To: Dennis J. Shields  
From: Robert Cramer  
Date: May 7, 2014  
Re: Budget Decisions Summary for 2014-15

**Background**

In March 2014 and April 2014 presentations were made to senior staff, governance groups, and others regarding budgets for 2014-15 and thereafter. Feedback was received from several groups and individuals regarding options for moving the university towards a stronger financial position while addressing specific issues such as compensation and carryover funds.

Based on this input and updates to financial projections, the following budget decisions were made for 2014-15 and thereafter.

1. **TSI Incentive Grants** – TSI Incentive Grants will remain in place for the 2014-15 school year for new ($1,000) and returning students ($500).

   The institution will assess options for setting the TSI premium in the future, the appropriate levels of incentive grants, future marketing, and retention. One option is to establish an internal study group to assess these issues. A second option is to hire an outside firm to assist with the review. Senior staff will review these options and make a recommendation to the Chancellor by June 2014.

2. **TSI Premium** – The premium will increase by $400 to raise an additional $600,000 in 2014-15 to address a portion of the costs of pay plan and fringe benefit increases.

   The Board of Regents authorized the Chancellor and Provost to set the premium annually, up to an amount equal to undergraduate resident tuition ($6298). The current premium is $4,000. A $100 increase in the premium generates about $150,000 in additional revenues. The 1% pay plan for employees cost about $64,000 in 2013-14 and will cost about $85,000 in 2014-15. Budgeted fringe benefits increased by about $1.3 million from 2012-13 to 2013-14. Actual 2013-14 fringes are not yet known. Estimated amounts for 2014-15 show an additional increase of $15,000 for fringe benefits. Continuing the incentive grants for returning students is projected to cost about $530,000 in 2014-15. A $100 increase in the premium would cover the 1% pay plan for 2013-15; an $874 increase would cover the budgeted fringe benefits; and a $704 increase would cover the incentive grants. This would total $1,678 and was not considered.
3. **Ongoing Base Budget Reductions** – For 2014-15 and thereafter base reduction amounts are the same as 2013-14. Colleges and divisions can again decide whether to use base reductions or one-time funds in 2014-15. The table below shows the “Total Reduction” for each division in 2014-15 and thereafter.

In 2013-14 operating budget reductions were allocated to colleges and divisions based on a 5% / 7% split of academic and non-academic areas. The table below summarizes college and division allocations of these reductions and how they were addressed in 2013-14.

After 2014-15, additional information (the 2015-17 budget) will be available and remaining reductions need to be base rather than one-time.

<table>
<thead>
<tr>
<th>Division</th>
<th>Base Reduction</th>
<th>One-Time Reduction</th>
<th>Total Reduction</th>
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<tr>
<td>Administrative</td>
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<td>Services</td>
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<td>-</td>
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<td>Total</td>
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<td>$3,021,743</td>
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</table>

4. **Compensation Increase** – It was decided to add $350,000 in 2014-15 base funding from TSI fringe savings to increase funding for faculty compensation.

The projected core financial model includes $650,000 in base funding in 2013-14 for augmented compensation for all employees; this increases to $750,000 in 2014-15, $800,000 in 2015-16, and $1 million thereafter. These amounts will be preserved.

Faculty compensation continues to be a problem for the institution. The most recent report from the 2013-14 AAUP Faculty Salary Survey, reported in the Chronicle of Higher Education, shows UW-Platteville at the 7th percentile of its peer group, as defined by the Chronicle. See [http://chronicle.com/article/2013-14-AAUP-Faculty-Salary/145679?cid=megamenu#id=table](http://chronicle.com/article/2013-14-AAUP-Faculty-Salary/145679?cid=megamenu#id=table) and [http://chronicle.com/article/2013-14-AAUP-Faculty-Salary/145679?cid=megamenu#id=240462](http://chronicle.com/article/2013-14-AAUP-Faculty-Salary/145679?cid=megamenu#id=240462). Adjusted for inflation, the survey indicates that average salary for a full professor has declined from $87,000 in 1999-00 to $69,000 in 2013-14. For 2014-15, $331,000 of the $750,000 will be allocated for faculty based on the distribution model to date.

Amounts for other employees will be continued. A greater focus on faculty compensation is needed to address recruitment and retention in order to achieve the institution’s strategic plan priority of providing an outstanding education.
5. **TSI Budget Reduction 2014-15 – It was decided to not reduce TSI budgets at this time.**

The TSI model for 2014-15 includes enrollment projections based on Fall 2013 information. The model is projected to have a positive but declining balance from 2013-14 to 2015-16, and a negative balance thereafter. Options were presented to reduce spending by about $1.1 million during the development of the budget.

The premium will increase as noted above under #2. Enrollment for Fall 2014 will be reviewed in October 2014 after the sixth week of the semester. If reductions are needed, the amounts will be determined at that time and will be one-time funds in 2014-15.

6. **Re-establishment of Capital / Lab Mod Funding – For 2014-15, one-time funding of $500,000 will be budgeted for lab mods and capital.** This will come from utility savings from 2013-14, transferring a portion of the cash balance from the career center’s career fair, and a portion of the balance from unspent strategic plan funds. In addition, a portion of the 20% carryover that is held centrally would be used to ensure that $500,000 is available. The three academic deans will meet to discuss allocations and then consult with appropriate governance groups. The Vice Chancellor for Administrative Services will also be consulted. A plan will be recommended to the Chancellor by October 15, 2014.

