

2015-17 BUDGET PROCESS & DEVELOPMENT

February 6, 2014

Biennial Budget Presentation and Discussion

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Alex Roe Associate Vice President for Capital Planning and Budget



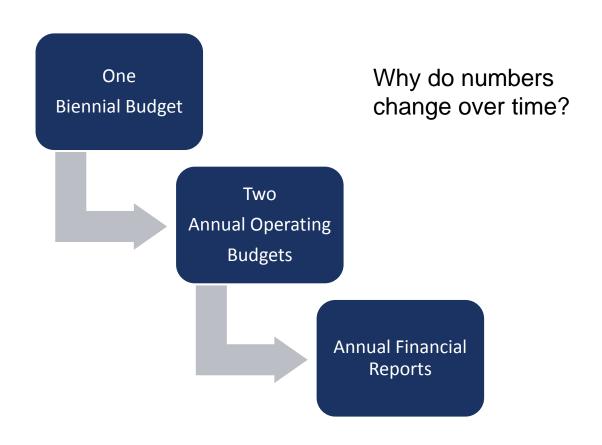
Steve Wildeck Interim Vice President for Finance





Biennial and Annual Budgets

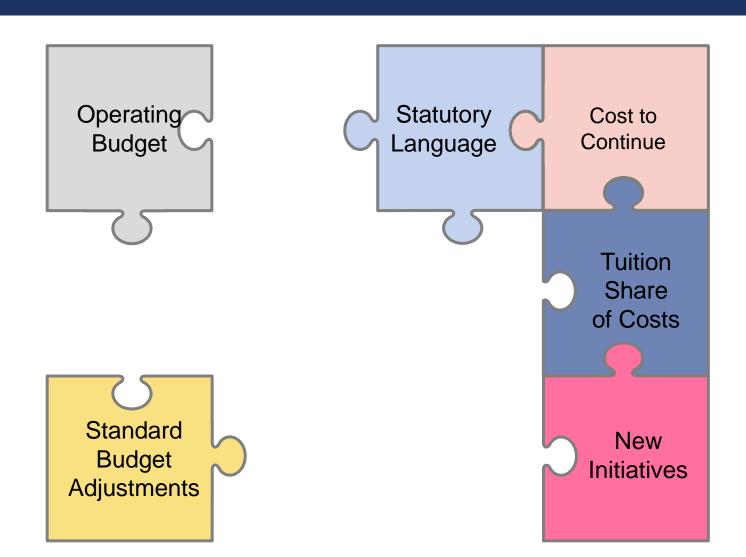
General to Specific





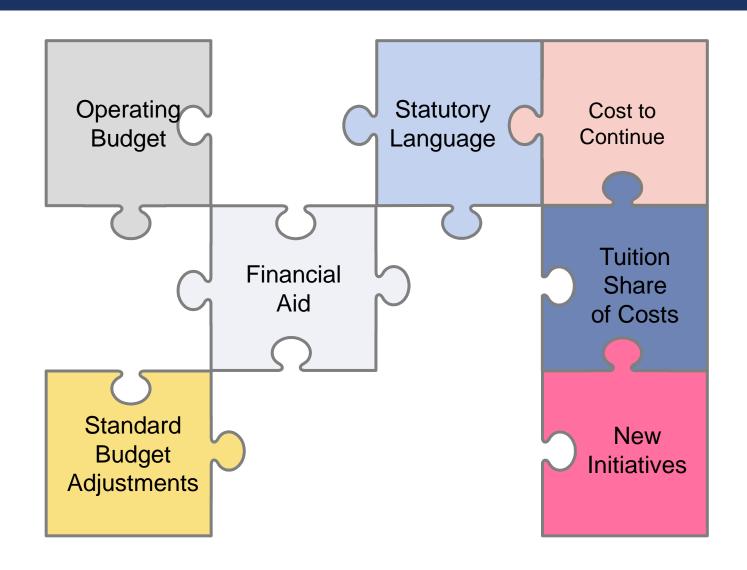
The Biennial Budget Puzzle Cost to Continue Debr Serice Reductions Operating Budget Tuition Share of Costs Statutory Language New Initiatives Standard Budget Adjustments Compensation Financial Capital Budget Aid

