



August 26, 2014

Report Due Date: October 31, 2014

MEMORANDUM

To: Deans and Directors

From: Rebecca Blank, Chancellor

Sarah Mangelsdorf, Provost

Darrell Bazzell, Vice Chancellor for Finance and Administration

Re: Budget Reduction Planning Exercise

We are writing to you today to request your assistance in identifying short- and long-term strategies for dealing with anticipated fiscal challenges.

As you know, the 2013-15 Biennial Budget resulted in a significant structural shortfall for the University of Wisconsin System. The total shortfall of \$62 million per year by the second year of the biennium and continuing forward on a permanent basis was the combination of two factors:

- The budget imposed a \$33 million per year permanent GPR base budget reduction for the UW System.
- The budget imposed a tuition freeze for the UW System, which meant that approximately \$29 million in continuing annual costs for the 2013-15 compensation plan, which traditionally would have been covered through tuition increases, instead remain unfunded.

UW-Madison's share of the total \$62 million annual shortfall as determined by the Board of Regents is approximately \$23.5 million. This amount was assigned to the campus as a permanent base budget cut to Fund 101. For the 2013-15 biennium, the approach we have followed is to set aside central campus balances to cover the annual shortfall, in a sense treating it as an annual lapse requirement instead of a base reduction. This has allowed us to reduce our tuition reserves substantially, as requested by the state legislature. Thus, your units were not assigned permanent reductions and/or lapse requirements in 2013-14 and 2014-15.

Office of the Chancellor

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This approach to offsetting the annual shortfall is not sustainable. If the funding shortfall is not restored by the state in the 2015-17 Biennial Budget, we will have no other choice but to allocate the annual shortfall to units in 2015-16 in the form of permanent Fund 101 reductions. The Board of Regents is seeking partial restoration of the structural deficit in its 2015-17 budget request.

The \$23.5 million reduction is significant and equates to approximately 4 percent of the combined operating budgets of Fund 101 units. Given the size of this potential reduction, it is critical that we as an institution begin planning as early as possible. We must make sound, reasonable and well-informed decisions about how to implement reductions that are best aligned with our strategic missions and preserve quality and accessibility for our students and other key partners and core constituents.

Hence, we are asking all Fund 101 units to develop detailed budget reduction plans for implementing cuts in 2015-16. We would like to stress two points regarding this exercise:

- At this stage, it should be clearly understood that this process is only a planning exercise. We will not have clarity on our need to go forward with permanent reductions until the 2015-17 Biennial Budget process is resolved, many months from now.
- Should some reductions be necessary they will not be conducted on an across-the-board basis.
- If we do have to make significant cuts, we will look for opportunities across the university and not focus solely on Fund 101 budgets. We will look at auxiliary unit budgets, at program-revenue funds, and at other sources.

Thus, for this planning exercise we ask that you develop detailed scenarios at three stratified levels of reduction: 2 percent, 4 percent, and 6 percent. The attached table shows the amount that would be assigned to your unit at each level, based on the current year Fund 101 budget. We strongly encourage you to consider how you would target these cuts inside your organization, rather than making across-the-board cuts.

We realize that short-term solutions may be necessary to manage the reductions, and that it may take several years for you to implement your reduction in a manner that best supports your core mission and the strategic future of your school, college or other unit. To the extent that you will need to use a short-term approach, we ask that you describe both your short-term and long-term strategies.

Please submit your plan to Lisa Walters in the Office of the Vice Chancellor for Finance and Administration at lwalters@vc.wisc.edu by October 31, 2014 using the attached template. Note that there are three templates, one for each level of reduction.

Thank you for your ongoing commitment to the responsible stewardship of resources. By working together and in a strategic manner, we will best be able to address our budgetary challenges while preserving the high-quality programs and services we provide to our students and the citizens of Wisconsin.

Attachments

xc: University Committee
 Academic Staff Executive Committee
 Classified Staff Executive Committee
 Gen Carter, Chair, Associated Students of Madison
 Associate Vice Chancellor Tim Norris
 Lisa Walters

UW-Madison
2015-16 Budget Reduction Planning Exercise

<u>Unit</u>	2014-15 Adjusted Budget	2% Reduction Distribution	4% Reduction Distribution	6% Reduction Distribution
<u>Academic Units</u>				
College of Ag & Life Sciences	46,081,078	921,622	1,843,243	2,764,865
Div of International Studies	2,334,209	46,684	93,368	140,053
School of Business	20,356,120	407,122	814,245	1,221,367
School of Education	23,760,011	475,200	950,400	1,425,601
College of Engineering	35,603,183	712,064	1,424,127	2,136,191
School of Human Ecology	5,908,609	118,172	236,344	354,517
Graduate School	22,259,367	445,187	890,375	1,335,562
Inst for Cross-Col Biology Ed	734,145	14,683	29,366	44,049
Gaylord Nelson IES	3,337,127	66,743	133,485	200,228
Law School	15,047,124	300,942	601,885	902,827
College of Letters & Science	147,987,645	2,959,753	5,919,506	8,879,259
Medical School & Public Health	55,574,842	1,111,497	2,222,994	3,334,491
School of Nursing	7,661,907	153,238	306,476	459,714
Psychiatric Institute	344,289	6,886	13,772	20,657
School of Pharmacy	9,960,179	199,204	398,407	597,611
School of Veterinary Medicine	17,619,300	352,386	704,772	1,057,158
Division of Continuing Studies	<u>7,711,656</u>	<u>154,233</u>	<u>308,466</u>	<u>462,699</u>
Subtotal Academic Units	422,280,791	8,445,616	16,891,232	25,336,847
<u>Support Units</u>				
GEA- Univ Admin	4,161,296	83,226	166,452	249,678
Vice Provost for Diversity	5,300,456	106,009	212,018	318,027
Academic Advising	2,199,775	43,996	87,991	131,987
Vice Chancellor for Admin	3,069,332	61,387	122,773	184,160
Off of Human Resources	4,924,091	98,482	196,964	295,445
VC for University Relations	3,536,531	70,731	141,461	212,192
Off of Quality Improvement	454,832	9,097	18,193	27,290
Office of Legal Services	1,637,369	32,747	65,495	98,242
Research and Sponsored Programs	5,049,456	100,989	201,978	302,967
Instructional Support	404,335	8,087	16,173	24,260
Business Services	4,630,425	92,609	185,217	277,826
Division of Student Life	2,885,703	57,714	115,428	173,142
Enrollment Management	8,480,741	169,615	339,230	508,844
Div of Information Technology	24,241,013	484,820	969,641	1,454,461
General Library	17,403,116	348,062	696,125	1,044,187
University Health Services	1,854,283	37,086	74,171	111,257
Officer Education	207,199	4,144	8,288	12,432
Facilities Planning & Mgmt	42,502,722	850,054	1,700,109	2,550,163
Univ Police Department	8,237,392	164,748	329,496	494,244
Miscellaneous Units	<u>265,260</u>	<u>5,305</u>	<u>10,610</u>	<u>15,916</u>
Subtotal Support Units	141,445,327	2,828,907	5,657,813	8,486,720
Grand Total	563,726,118	11,274,522	22,549,045	33,823,567