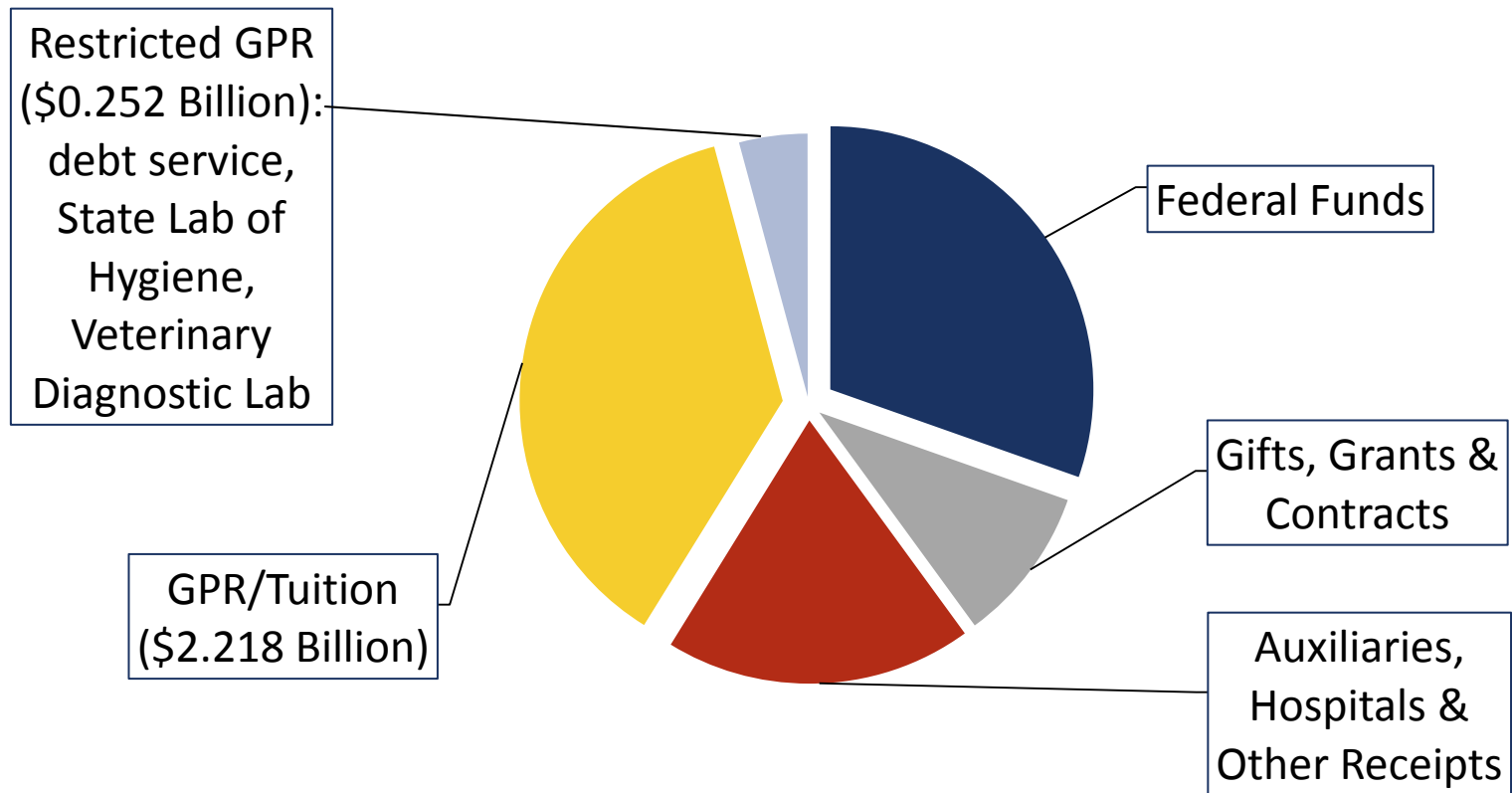
Total Budget: \$5.997 Billion



FY14 Budget: Sources - GPR & Tuition

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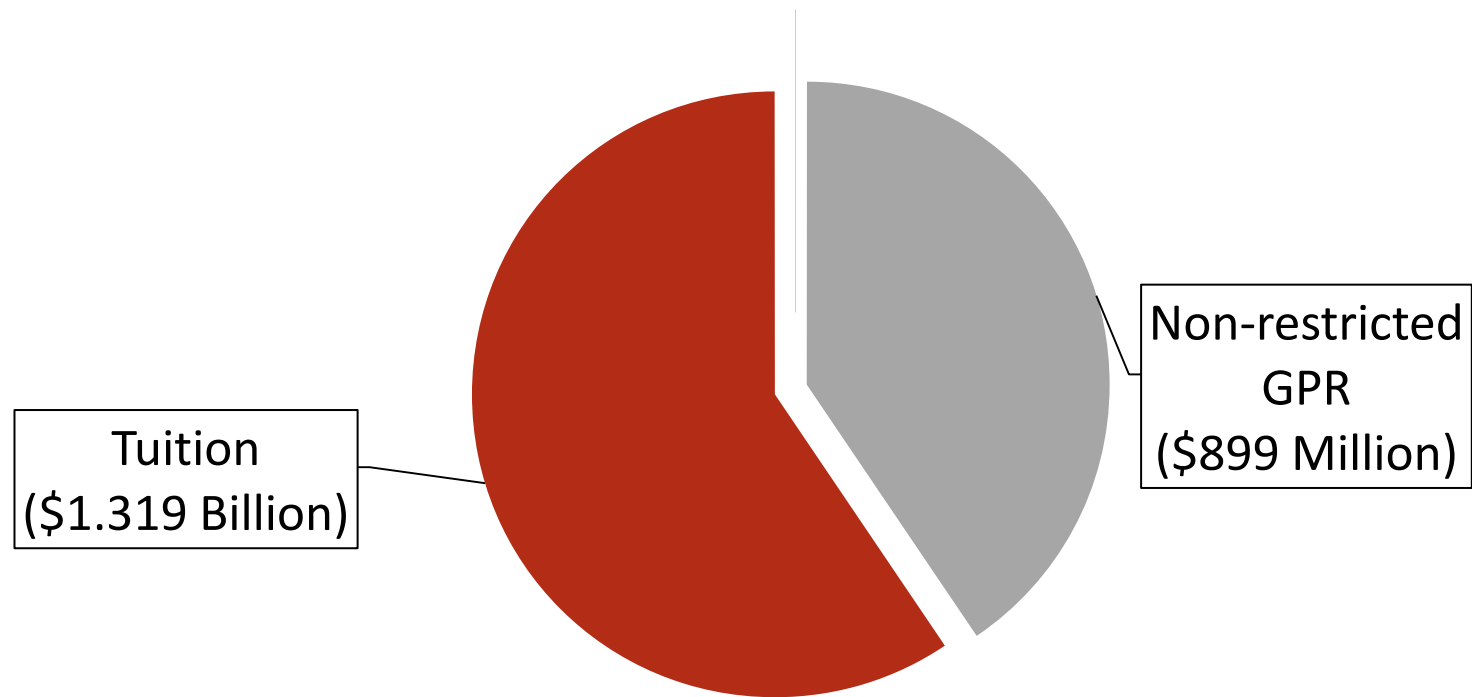
Total GPR & Tuition: \$2.470 Billion



FY14 Budget: Sources - Unrestricted GPR & Tuition

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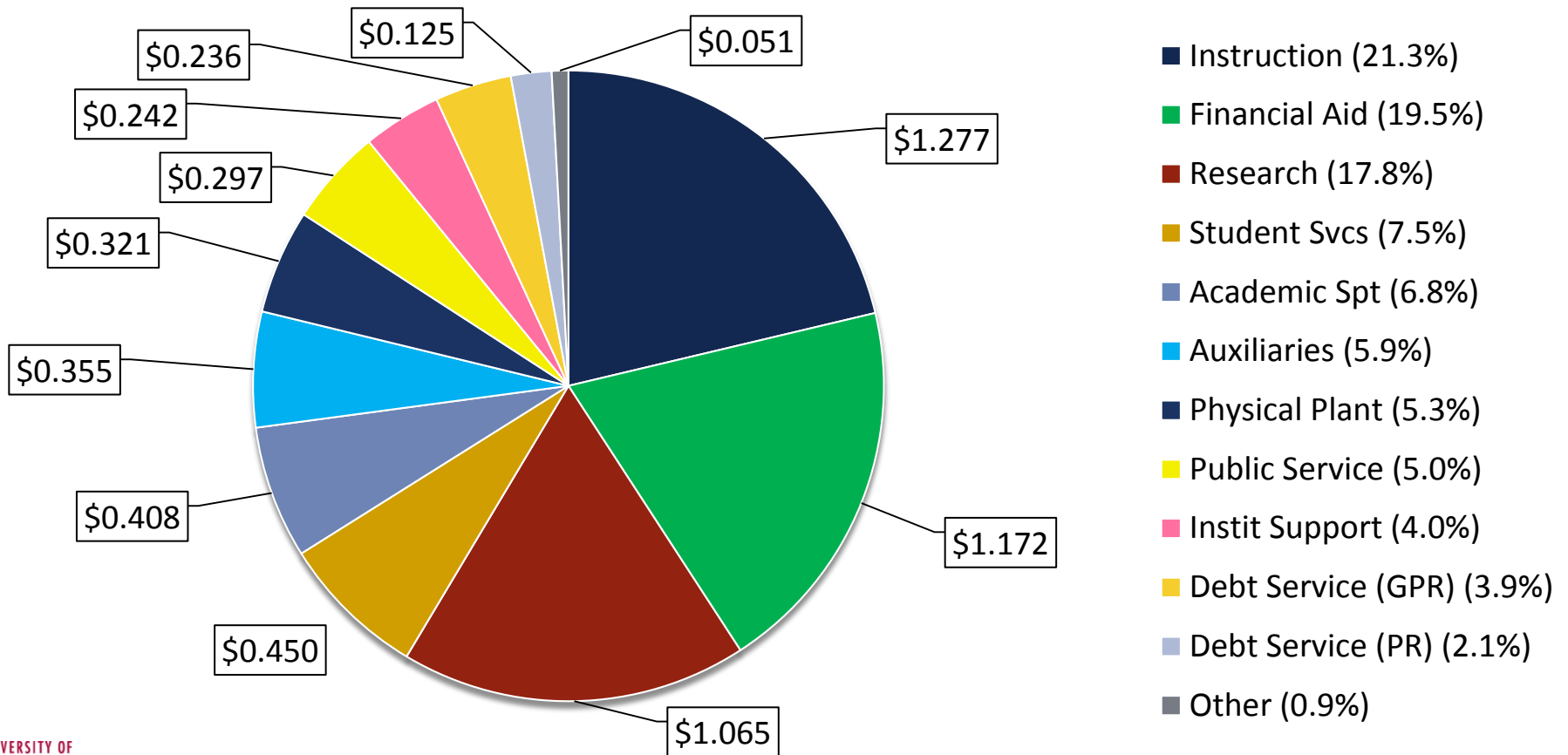
37% of UW's budget (\$2.218 Billion) is available for instruction, student services, and all other functions