Board of Regents Request



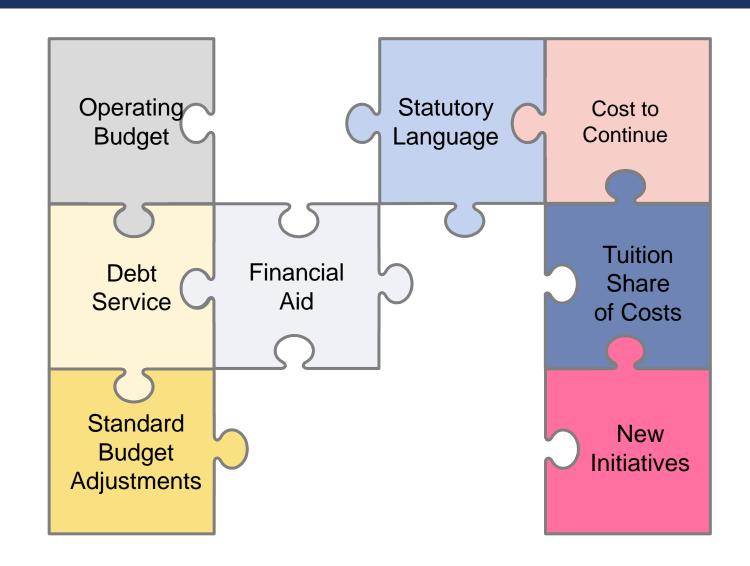


Student Financial Aid Higher Educational Aids Board



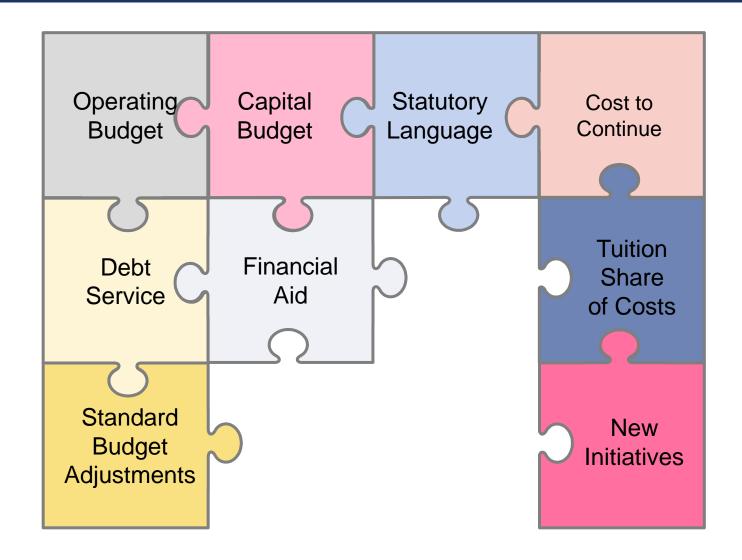


Governor's Executive Budget



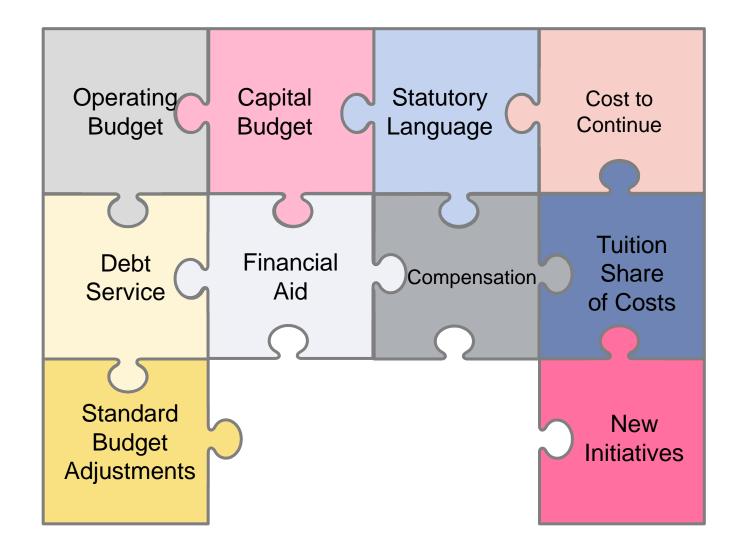


Capital Budget



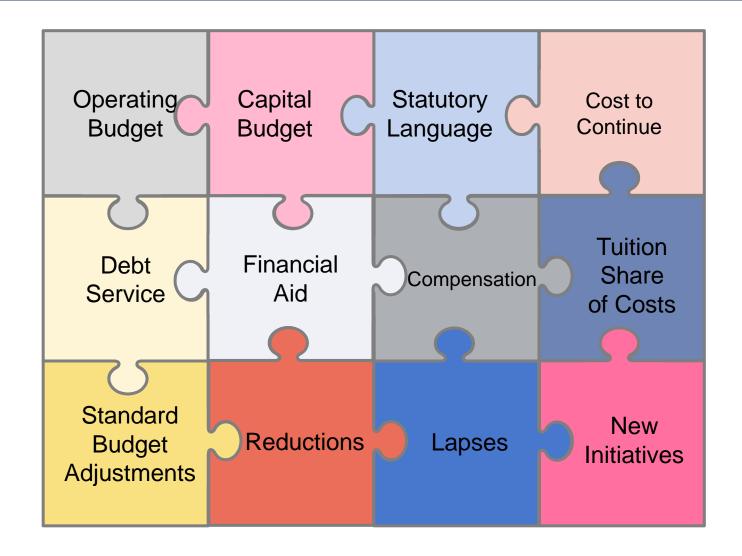


State-Funded Compensation





Final Legislative Budget





Biennial Budget Timeline

Board of Regents adopt a biennial budget request including: Cost-to-Continue GPR/Tuition split New Initiatives Capital Budget request Statutory Language Governor's budget introduced Including:

