Operating Budget Overview

Tuesday, August 22, 2017
Agenda

• Introductions
• 2017-19 Biennial Budget Update
• Operating Budget Overview
• Types of Funds
• Marginal Tuition Revenue / New Budget Model Update
Wisconsin has a biennial budget process

- Governor and Legislature develop a two-year budget for the state.
- Fiscal year 2017-18 is the first year of the 2017-19 biennium. For the first year of the biennium, UW System campuses build the operating budget without knowing final funding levels.
State’s biennial budget provides the foundation for UWM’s annual operating budget

- Funding levels
- Tuition: the Governor/Legislature can:
  - Limit tuition increases
  - Freeze tuition
  - Reduce tuition
- Flexibility/Control
2017-19 Biennial Budget Timeline

- **Spring 2016** – DOA gives biennial budget instructions to state agencies
- **August 2016** – Board of Regents takes final action on UW System biennial budget request
- **September 2016** – Board of Regents submits UW System biennial budget request to DOA
- **Sep. 2016 to Feb. 2017** – Development of Governor’s budget
- **February 2017** – Governor presents his budget to the Legislature
- **February to June 2017** – Joint Finance Committee and Legislature work on budget
- **July 1, 2017 (typically)** – Biennial budget is enacted. Possible Governor’s vetoes
The Legislature has not yet completed work on the 2017-19 biennial budget

BOR approved the UW System operating budget for 2017-18 at its July meeting

• Based on Joint Finance Committee action on UW System budget
Major Highlights of JFC action on UW System budget:

**Performance funding:** $26.25 M in 2018-19
- Distribution based on performance metrics
- Performance measured compared to peer institutions with similar missions
- BOR will develop metrics and present funding formula to JFC next Spring

**Innovation fund:** $5 M in 2017-18
- Distributed through a competitive process
- Increase enrollments in high demand degree programs
- One-time funding

**Return of lapse:** $25 M annually
- UWM share: $5.1 M
2017-19 Biennial Budget

**Tuition Freeze**

- Tuition freeze for resident undergraduate students has been in effect since the 2013-15 biennium
- JFC action continues the tuition freeze for the 2017-19 biennium

**Compensation Plan**

- JFC approved 2% increase effective September 30, 2018 and an additional 2% increase effective May 26, 2019
- Distribution based on merit
- Tuition portion of pay plan not funded
Operating Budget Overview

Source of Funds
2016-17 Budget

- Student Tuition: 28%
- State Taxes: 18%
- Auxiliary Enterprises: 15%
- Federal Financial Aid: 28%
- Federal Grants & Contracts: 6%
- Non-federal Gifts & Grants: 2%
- Other Operating Receipts: 2%
- All Other: 1%

Total Operating Budget: $667 Million
Changing Budget Landscape
State Support & Tuition in Relation to Overall Budget
Operating Budget Overview

Use of Funds by Program
2016-17 Budget

- Instruction: 22%
- Research: 9%
- Student Services: 9%
- Institutional Support: 5%
- Student Aid: 29%
- Academic Support: 7%
- Public Service: 3%
- Physical Plant: 5%
- Debt Service: 4%
- Auxiliary Enterprises: 7%

Includes Federal Financial Aid: $186 Million
Operating Budget Overview

Use of Funds by Program
2016-17 Budget

Excludes Federal Financial Aid: $186 Million
Operating Budget Overview

Use of Funds by Major Expenditure
2016-17 Budget

- Salaries: 47%
- Fringe Benefits: 20%
- Supplies & Services: 23%
- Capital: 2%
- Debt Service: 6%
- All Other: 2%

Excludes Federal Financial Aid: $186 Million
Types of Funds

• General Purpose Revenue Funds
• Extramural Support Funds
• Program Revenue Funds
Types of Funds

General Purpose Revenue Funds

Money comes from:
• Tuition and fees
• State tax dollars

Fund 101 is UWM’s largest GPR fund: $224 M in 2016-17
Types of Funds

Extramural Support Funds

Money comes from:

- Federal financial aid
- Grants and contracts to support research, instruction and other scholarly activities
- Gifts
- Indirect cost recovery on extramural awards
Program Revenue Funds

Money comes from:

- Segregated fees
- Fees charged for services provided by auxiliary units, such as University Housing and Restaurant Operations
- Special course fees
- User fees
- Credit and non-credit outreach
Marginal Tuition Revenue

What is marginal tuition revenue?

• Fund 101 tuition revenue related to enrollment changes
• Shared 80% schools and colleges / 20% campus
What’s included in marginal tuition revenue?

• Tuition charged to student, less remission
• Instructional and non-resident tuition
• Remissions: revenue foregone
• Reimbursed for veterans’ remissions
Marginal Tuition Revenue

How is marginal tuition revenue calculated?

Graduate model:
• Based on tuition revenue generated by each school’s enrollments

Undergraduate model:
• Tuition revenue is pooled at the campus level
• Credits are weighted by level of course
• Revenue is distributed based on each school’s credits
MARGINAL TUITION
AT A GLANCE

TUITION REVENUE

ENROLLMENT CHANGE (+/-)

MARGINAL TUITION POOL

UNDERGRAD MODEL
(Based on weighted FTE credits)

GRAD MODEL
(Based on each school’s net tuition assessments)

80% TO SCHOOLS/COLLEGES

20% TO CENTRAL CAMPUS POOL
New Budget Model

Budget Model Working Group recommendations to sponsors: March 2016

Budget Model Support Team

• Currently working on modifications to the design of the new budget model
• Based on issues identified by the Chancellor and the campus community
New Budget Model

Allocate additional resources towards UWM’s research mission

Develop guidelines for the allocation of subvention funds for:

• Support Operations & Services
• School/College supplements
• Strategic initiatives

Current timeline: new budget model implemented for the FY19-20 budget