FY14 Budget: Uses

15

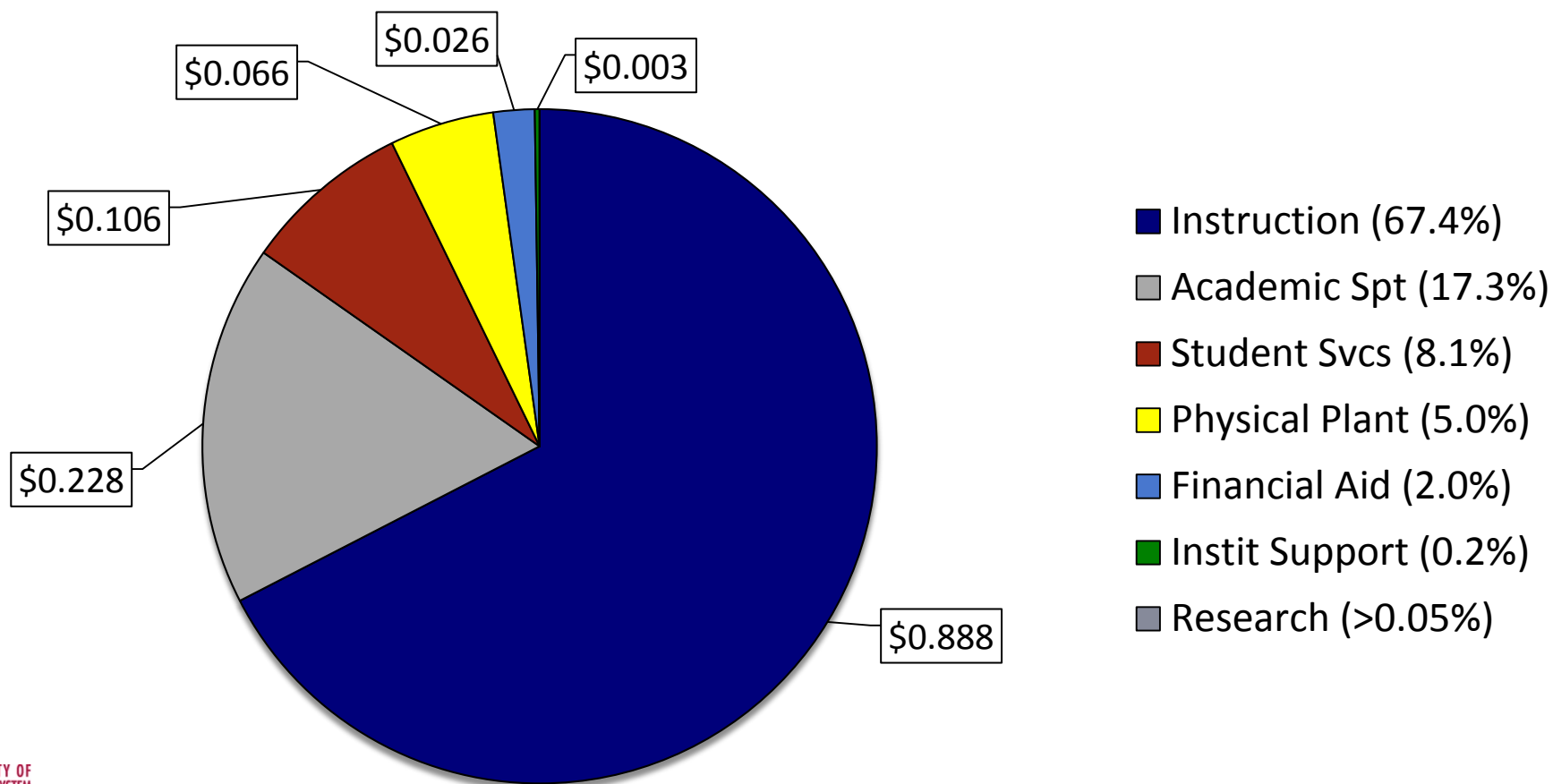
All Funds Budget: \$5.997 Billion



FY14 Budget: How UW Uses Tuition

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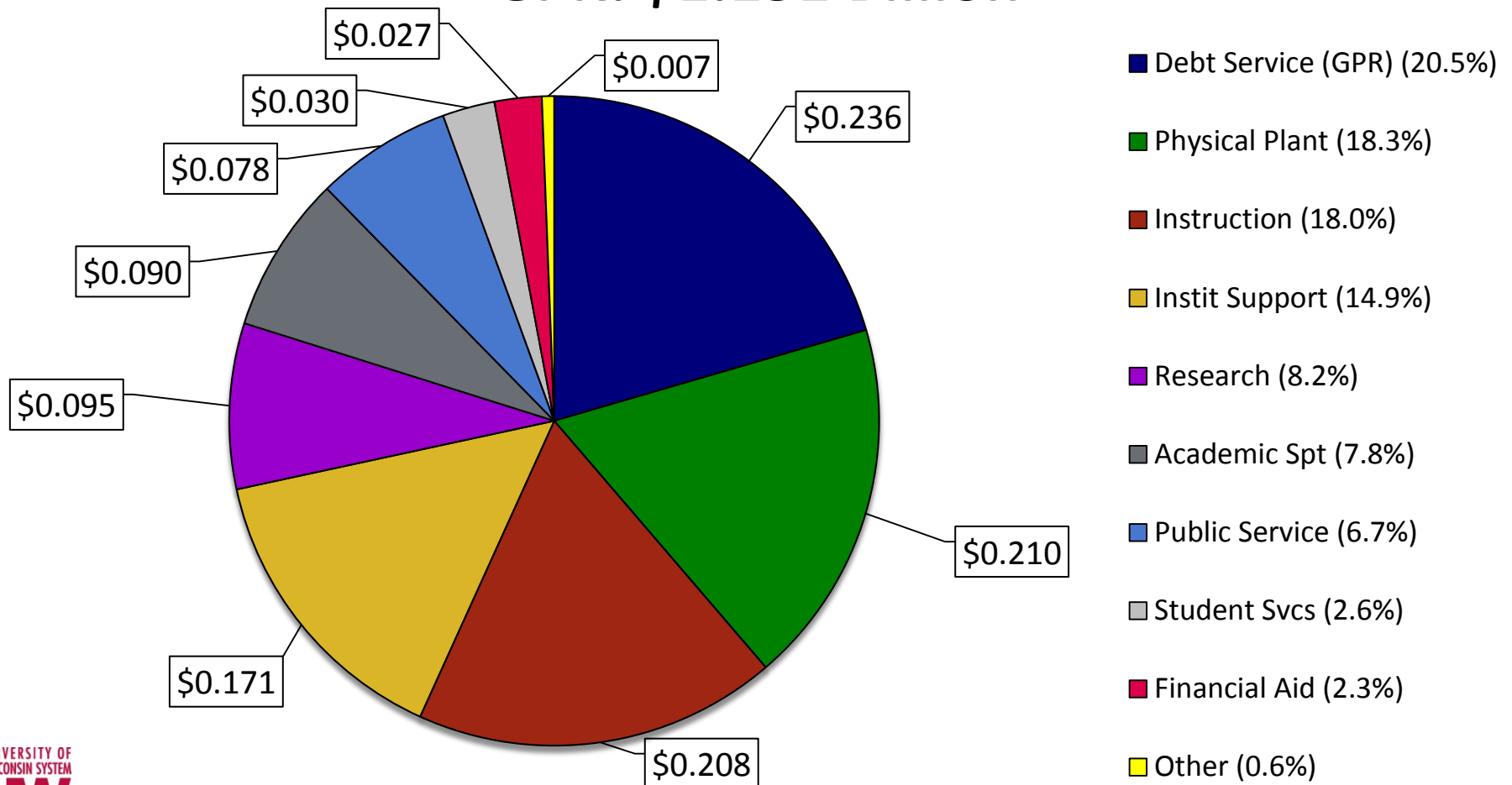
Tuition: \$1.319 Billion



FY14 Budget: How UW uses State Funding

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GPR: \$1.151 Billion



How Debt is Authorized

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Program Revenue

Issued primarily for:

- **Residence halls**
- **Student unions (student approval)**
- **Parking facilities**
- **Athletic facilities**
- **Related physical plant projects**
- **Other self-supported operations**

UW debt is managed through the process of review and approval of capital projects, and subsequent fee setting process.