Std. Budget Adjustment Cost-to- Continue New Initiatives Debt Service Legislature passes final Biennial Budget including:

Lapses Reductions Compensation







JUN 2014

AUG 2014

NOV 2014

FEB 2015

MAR 2015

JUN2015

JUL 2015

2015-17



Board of Regents adopt a recommendation for student financial aid for the Higher Educational Aids Board



Board of Regents adopt a compensation request for inclusion in the state compensation reserve.



State Building Commission Recommends Biennial Building program.

JCOER acts on compensation.



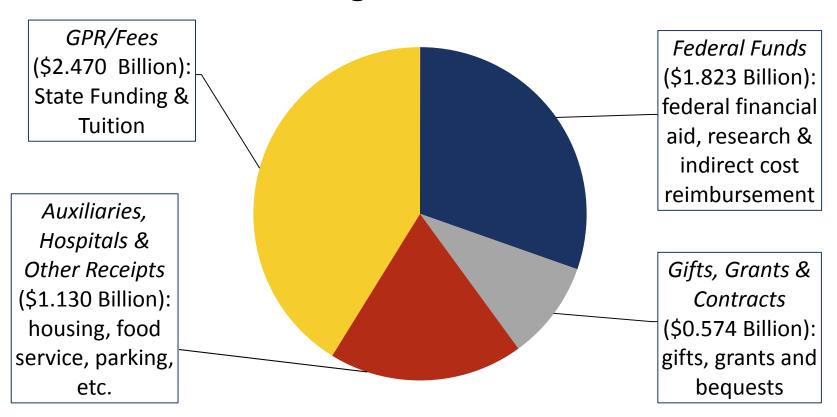
Governor signs Biennial Budget into law with partial vetoes.

