



**Budget & Planning**

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**November 8, 2007**

**To: Budget Officers**

**From: Renee Stephenson  
Budget Director**

**Subject: 2008-09 Auxiliary Operations Cost and Budget Building Factors**

Included with this memo are the current cost factors to aid you in the 2008-09 auxiliary budget development process.

Auxiliary budgets should not automatically increase by applying cost factors to every budget category. Institutions should review budget to actual experience over the past several years and apply percentages that reflect those experiences, wherever possible. We continue to place emphasis on better aligning our budgets with actual expenditures, only budgeting positions anticipated to be filled in 2008-09, minimizing segregated fee increases whenever possible by taking into consideration reserve balances, and staying within the auxiliary rate increase threshold to the extent possible. This is of particular importance given that 10 of the 13 four year institutions had SEG fee increases over the 3.9% threshold in the 2007-08 Annual Budget, and six of the 14 reserve reporting institutions exceeded the 15% reporting threshold for student fee funded auxiliary reserves in our latest report to the Joint Committee on Finance.

[The threshold for 2008-09 auxiliary rate increases will be 3.7%](#); please see #12 under cost factors for the threshold calculation.

A tentative Auxiliary Annual Budget Timeline is enclosed with due dates reflected for both you and System Administration. Note that requests for auxiliary transfers from Fund 128 must be submitted by March 3<sup>rd</sup>, 2008. The Auxiliary Budget instructions and spreadsheets will be available on the Budget Office website at [www.uwsa.edu/budplan/bpd/index.htm](http://www.uwsa.edu/budplan/bpd/index.htm) by the end of next week.

The Board of Regents will meet on June 5<sup>th</sup> and 6<sup>th</sup>, 2008 to act on the 2008-09 Annual Operating Budget. Your auxiliary budget due date is April 1<sup>st</sup>, 2008 (April 15 if applicable).

Please call me with any questions or comments about the cost factors at (608) 263-4422.

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

**University of Wisconsin System  
Auxiliary Operations  
2008-09 Cost and Budget Building Factors**

1) Pay Plan Increase

Pay Plan increases for 2007-08 and 2008-09 are unknown at this time. Below are the increases estimated by the Department of Administration (DOA), and the 2007-08 Board of Regents (BOR) recommended increases.

	<u>Unclassified</u>	<u>Classified</u>
DOA (estimated)	2.00%	2.00%
BOR (included in FY08 budget)	4.00%	

2) Auxiliary Health Insurance Cost Increases

Health Insurance premiums are projected to increase approximately 7.00% effective January 1, 2008 (Department of Employee Trust Funds, August 2007).

3) Payments for Municipal Services

There are no estimates available at this time for Payments for Municipal Services.

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

Presently, the final numbers for FY08 are not available. Estimates for FY08 are: 4.5% for Property, 23.1% for Liability, and -1.2% for Worker's Compensation. 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 FY 2009. 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. Beginning in 2008-09, the state will pick up health insurance for new employees after the second month instead of the sixth. This will increase your costs.

7) State Accounting System (WISMART)

DOA is projecting that the total billing will continue at the same rate as the FY 2007 level.

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<sup>1</sup> August 2007 Department of Revenue Estimate

### 8) Central Utility Systems

There are no new estimates available at this time regarding Central Utilities for FY08 or FY09. The FY 2007 Central Utility assessment was \$4.0 million. Please contact Teri Reda at (608) 263-4410 for questions regarding central utility costs.

<b>University of Wisconsin System 2006-07 Central Utility Costs</b>			
	<b>Share of 2,000,000 Oct 20, 2005</b>	<b>Share of 2,000,000 Feb 20, 2006</b>	<b>Share of 4,000,000 Sept, 2006</b>
<b>Madison</b>	619,109	619,109	1,238,218
<b>Milwaukee</b>	154,745	154,745	309,489
<b>Eau Claire</b>	156,975	156,975	313,950
<b>Green Bay</b>	13,491	13,491	26,981
<b>La Crosse</b>	127,652	127,652	255,304
<b>Oshkosh</b>	194,685	194,685	389,369
<b>Parkside</b>	25,688	25,688	51,375
<b>Platteville</b>	99,070	99,070	198,141
<b>River Falls</b>	107,570	107,570	215,140
<b>Stevens Point</b>	141,637	141,637	283,273
<b>Stout</b>	124,772	124,772	249,543
<b>Superior</b>	65,231	65,231	130,462
<b>Whitewater</b>	169,377	169,377	338,754
<b>Totals</b>	2,000,000	2,000,000	4,000,000

### 9) Interest Income

The State Investment Fund rate for the year ended 6/30/07 was 5.40%.

### 10) Enrollments

Please use your institution's 2008-09 approved enrollment plans that reflect the growth agenda.

### 11) WIAC

Last spring, the chancellors approved a \$2,000 increase in the WIAC assessments for the 2008-09 academic year which would raise the annual assessment to \$28,000. However, they will likely revisit this at their next meeting scheduled for November 29 to determine whether this increase will be sufficient. 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 preliminary auxiliary rate increase threshold for 2007-08 is 3.7%. This is a 3-year rolling average. Currently, DOR predicts the 2007-08 change in Wisconsin disposable income per capita (fiscal year basis) to be 4.6%. The change in 2006-07 was 3.7%, and the change in 2005-06 was 2.8%.

### 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 are the 2007-08 Common Systems Allocations by campus (there is no change from 2006-07).

#### **Fiscal Year 2008 Common Systems Allocations**

Madison	2,505,387
Milwaukee	799,603
Eau Claire	285,521
Green Bay	167,880
La Crosse	245,334
Oshkosh	291,392
Parkside	147,963
Platteville	187,258
River Falls	185,374
Stevens Point	271,481
Stout	261,040
Superior	104,083
Whitewater	246,413
Colleges	161,765
Extension	469,889
SA/SYS	<u>63,884</u>
Total	6,394,267

### 14) Veterans' Remissions

Funding for veterans' remissions was included in the Higher Education Aids Board 2007-09 Biennial Budget. The funding is estimated to cover 21 to 23% of the 2007-09 remission costs based on increases in population, tuition rates, and the expansion of veterans' benefits to 100%. In planning segregated fee rates for 2008-09, please assume that any segregated fees remitted in the 2006-07 year will not be recuperated, and any growth in the program for 2007-08 and 2008-09 should be factored into your 2008-09 segregated fees rates.

**2008-09 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> </ul>	November 8
	<ul style="list-style-type: none"> <li>Cost Factors and instructions available on the web</li> </ul>	November 16
January	<ul style="list-style-type: none"> <li>SA updates auxiliary cost factors</li> </ul>	January
March	<ul style="list-style-type: none"> <li>Auxiliary transfer requests are due</li> </ul>	March 3
April— May	<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</li> <li>SA mails auxiliary tables for the Budget Book to the Institutions for review</li> </ul>	April 1
		April 15
		April/May
		May
		May
June	<ul style="list-style-type: none"> <li>Regents meet to act on the annual operating budget</li> </ul>	June 5 & 6
August	<ul style="list-style-type: none"> <li>Institutions submit reserve report to Financial Administration</li> </ul>	August