There is not an overall debt level management policy.

How Debt is Authorized

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General Purpose Revenue

Issued primarily for:

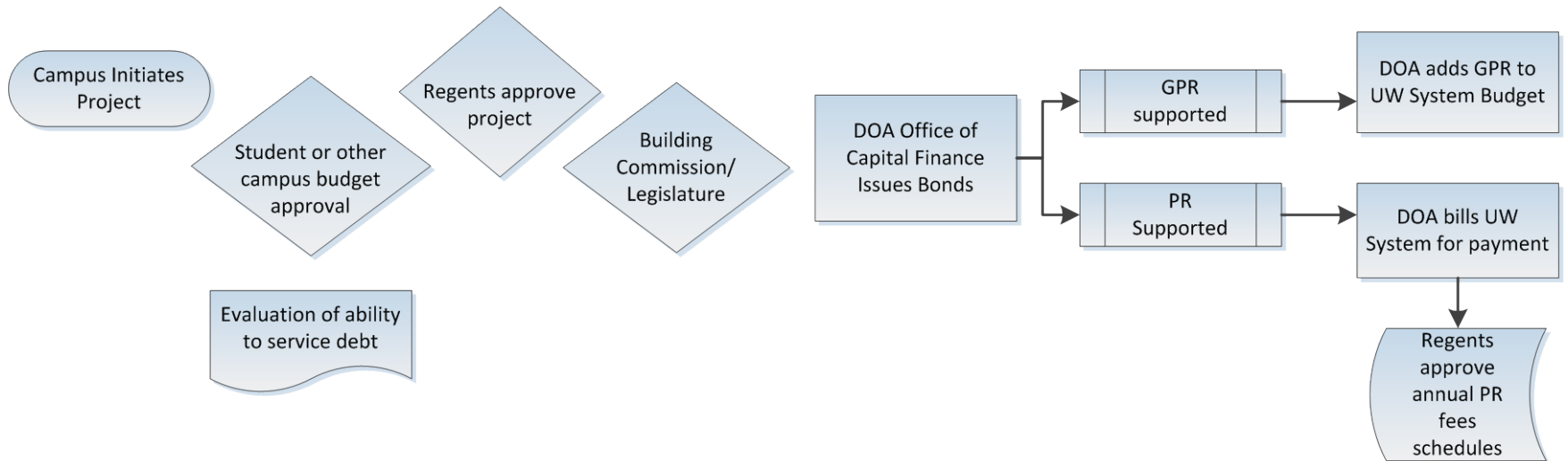
- **Academic and instructional facilities**
- **Some administrative facilities**
- **Other taxpayer-supported operations**

UW GPR-supported debt is managed by the state and annual debt service transferred into the UW budget.

There is not an overall debt level management policy.

How Debt is Approved and Funded

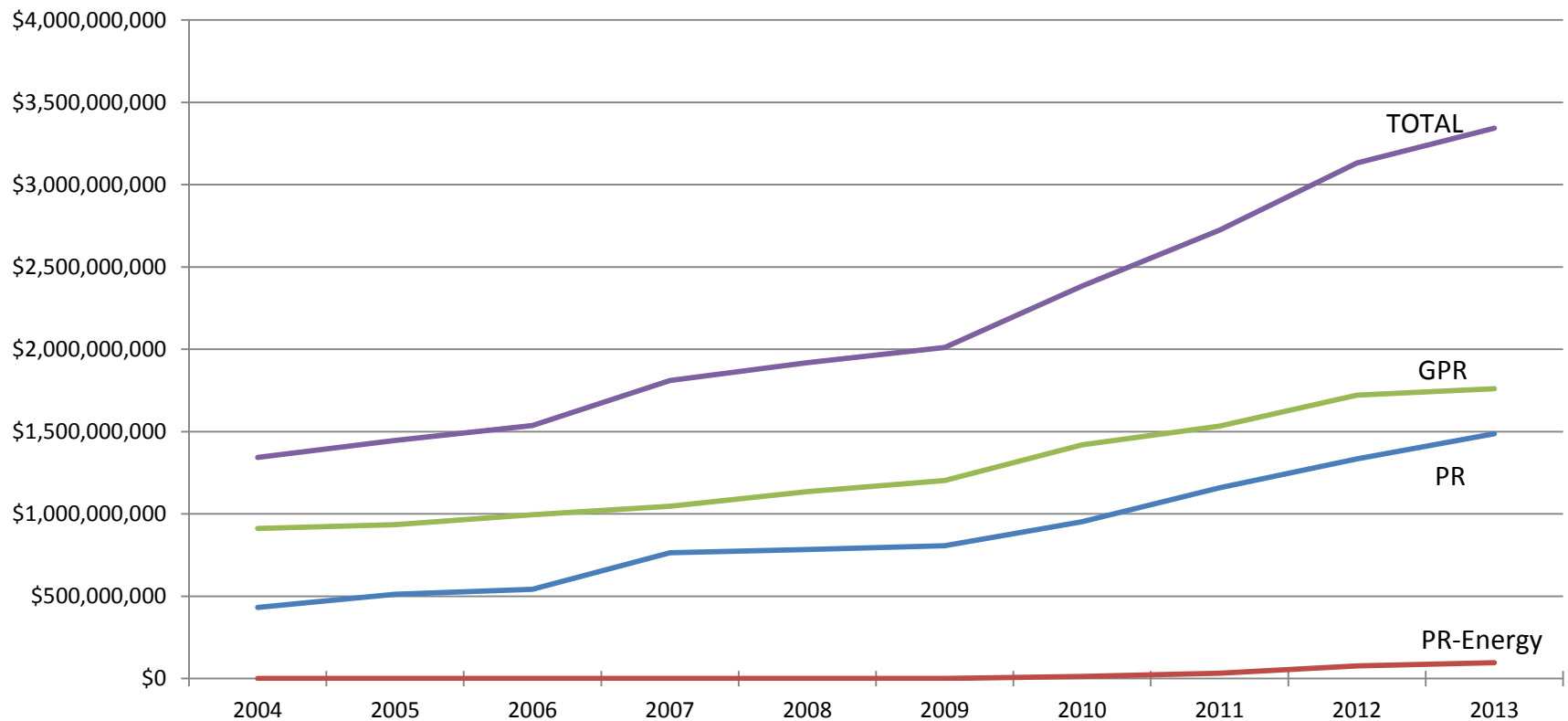
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Debt Outstanding: Principal

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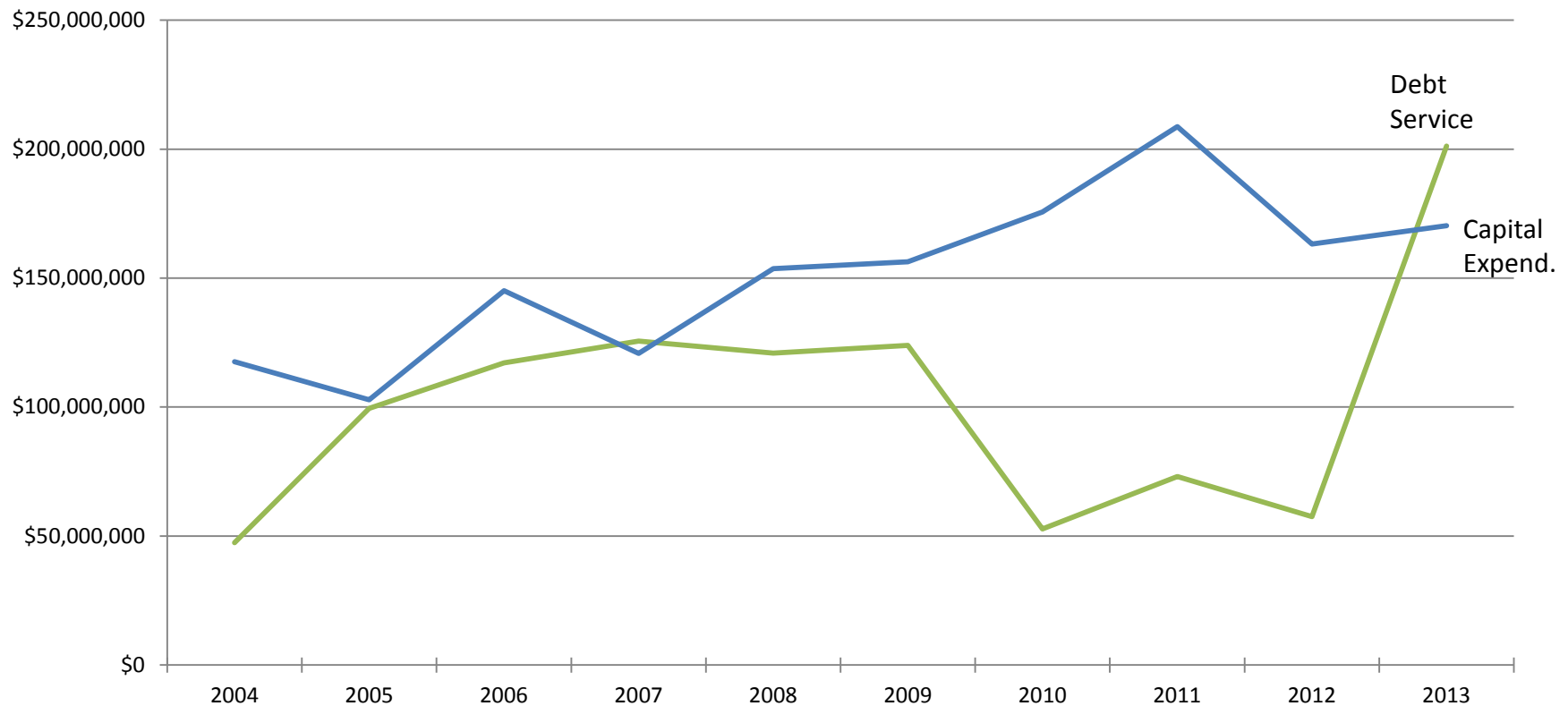
**TOTAL UW INSTITUTIONS
2004-2013**