Board of Regents adopts FY15 Annual Budget



FY14 Total Budget: Sources

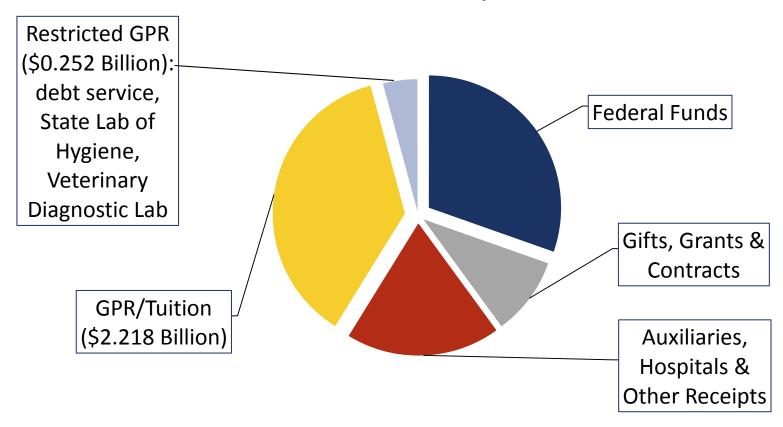
Total Budget: \$5.997 Billion





FY14 Budget: Sources - GPR & Tuition

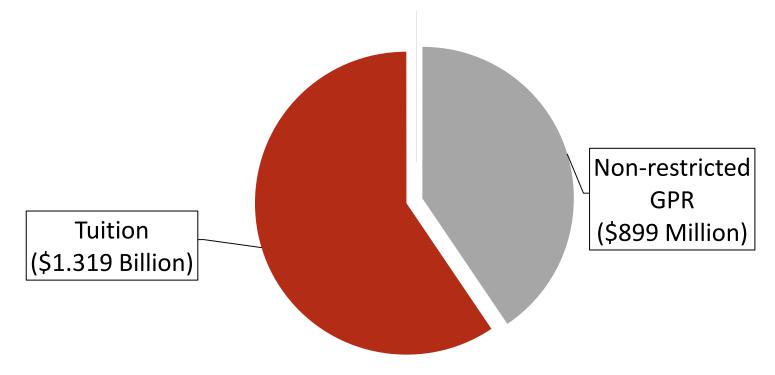
Total GPR & Tuition: \$2.470 Billion





FY14 Budget: Sources - Unrestricted GPR & Tuition

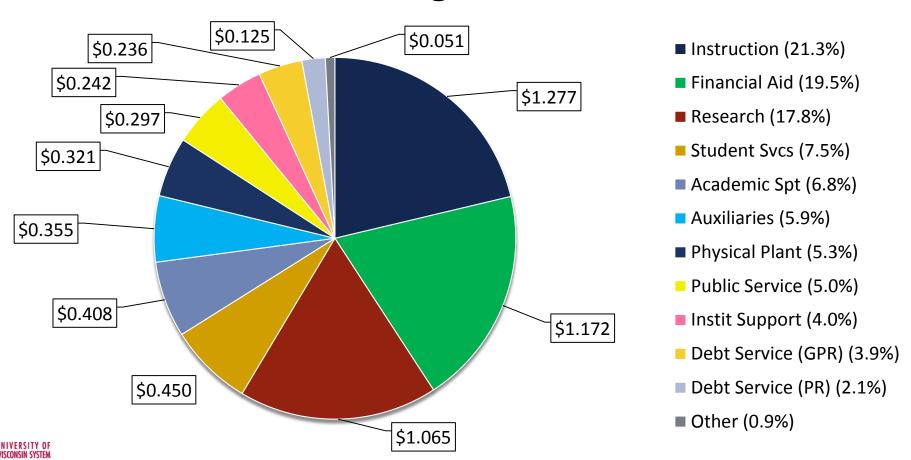
37% of UW's budget (\$2.218 Billion) is available for instruction, student services, and all other functions





