



**Budget & Planning**

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**February 1, 2007**

**To: Budget Officers**

**From: Renee Stephenson  
Budget Director**

**Subject: Updated 2007-08 Auxiliary Cost and Budget Building Factors**

Enclosed are updated cost and budget building factors for the 2007-08 auxiliary budget development. Several factors have changed since November, and they include pay plan (1), health insurance (2), payments for municipal services (3), property, liability and worker's compensation program cost adjustments (4), inflation (5), central utility systems (8), interest income (9), and the common system allocations (13).

Auxiliary budgets should not automatically increase by applying cost factors to every budget category. Institutions should review the budget to actual experience over the past several years and apply percentages that reflect those experiences, wherever possible. Also, examine budgeted positions and budget those anticipated to be filled in 2007-08. The System Budget Office will check to assure budgeted FTE levels are in line with the filled January 2007 position control reports. Any significant overages may require justification. Finally, the System Budget office will examine budgeted interest earnings in the context of cash reserves and market interest rates.

The threshold for 2007-08 auxiliary rate increases will be 3.9%; please see #12 under cost factors for the threshold calculation. This threshold has not changed.

The auxiliary spreadsheets, along with the timeline, instructions, and updated cost factors are available on the Budget Office website at <http://www.uwsa.edu/budplan/annualOpBudget.htm>. Please contact me at (608) 263-4422 if you have any questions about the cost factors.

cc: Vice President Deborah Durcan  
Associate Vice President Doug Hendrix  
Associate Vice President Freda Harris

**University of Wisconsin System  
Auxiliary Operations  
2007-08 Cost and Budget Building Factors  
Updated February 2007**

1) Pay Plan Increase

Pay plan increases for 2007-08 are unknown at this time. Below are the increases the Department of Administration (DOA) estimated and the Board of Regents (BOR) recommended:

	<u>Unclassified</u>	<u>Classified</u>
DOA	2.00%	2.00%
BOR	5.23%	

2) Health Insurance Cost Increases

Health Insurance premiums will increase an average of 7.4% effective January 1, 2007 (Department of Employee Trust Funds, January 2007).

3) Payments for Municipal Services

We estimate a 5% increase in Payments for Municipal Services in 2006-07 and 2007-08.

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

Premium increases for 2006-07 were 12.0% for Property, -8.30% for Liability, and -4.6% for Worker's Compensation. The Department of Administration is not expecting rate increases for 2007-08 in liability and property premiums but is estimating a 5% increase in workers compensation premiums in both 2007-08 and 2008-09. Some campuses will see larger or smaller increases as a result of loss experiences.

5) Inflation

The Department of Revenue estimates a 2.1 %<sup>1</sup> increase in inflation for 2007-08. This is given as a guideline. Please limit inflation applications to supplies and services and exclude equipment, due to the one-time nature of capital equipment purchases. Also, historical expenditure data is preferred to using inflation estimates whenever possible.

6) Fringe Benefits

Use a rate that reflects your institution's actual costs. The GPR biennial budget request uses 40.37% for permanent positions, 31.69% for graduate assistants, 1.43% for student help, and 28.03% for LTE. In addition, please remember that UW System pays the first six months of health insurance costs for new faculty and academic staff.

7) State Accounting System (WISMART)

DOA is projecting that the total billing will continue at the same rate as the 2006-07 level.

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<sup>1</sup> October 2006 Department of Revenue Estimate

#### 8) Central Utility Systems

The 2006-07 Central Utility assessment is \$4.0 million. At this time the Capital Planning and Budget Office is expecting the assessment to remain at the same level for 2007-08. Please contact Teri Reda at (608) 263-4410 for questions regarding central utility costs.

<b>University of Wisconsin System</b>	
<b>2006-07 Central Utility Costs</b>	
<b>Madison</b>	1,238,218
<b>Milwaukee</b>	309,489
<b>Eau Claire</b>	313,950
<b>Green Bay</b>	26,981
<b>La Crosse</b>	255,304
<b>Oshkosh</b>	389,369
<b>Parkside</b>	51,375
<b>Platteville</b>	198,141
<b>River Falls</b>	215,140
<b>Stevens Point</b>	283,273
<b>Stout</b>	249,543
<b>Superior</b>	130,462
<b>Whitewater</b>	338,754
<b>Total</b>	4,000,000

#### 9) Interest Income

State investment fund earning rates averaged 5.07%, as of December 31, 2006.

#### 10) Enrollments

Please use your institution's 2007-08 approved enrollment targets.

#### 11) Other Factors

WIAC support is estimated to be \$26,000 at this time. Since WIAC staff benefits are no longer funded through the UW System, payment of the assessment may come from non-GPR funds.

#### 12) Reporting Threshold

The auxiliary rate increase threshold for 2007-08 is 3.9%. This is a 3-year rolling average. Currently, DOR predicts the 2006-07 change in Wisconsin disposable income per capita (fiscal year basis) to be 4.4%. The change in 2005-06 was 3.0%, and the change in 2004-05 was 4.3%.

### 13) Common System Allocations

Auxiliary operations can be charged for their fair share of the Common System Allocations charges. These costs may be included in the Auxiliary Budgets. While the charge represents each campus' fair share of the costs, institutions have the flexibility to determine the funding sources that would be used for this charge. Below is the 2006-07 Common Systems Allocation by campus. The 2007-08 distribution will not be known until after the completion of the budget. The projected budget for common systems in 2007-08 is \$9.4 million.

#### **Fiscal Year 2007 Common Systems Allocations**

Madison	38.508%	2,505,388
Milwaukee	13.934%	799,603
Eau Claire	4.915%	285,521
Green Bay	2.550%	167,880
La Crosse	4.262%	245,334
Oshkosh	4.971%	291,392
Parkside	2.205%	147,963
Platteville	3.186%	187,258
River Falls	2.907%	185,374
Stevens Point	4.398%	271,481
Stout	4.219%	261,040
Superior	1.457%	104,083
Whitewater	4.706%	246,413
Colleges	3.600%	161,765
Extension	3.682%	469,889
SA/SYS	<u>.500%</u>	<u>63,884</u>
Total	100.000%	6,394,268

**2007-08 Auxiliary Annual Budget Timeline**

<b>Month</b>	<b>Action</b>	<b>Date</b>
November	<ul style="list-style-type: none"> <li>• SA sends out cost factors, auxiliary budget spreadsheets, auxiliary budget instructions and timeline for the 2007-08 auxiliary process.</li> <li>• Cost Factors and instructions available on the web</li> </ul>	<p>November 6</p> <p>November 10</p>
February	<ul style="list-style-type: none"> <li>• SA updates auxiliary cost factors</li> </ul>	February 1
March	<ul style="list-style-type: none"> <li>• Auxiliary transfer requests are due</li> </ul>	March 2
April— June	<ul style="list-style-type: none"> <li>• Auxiliary and Annual Budgets due for Comprehensive Campuses</li> <li>• Auxiliary and Annual Budgets due for Madison, Milwaukee, Colleges, SA, and Systemwide</li> <li>• SA checks auxiliary budget to annual budget summary</li> <li>• SA completes work for Regent Budget Book SA mails auxiliary tables for the Budget Book to the Institutions for review</li> </ul>	<p>April 16</p> <p>April 30</p> <p>April/May</p> <p>June</p> <p>June</p>
July	<p>Regents meet to act on the annual operating budget</p>	July 12
August	<ul style="list-style-type: none"> <li>• Institutions submit reserve report to Financial Administration</li> </ul>	August