GPR Debt Service and Capital Expenditures

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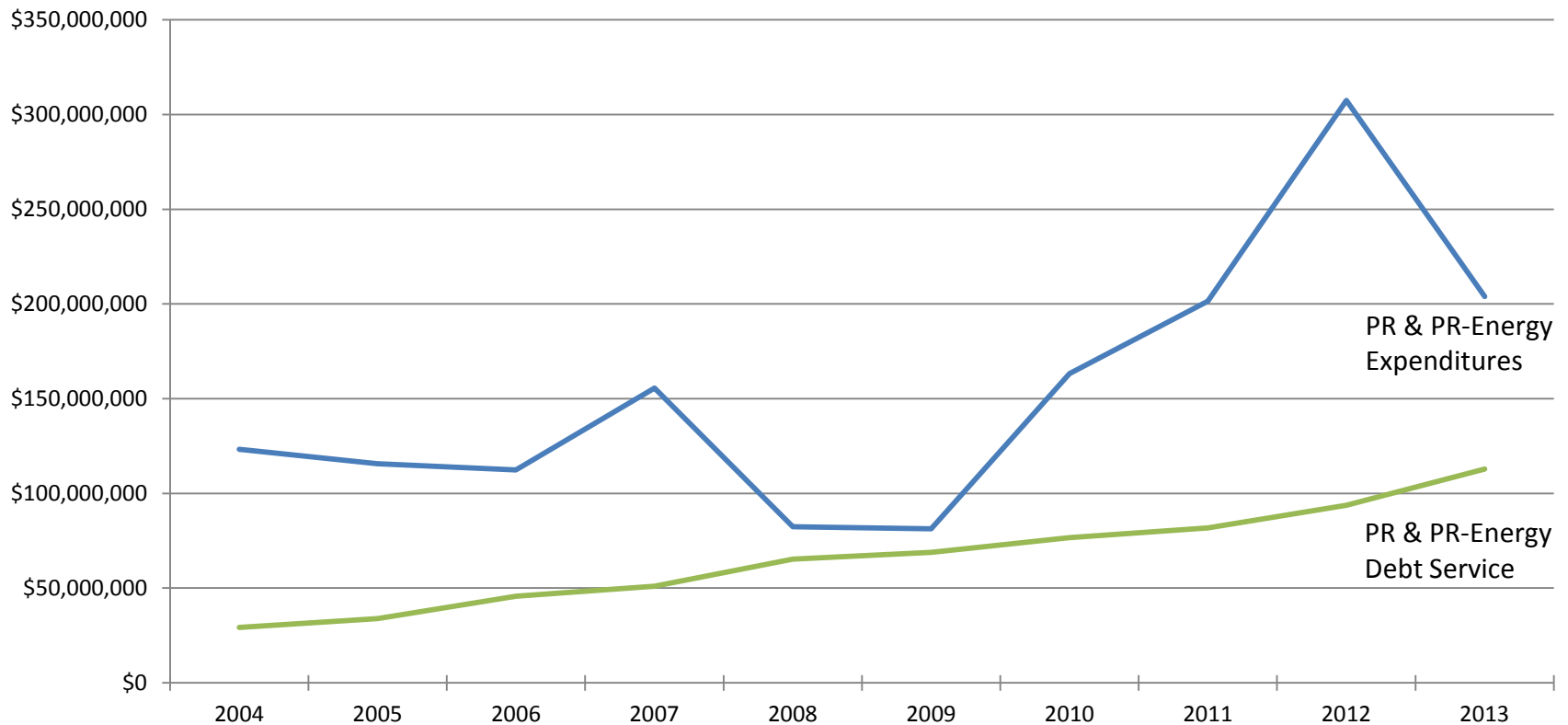
**TOTAL UW INSTITUTIONS
PROJECT EXPENDITURES FUNDED BY BOND AND NOTE PROCEEDS
2004-2013**



PR and PR-Energy Debt Service and Capital Expenditures

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TOTAL UW INSTITUTIONS
PROJECT EXPENDITURES FUNDED BY BOND AND NOTE PROCEEDS
2004-2013



Actual GPR Debt Service to Total GPR Appropriation

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Actual GPR Debt Service to GPR Appropriation										
In Millions	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GPR Appropriation	\$951.0	\$992.6	\$988.2	\$1051.0	\$1114.9	\$1176.1	\$1041.1	\$1097.0	\$960.7	\$1131.7
Actual GPR Debt Service Payments	\$47.5	\$99.5	\$117.7	\$125.6	\$121.0	\$123.9	\$52.7	\$73.1	\$57.5	\$201.2
% of GPR	4.99%	10.02%	11.85%	11.95%	10.85%	10.53%	5.06%	6.66%	5.99%	17.78%

FY 2014 and 2015: Budgeted Debt

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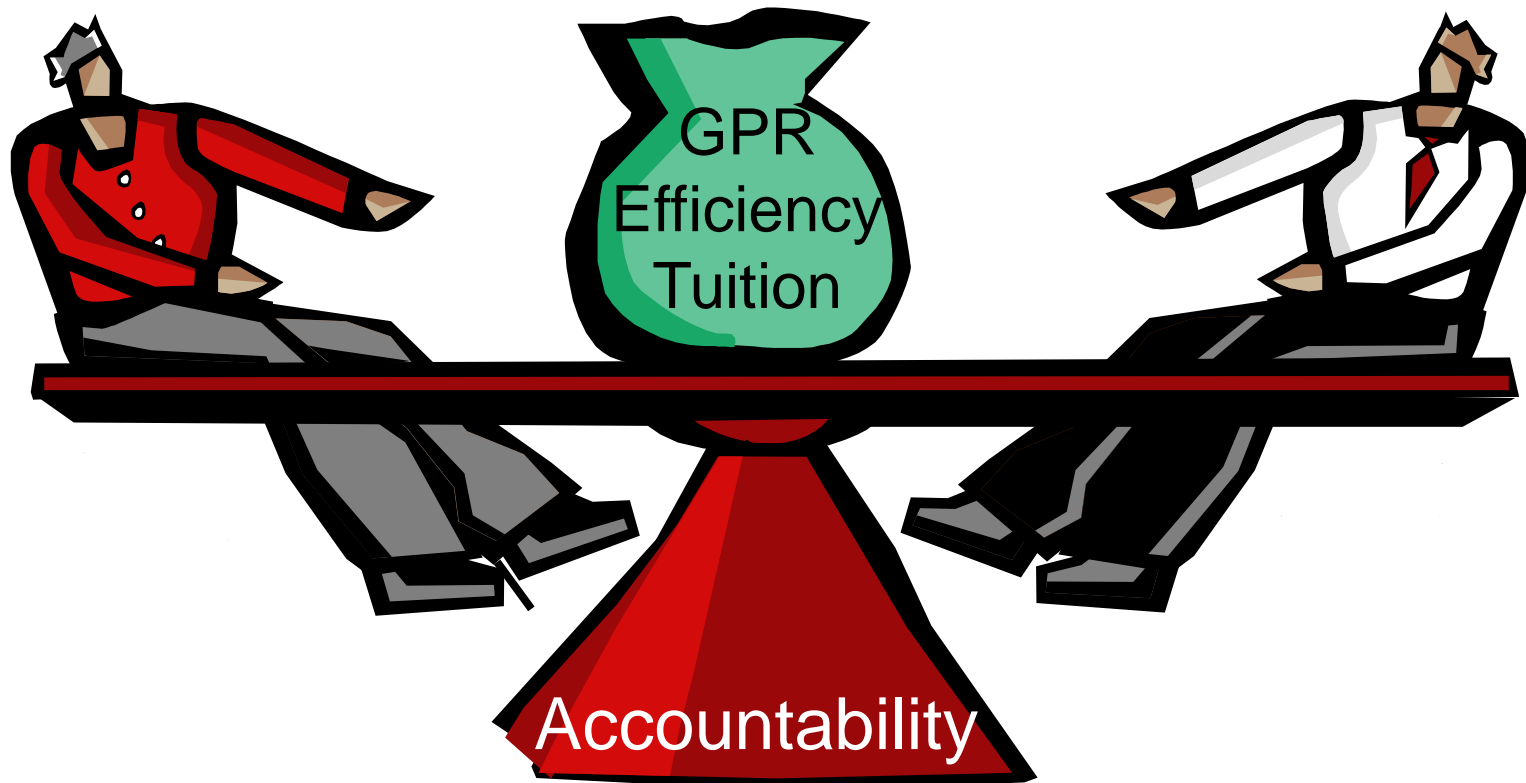
UW System Debt Service, 2007-08 to 2014-15