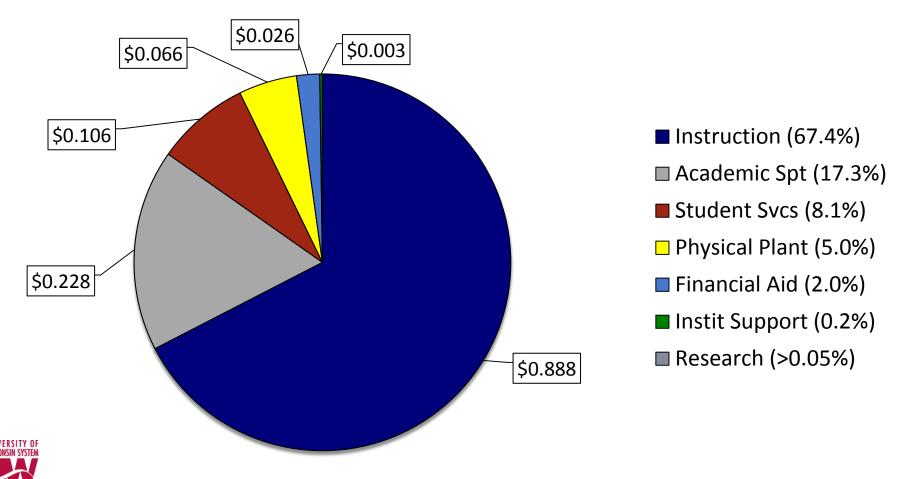
FY14 Budget: Uses

All Funds Budget: \$5.997 Billion

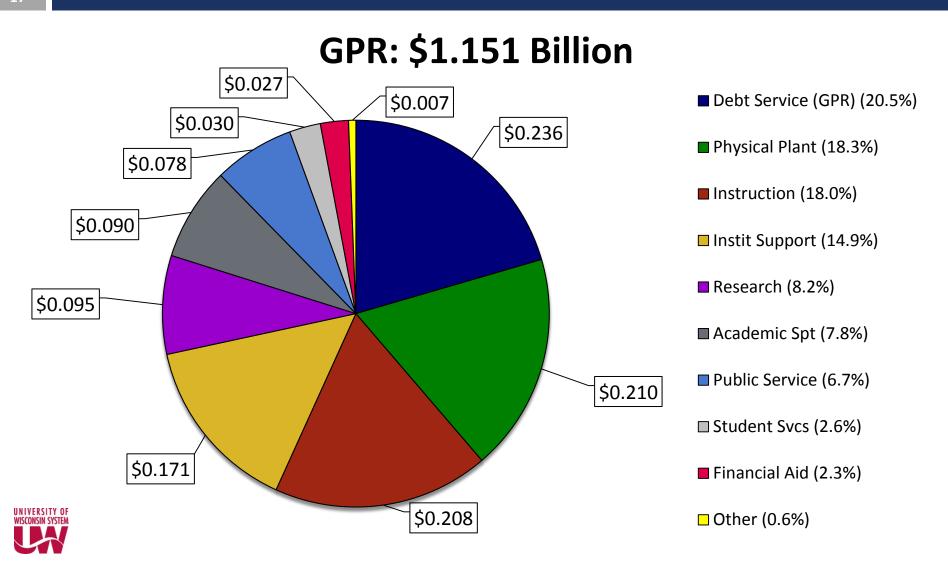


FY14 Budget: How UW Uses Tuition

Tuition: \$1.319 Billion



FY14 Budget: How UW uses State Funding



How Debt is Authorized

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

General Purpose Revenue

Issued primarily for:

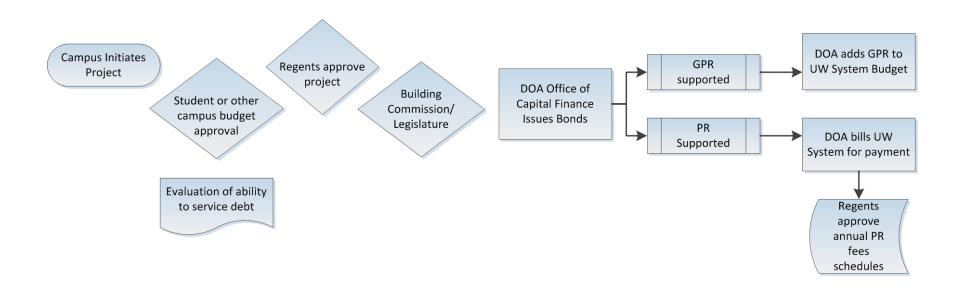
- Academic and instructional facilities
- Some administrative facilities
- Other taxpayer-supported operations

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.