Faculty Senate voted in 2012-13 to reestablish the capital / lab mod funding program. This had been funded at $271,321 (lab mods) and $103,560 (capital) in the past. It was eliminated once UWS moved the funding from earmarked accounts to the block grant for the university. Faculty Senate reiterated the position that this should be restored in 2013-14. Historically, the amount of funding available was significantly less that the amount requested in both programs, and UABC received requests from each college and other divisions for funding.

7. **Budget Management Principles – revisions to the existing budget management principles were reviewed.** The following changes to the principles are made:

   a. **Budget Carryover – 80% / 20% Split – starting with 2013-14, colleges and divisions may request a maximum of 80% of available carryover funds.** The other 20% will be retained centrally to improve the core financial model or for specific one-time expenditures as communicated in August of each year; these will not be available for ad-hoc requests during the year. Other carryover funds not approved in August of each year will also be allocated in August or set aside as a fund balance until the next annual budget cycle.

   b. **Carry Over Fund Expenditures – the Vice Chancellor for Administrative Services will review college and division budgets and expenditures monthly; a report will be provided to the Chancellor, Provost, deans, senates, and senior staff quarterly regarding expenditures. Any funds carried-over from the prior fiscal year, not expended or encumbered by the end of quarter two, may be reallocated from the college or division.** The second quarter report will note the funds that are being reviewed for reallocation. Colleges and divisions will have two weeks to object to the reallocation.

   c. **Current Year Expenditures – the Vice Chancellor for Administrative Services will review college and division budgets and expenditures monthly; a report will be provided to the Chancellor, Provost, deans, senates and senior staff quarterly**
regarding expenditures. **If a college or division is not utilizing budgeted funds, the Vice Chancellor will review the situation with the dean or division head and may recommend reallocation of funding to the Chancellor during the current year.**

d. TSI Fringe Benefit Savings – starting with 2014-15 savings, these will be retained centrally by the institution rather than included in amounts that colleges and divisions may request as carry-over. The funds will be used to support the additional augmented compensation for faculty. Any remaining funds will be used to improve the core financial model. Based on past experience, more than the recommended $350,000 will be available annually from savings in this area.

e. Position Control – the Provost will review all vacant positions, communicate with governance groups as appropriate on vacancies, and allocate positions consistent with any restrictions imposed by funding sources, and report on decisions. For positions in colleges, deans will be consulted before decisions are made. For positions in other divisions, senior team members will be consulted.

f. New Positions – the Provost will review all requests for new positions and communicate with governance groups, as appropriate, and report on decisions.

g. Internal University Loans – colleges and divisions may request loans from university balances to purchase equipment and other one-time items including facility expenditures. Loans will be repaid based on an agreed-upon schedule not to exceed five years. This will allow colleges and divisions to purchase needed equipment and other items instead of waiting several years to accumulate adequate balances in their accounts.

h. Salary Savings from New Positions – Colleges and divisions will keep salary savings related to existing positions as vacancies or savings accrue; for newly created positions that have not been filled, savings accrue centrally until the first time the position is filled, whether with an interim hire or otherwise.

8. **Cost Recovery Program Assessments** – UW-Platteville currently assesses cost recovery programs, such as alternative delivery, the School of Education, and other cost recovery programs a range of overhead charges. The Department of Financial Services will establish a work group to review current UW-Platteville practices and policies, UW System and Board of Regent policies, and policies from other institutions. The group will make recommendations to the Chancellor by October 1, 2014 for consideration in the development of 2015-16 budgets.

9. **Informational - Targeted Program Revenue Balances** – The Board passed a revised policy on balances and reserves, with a shift in emphasis from “reserves” to “balances” in the document. The Joint Committee on Finance acted on the policy May 7, moving to a 0% to 12% balances range in addition to other changes. We will update our financial policies and projections to reflect the action of the committee.

10. **Informational - Tuition Freeze Discussion** – The Governor and several legislators have recommended extending the 2013-15 “tuition” freeze through 2015-17 based on 2012-13 closing balances across UWS in excess of $1 billion. The 2013-15 freeze was on undergraduate resident tuition. The Board of Regents expanded this to all tuition. For 2015-17 the details of what a freeze may look like are not known; however, expecting it to be for undergraduate resident students seems reasonable. The impact on UW-Platteville revenue is about $500,000 per year for each 1% tuition increase. For TSI, a 1% tuition increase generates about $127,000 annually. The financial model developed in March 2014 included
an anticipated 2% tuition increase in 2015-17 and thereafter. Therefore, for 2015-17, the overall impact of a tuition freeze is about $3 million over the two years.

11. Informational – Potential Budget Changes for After 2014-15 – The institution will need to plan additional reductions after 2014-15 to address current financial projections. These were projected as part of the budget presentation in March and are summarized in the table below. Note that these projections were based on the 10% - 15% policy draft and will be updated for the action by the Joint Committee on Finance.

Please contact me or Cathy Riedl-Farrey regarding any of these items.

cc: Senior Team
Deans
Faculty Senate Chair
Academic Staff Senate Chair
Student Senate President
Classified Staff Senate Chair
UABC Chair
Cathy Riedl-Farrey