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Academic Facilities (GPR) Budgeted							\$235.9	\$245.1
Academic Facilities (GPR) Actual	\$121.0	\$123.9	\$52.7	\$73.1	\$57.5	\$201.2		
Self-Amortizing Facilities (PR) Budgeted							\$138.0	\$155.4
Self-Amortizing Facilities (PR) Actual	\$65.3	\$68.9	\$76.6	\$81.8	\$93.8	\$112.8		

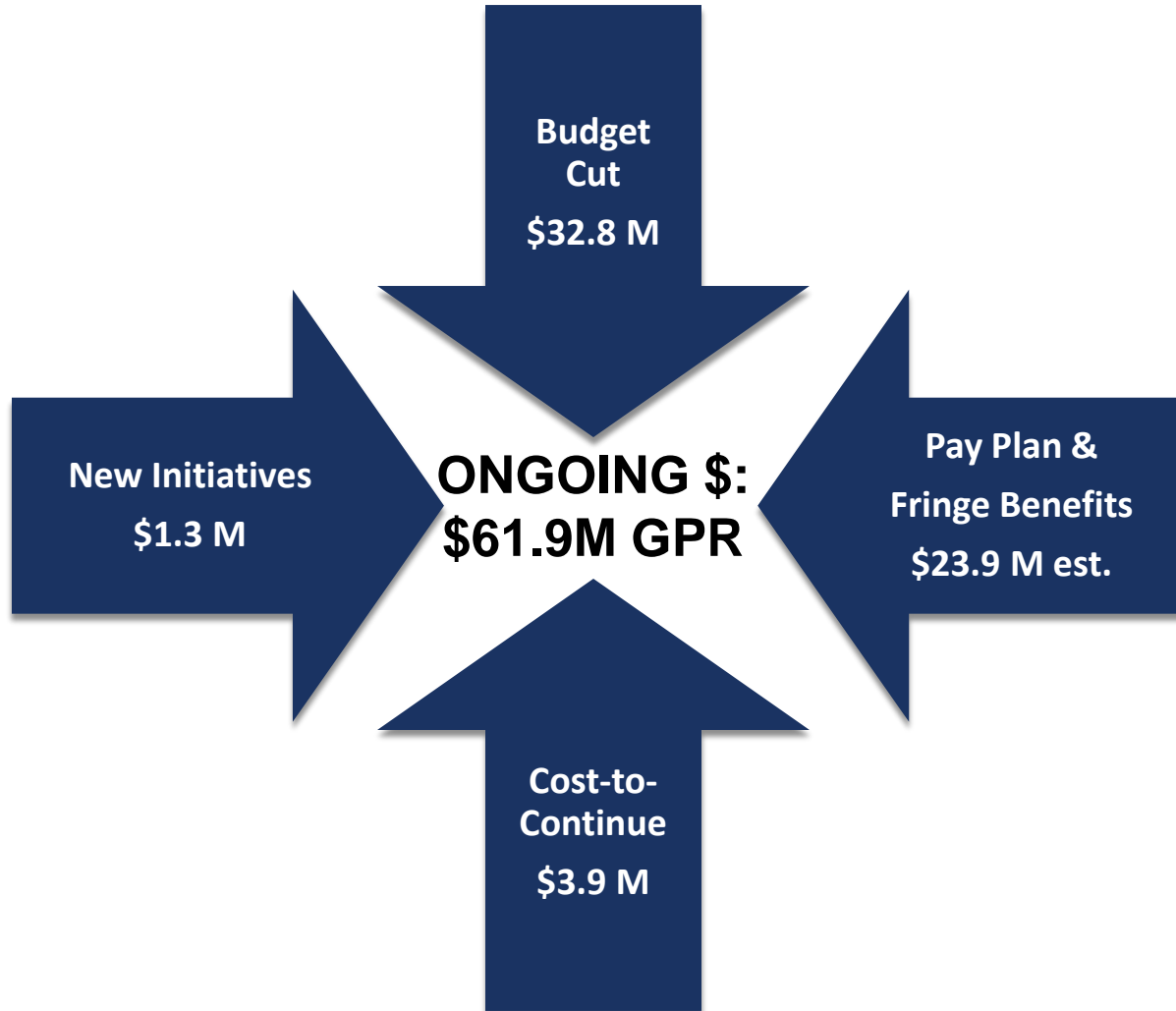
2014-15 Annual Budget

Accessibility

Quality



2014-15 Annual Budget (UW Must Fund)



Other Challenges to Address

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- **Compensation challenge for Faculty and Staff**
 - **No state approved general wage increases from 2009-10 to 2012-13**
 - **1% general wage adjustments for 2013-14 and 2014-15**
 - **Increasing gap between salaries of faculty and their peers**
 - **Significant increase in the employee share of fringe benefits**

Other Challenges to Address

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- **Compensation challenge for Faculty and Staff (cont'd)**
 - Will the UW be funded under a block grant approach or be funded through the compensation reserve?
 - Will the UW continue to receive the same pay plan increases as other state agencies?

Other Challenges to Address

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- **Utilities**

- **The Department of Administration generally estimates changes in funding related to inflation and normalization for weather**
- **The UW System has typically provided an advisory memo about changes in space that would affect utilities cost and university specific needs like funding for the co-generation plant at UW-Madison**

Other Challenges to Address

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- **Debt Service**

- DOA adds funding for state-funded debt service as part of the Governor's (Executive) budget
- Capital Finance provides the estimate
- Debt Service changes have varied greatly in the last three biennia due to state financing strategies
- Funding is sum-sufficient and lapses back to the state if not used

Other Challenges to Address

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- **Affordability and Financial Aid Funding**
 - UW's largest financial aid appropriation is the Wisconsin Higher Education Grant program for UW students (WHEG-UW), which is housed in the Higher Educational Aids Board (HEAB)
- **The Board of Regents submits a request to HEAB in June for their board's consideration regarding the level of funding needed for WHEG-UW**

Other Challenges to Address

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- **Fringe Benefits cost increases**

Funding for fringe benefits is generally provided to state agencies in two ways

- **Agency specific funding to cover fringe costs during the first year of the previous biennium, and**
- **A supplement during the biennium from the state's compensation reserve (held centrally and provided annually based on need)**

Early Estimate of 2015-17 Funding

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	Ongoing	Biennial
Funding Budget Cut and Flex Options	\$34 million	\$68 million
2013-15 Unfunded Fee Compensation Costs	\$28 million	\$56 million
2013-15 GPR Compensation Costs	\$57 million	\$114 million
2015-17 Estimated Fringe Benefit and Negotiated Salary Increases (GPR/Fee)	\$46 million	\$68 million
Total Estimated Funding Needed	\$165 million	\$306 million
Estimated 2013-15 Compensation Reserve	(\$53 million)	(\$106 million)
Need Excluding GPR in the Comp Reserve	\$112 million	\$200 million

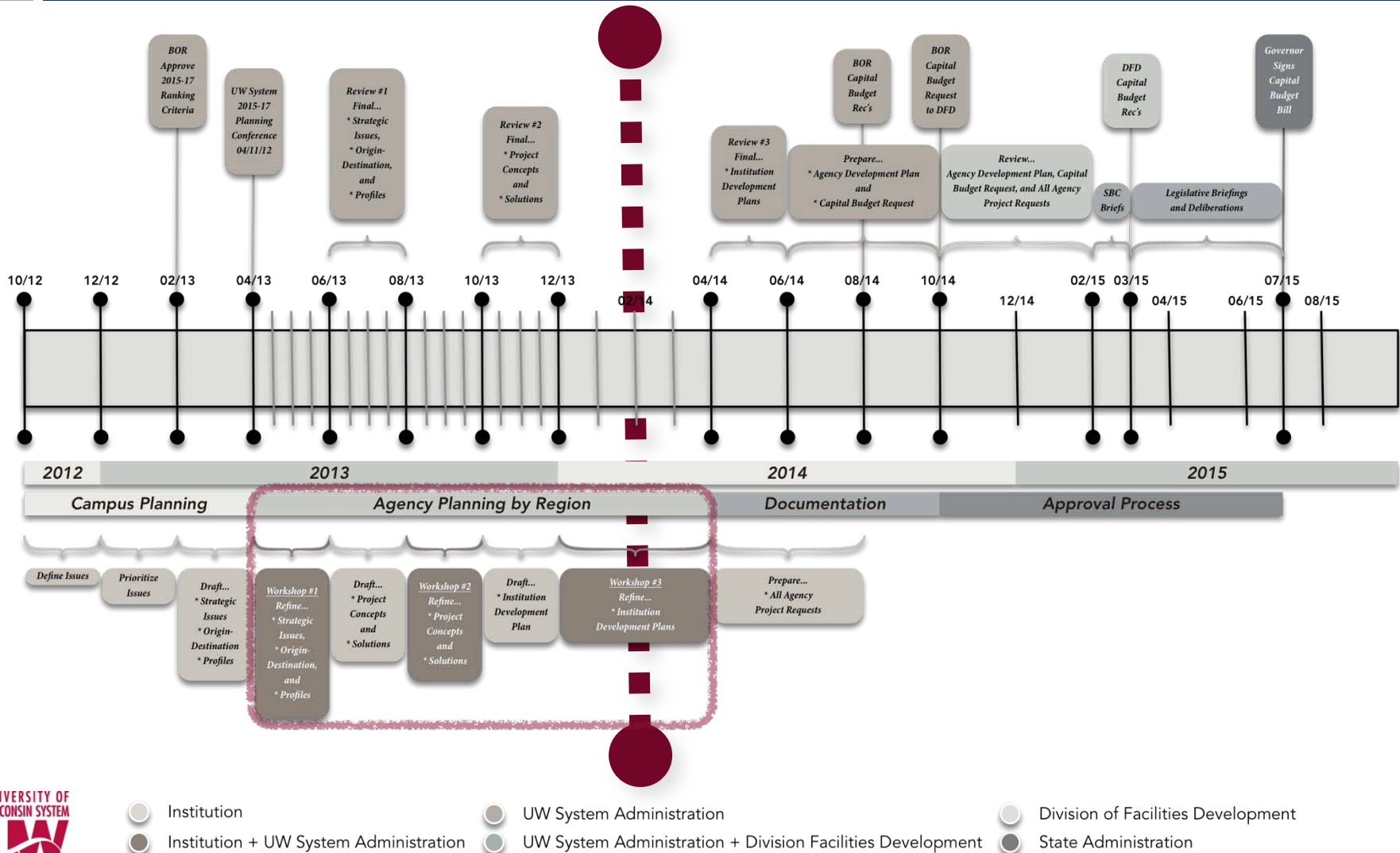
Rule of Thumb: Annual 1% Pay Plan increases require \$27 million ongoing (\$40 million biennially).