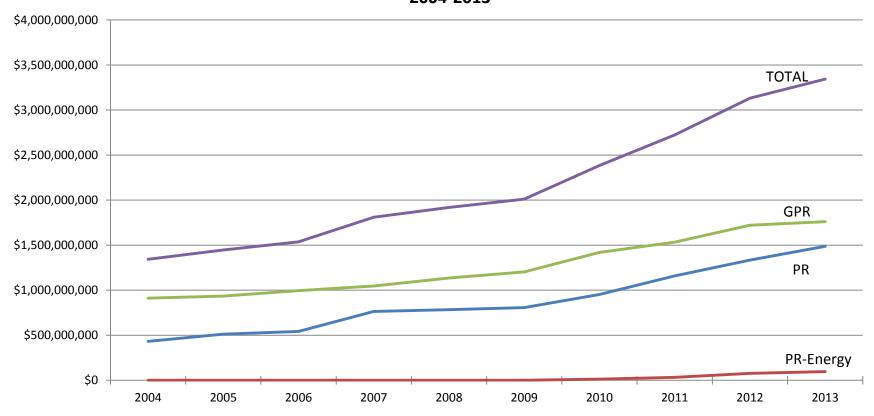
How Debt is Approved and Funded





Debt Outstanding: Principal

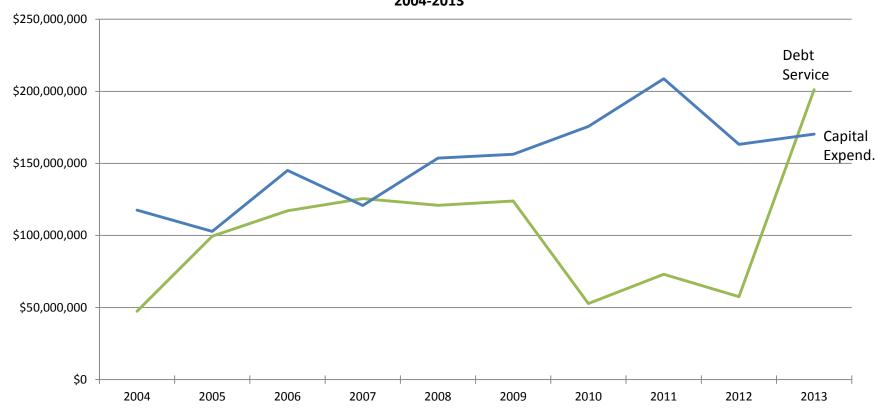
TOTAL UW INSTITUTIONS 2004-2013





GPR Debt Service and Capital Expenditures

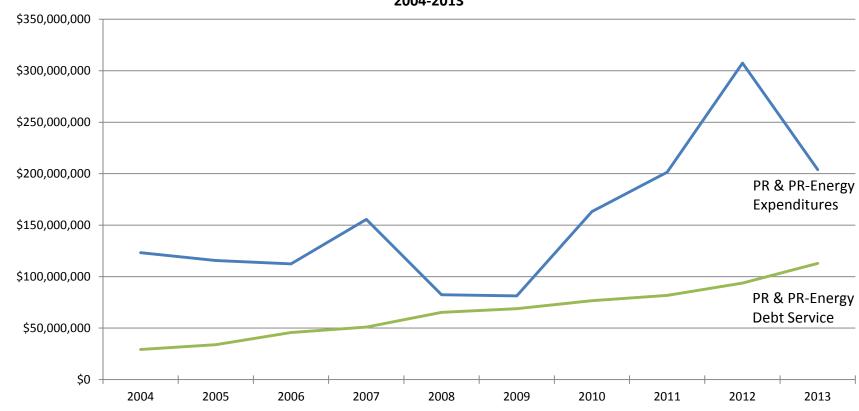
TOTAL UW INSTITUTIONS PROJECT EXPENDITURES FUNDED BY BOND AND NOTE PROCEEDS 2004-2013





PR and PR-Energy Debt Service and Capital Expenditures

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





Actual GPR Debt Service to Total GPR Appropriation

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%



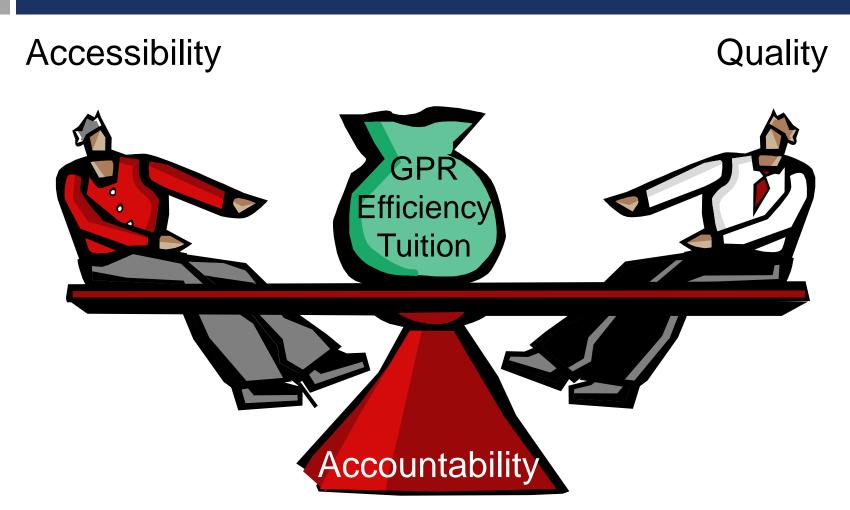
FY 2014 and 2015: Budgeted Debt

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

	2007-08	2008-09	2009-10	2010-11	2011-12	<u>2012-13</u>	2013-14	<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





2014-15 Annual Budget (UW Must Fund)



- 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



- 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?