Excludes: utilities and debt service which will be added by DOA, and financial aid funding that will be requested by HEAB.

2015-17 CAPITAL BUDGET

2015-17 Capital Budget

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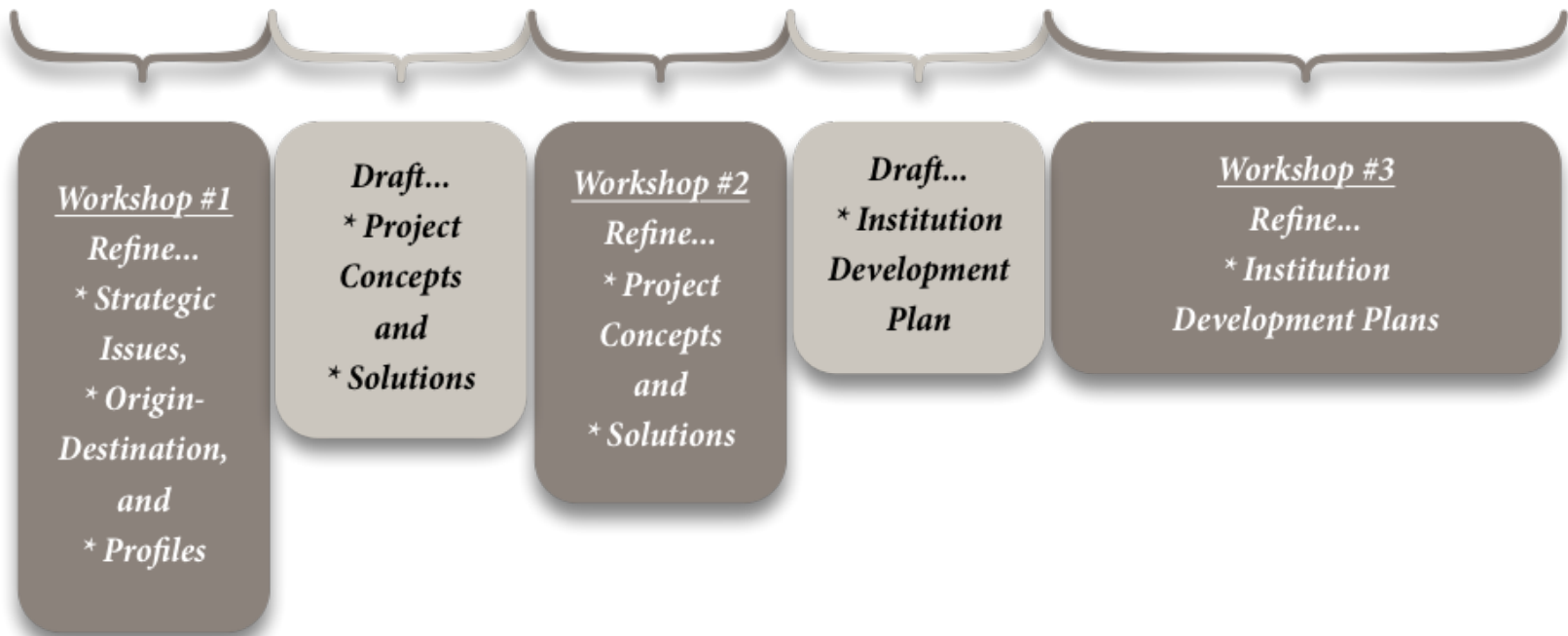


2015-17 Capital Budget

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04/13 06/13 08/13 10/13 12/13 04/14

Agency Planning by Region



2015-17 Capital Budget

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Major Projects

- ◆ New construction, renovation, central utility extension, and remodeling

All Agency Projects

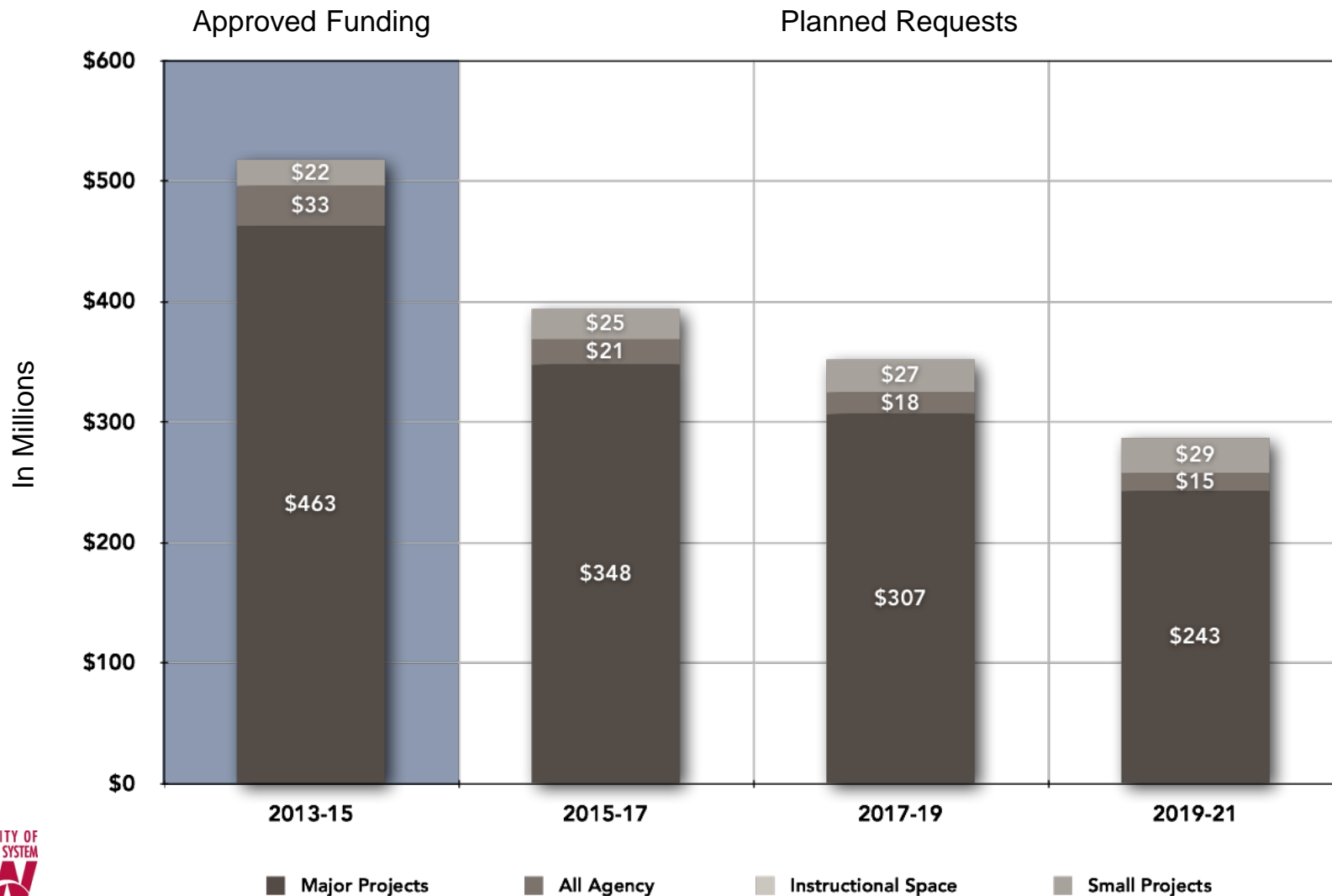
- ◆ Statewide maintenance, renovation, and remodeling (under \$3M)
- ◆ Includes Small Projects (under \$185K)