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



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



- 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



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

	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



36 Capital Approve DFD Capital 2015-17 Budget Capital Review #1 UW Systen Budget Ranking Request Budget 2015-17 Final... Criteria to DFD Rec's * Strategic Planning Review #2 Conference Issues. Final... Review #3 04/11/12 * Origin-* Project Final.. Prepare.. Review Destination, Concepts * Institution * Agency Development Plan Agency Development Plan, Capital Development Budget Request, and All Agency SBC Legislative Briefings * Profiles Plans * Capital Budget Request Project Requests and Deliberations 10/12 12/12 02/13 04/13 06/13 08/13 12/13 06/14 08/14 10/14 02/15 03/15 06/15 08/15 12/14 2012 2014 2015 2013 Campus Planning Agency Planning by Region **Approval Process** Documentation Prioritize Prepare... Draft... Draft... Draft... Issues * All Agency * Institution * Project * Strategic Development **Project Requests** Concepts Plan * Origin-* Solutions Destination * Profiles UNIVERSITY OF Institution **UW System Administration** Division of Facilities Development Institution + UW System Administration UW System Administration + Division Facilities Development State Administration

37

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

Agency Planning by Region

Workshop #1 Refine... * Strategic Issues, * Origin-Destination, and * Profiles

Draft... * Project Concepts and * Solutions

Workshop #2 Refine... * Project Concepts and * Solutions

Draft... * Institution Development Plan

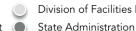
Workshop #3 Refine... * Institution **Development Plans**











Major Projects

♦ New construction, renovation, central utility extension, and remodeling

All Agency Projects

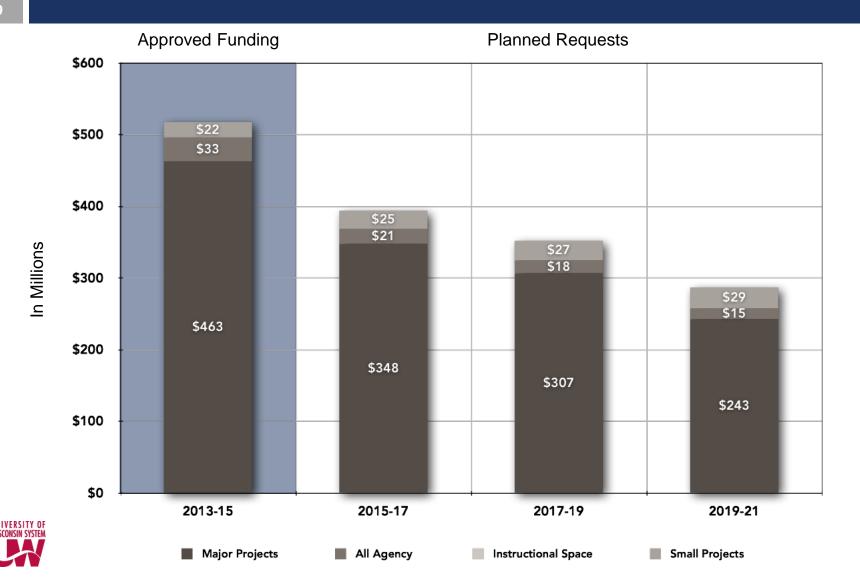
- ◆ Statewide maintenance, renovation, and remodeling (under \$3M)
- → Includes Small Projects (under \$185K)

Instructional Space Projects

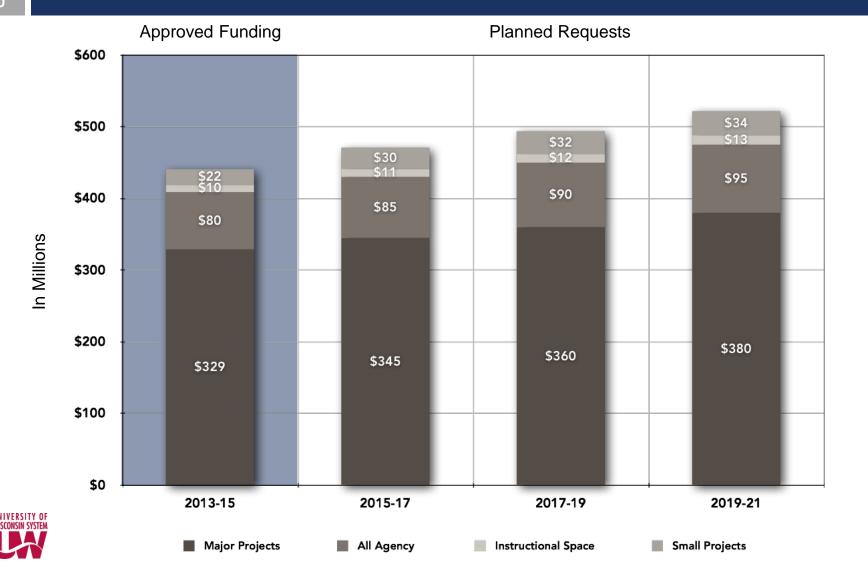
◆ Classroom and Laboratory renovation and remodeling (under \$3M)