Instructional Space Projects

- ◆ Classroom and Laboratory renovation and remodeling (under \$3M)

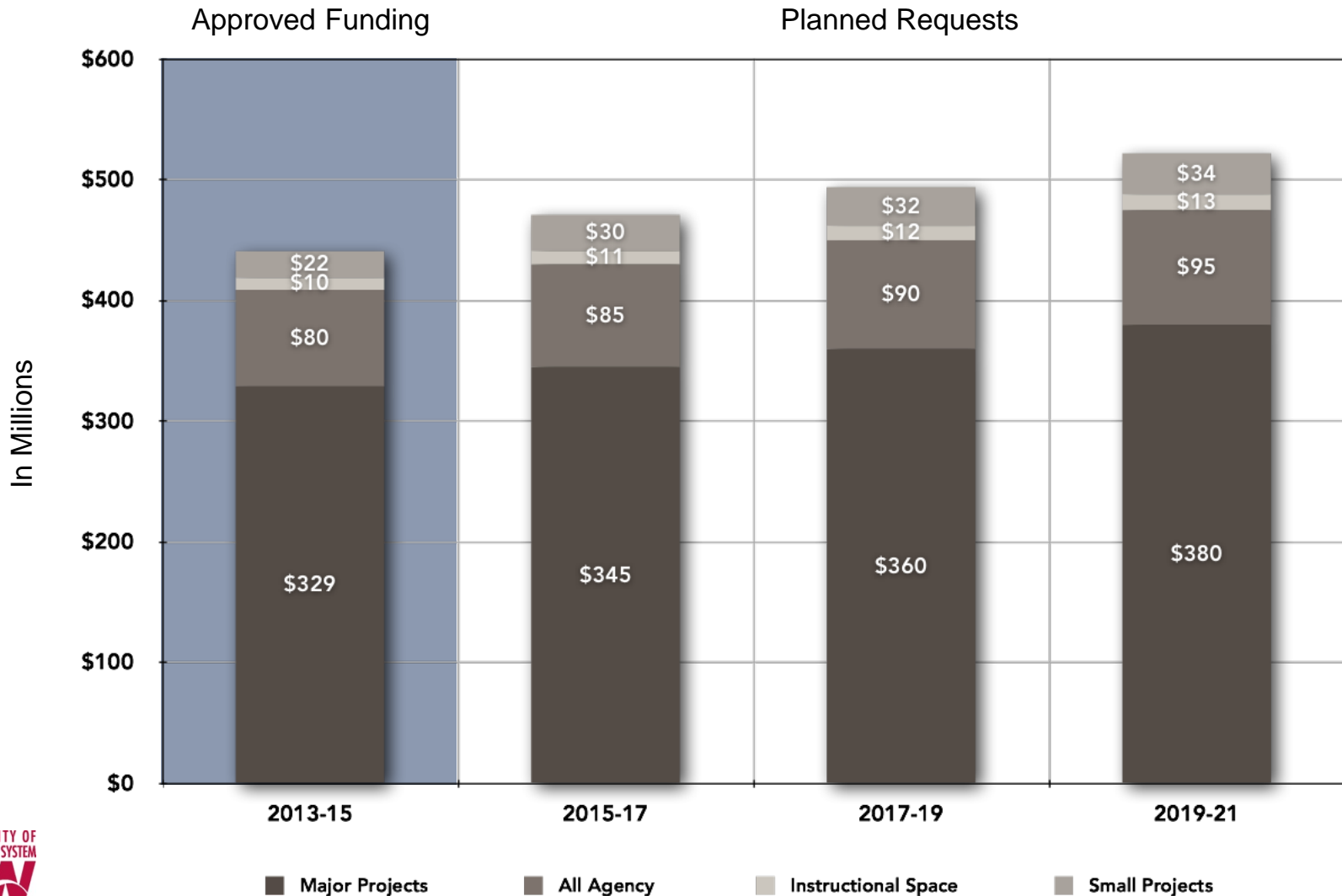
2015-17 Capital Budget: PR

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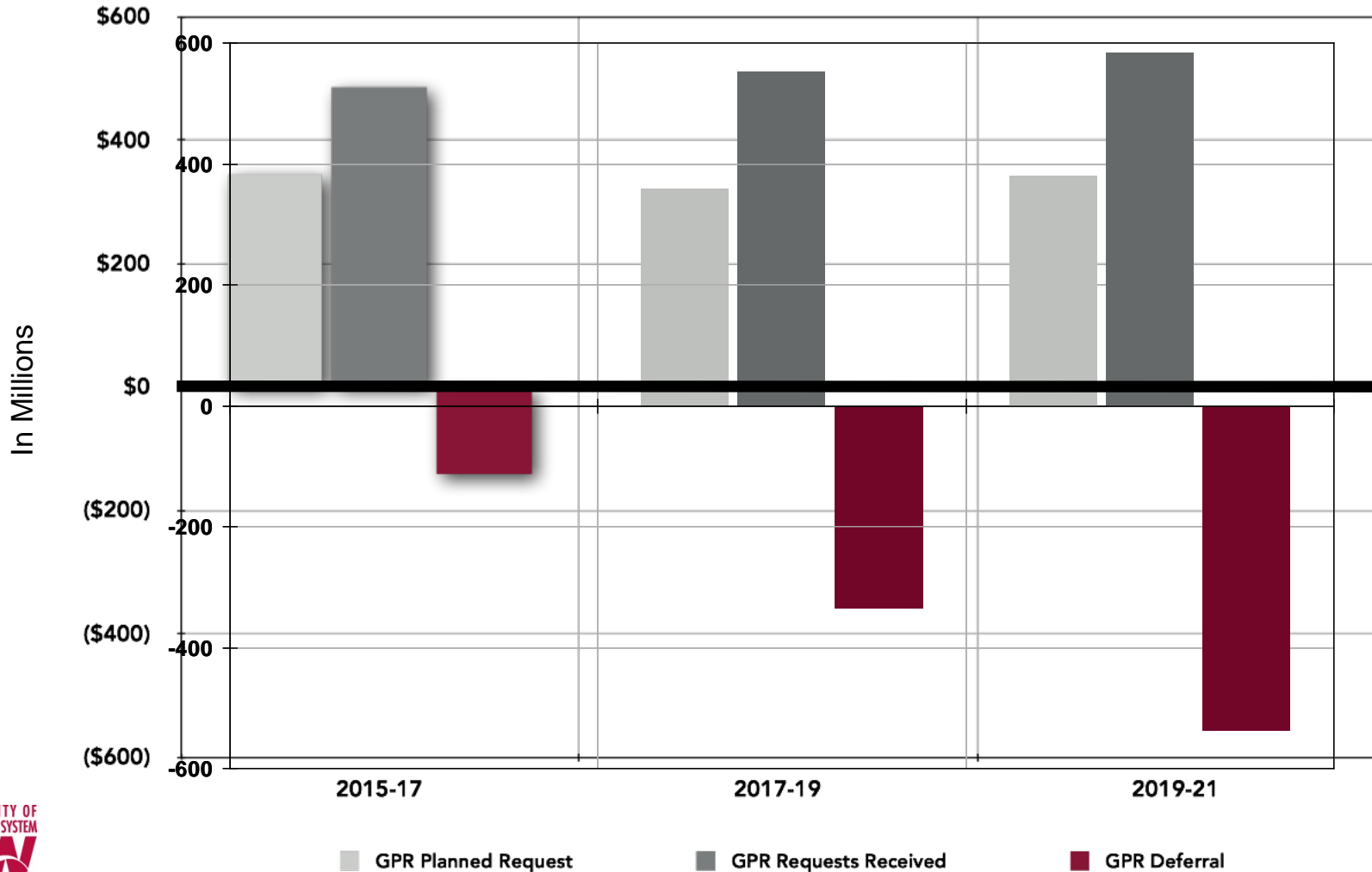
2015-17 Capital Budget: GPR

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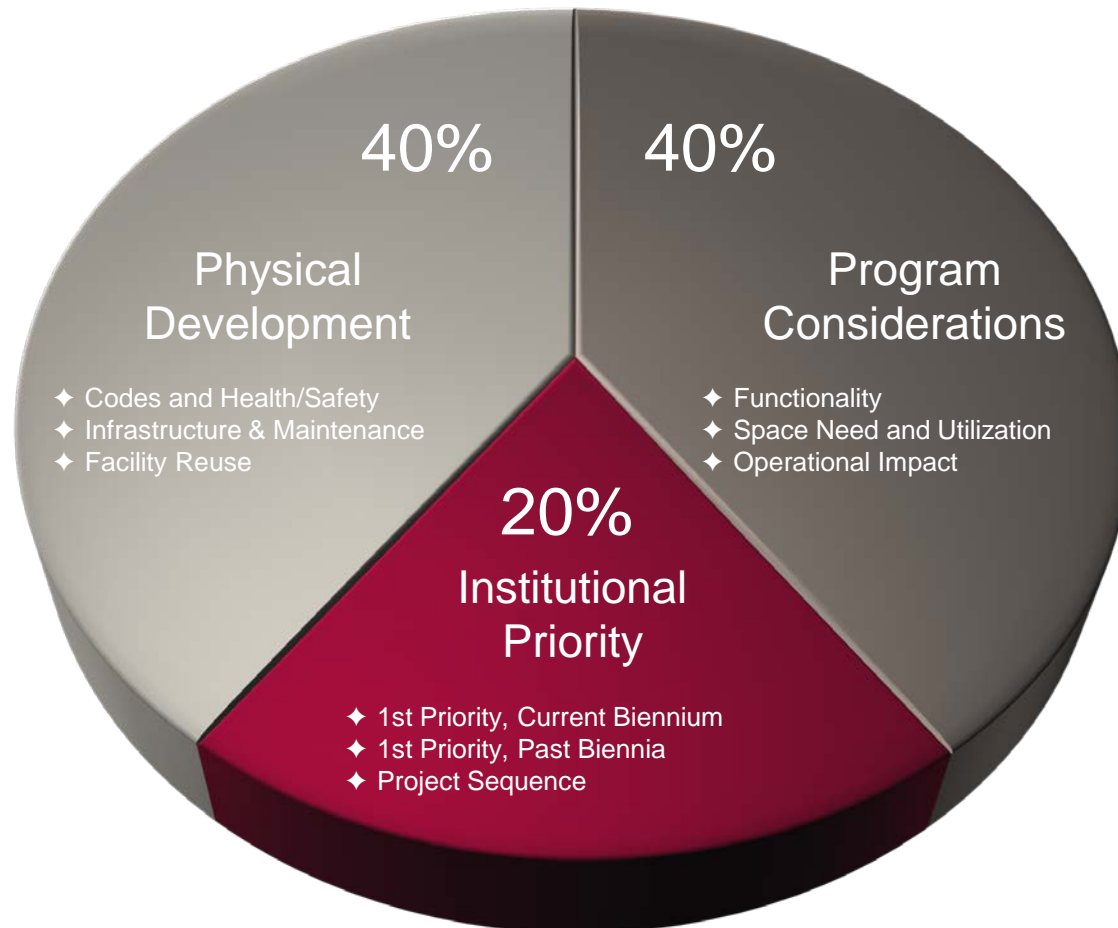
2015-17 Capital Budget: GPR

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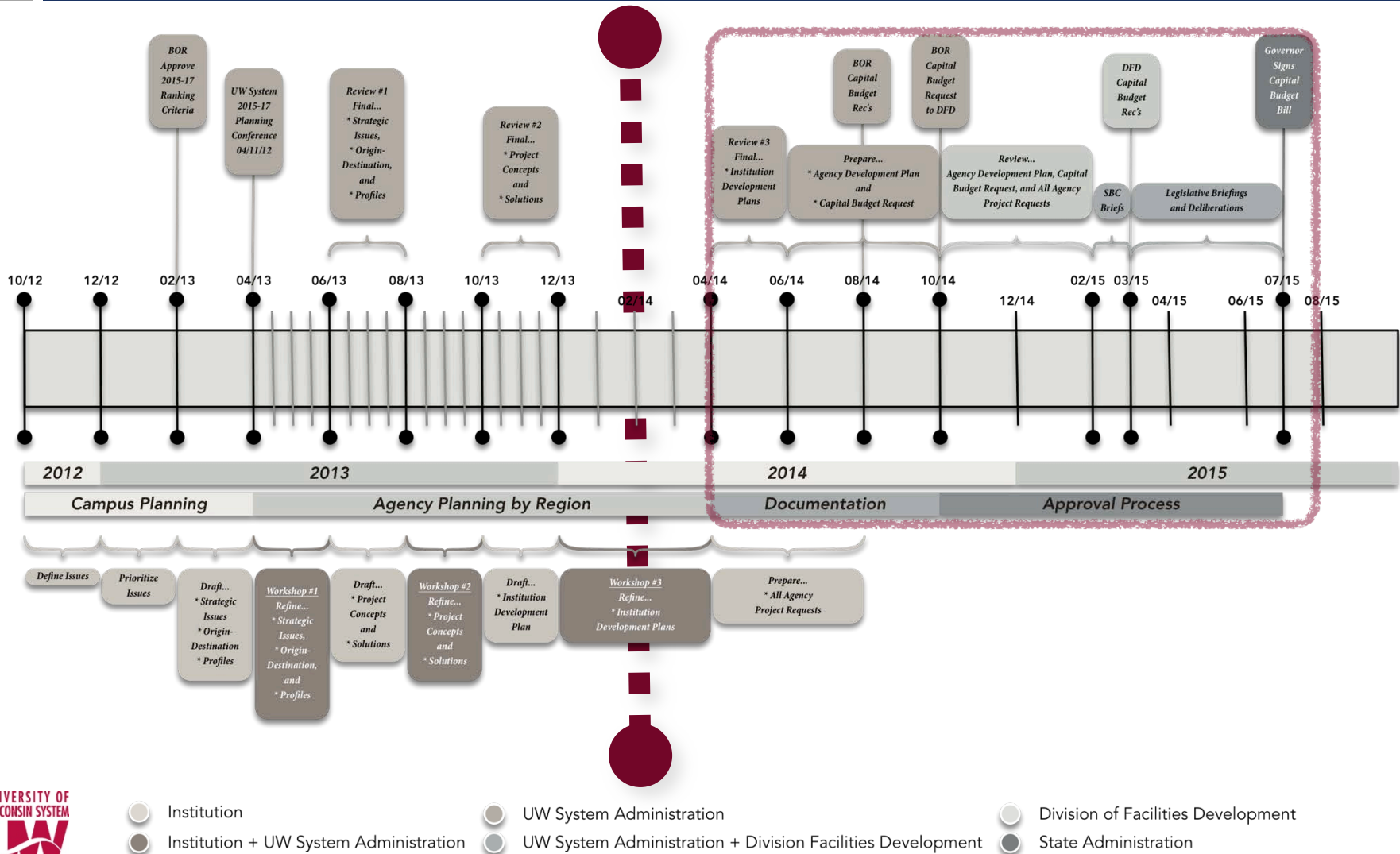
2015-17 Capital Budget

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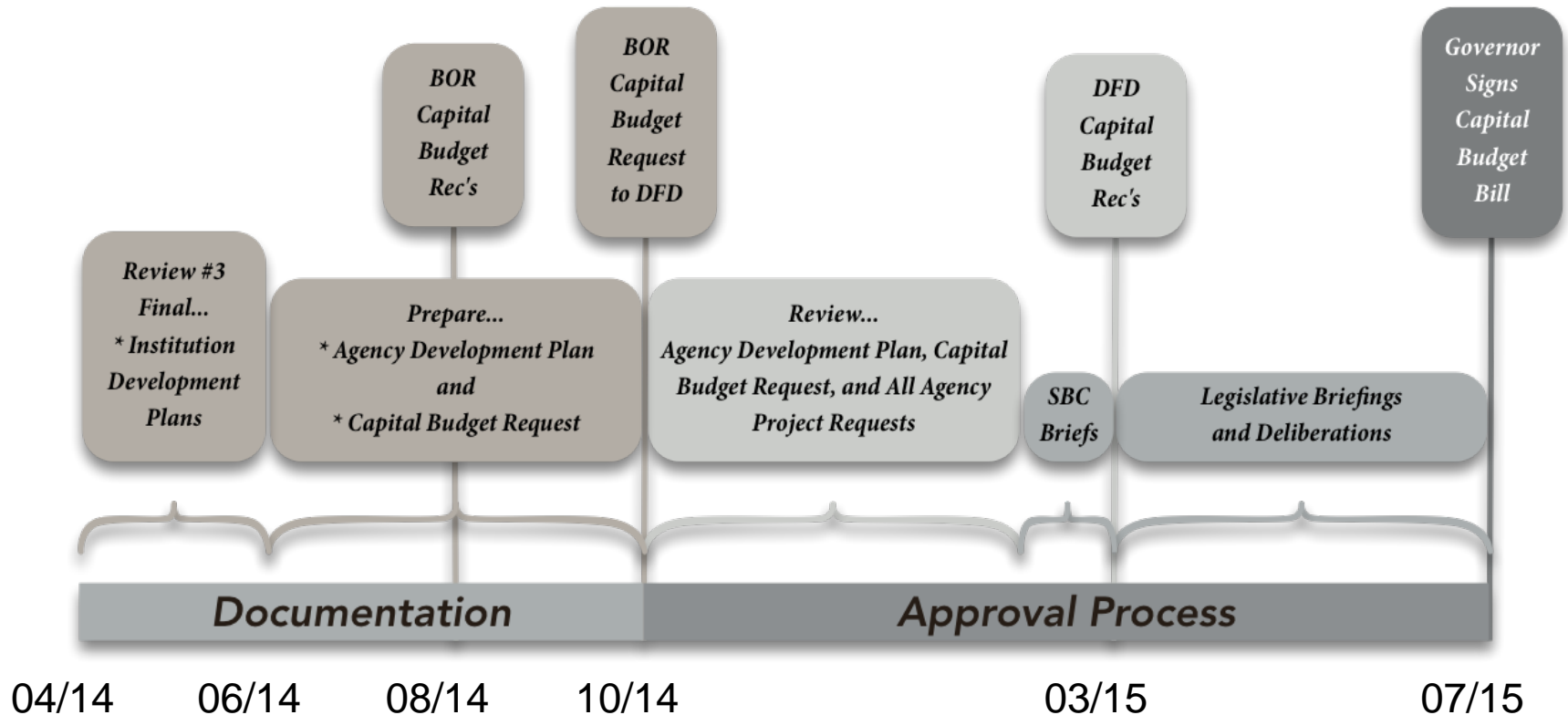
2015-17 Capital Budget

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2015-17 Capital Budget

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Questions and Discussion