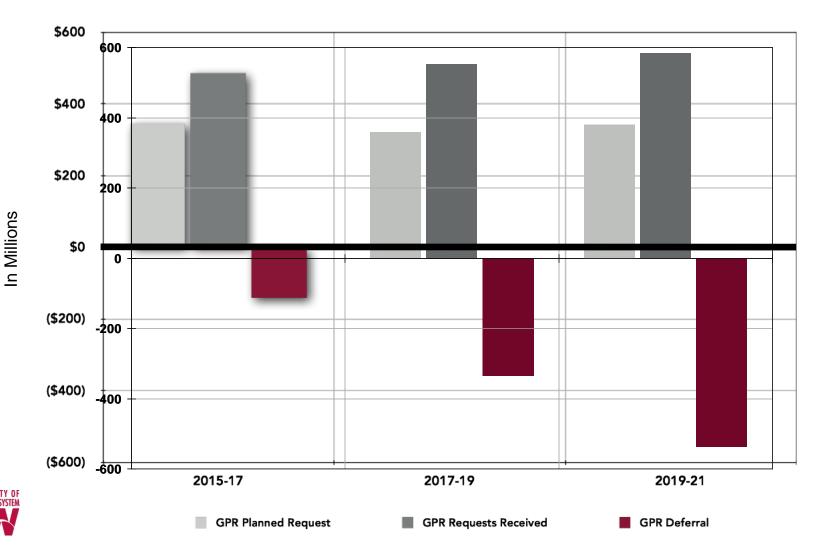
2015-17 Capital Budget: PR



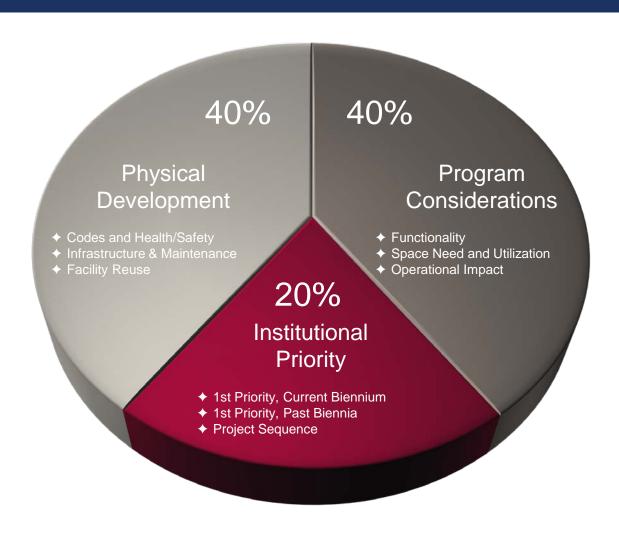




2015-17 Capital Budget: GPR



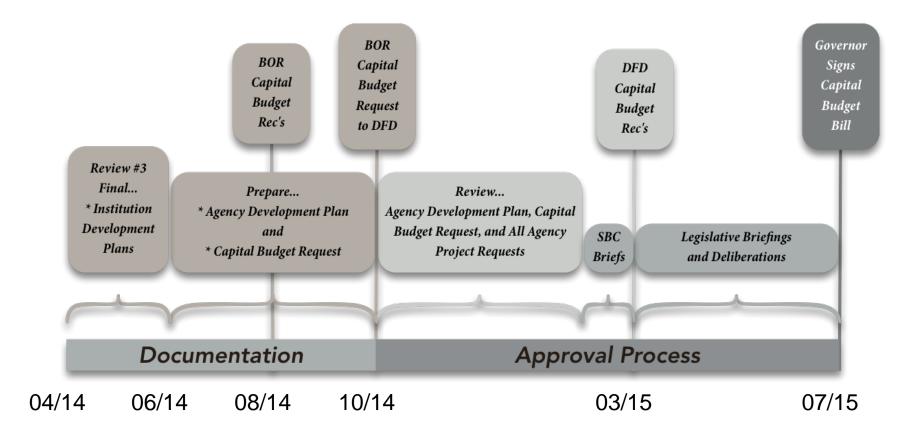






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44

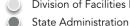












Questions and Discussion

