WISCONSIN
UNIVERSITY OF WISCONSIN–MADISON

Date: 11/25/2024

To: UW-Madison Budget and Finance Officers

From: Natalie Feggestad, Budget Director

Subject: **FY26 Uniform Composite Fringe Benefit Rates**

Beginning in FY26, the Universities of Wisconsin, including UW-Madison, will be transitioning to uniform fringe benefit treatment across all funds. Each campus will have its own fringe benefit rates calculated based on its own employee salary and fringe benefit expenses.

Under the current system, we utilize three different fringe benefit treatments depending on fund type: GPR funds are covered centrally, gift and grant funds are charged sponsored projects fringe benefit rates by employee category and other operational funds such as 128, 131, 136 along with 150 are charged actual fringe expenses. Under the new approach, all funds will be charged the same composite fringe rates by employee category, using the same employee categories that were used in prior year sponsored projects fringe rates.

As part of the FY26 budget build, divisions will follow the same process for salary budgeting in PlanUW as they have in the past. Fringe budgets will automatically calculate based on the salary budget for each employee category. For GPR funds, campus will hold divisions harmless by supplementing each division's planning allocation with an amount equal to fringe benefit budget calculated by PlanUW.

With a few exceptions for units that are provided base budget on non-GPR funds, campus will not be providing funding to cover additional fringe expenses on non-GPR funds resulting from the change in fringe treatment.

FY24 – FY25 Composite Fringe Benefit Rates

(FY25 is pending DHHS approval, FY26 has not yet been submitted to DHHS for approval)

Category	FY24	FY25	FY26
Regular Faculty and Academic Staff	36.5%	34.3%	31.5%
Regular University Staff	37.8%	38.5%	39.5%
Research Associates and Grad Interns	19.8%	18.9%	20.9%
Research Assistants, Project Assistants, Teaching Assistants, Pre-Doc Fellows and/or Trainees	22.5%	20.5%	18.9%
Post-Doc Fellows and/or Trainees	16.4%	16.2%	15.6%
Limited Term Employees (LTEs)	4.8%	10.5%	11.0%
Ad Hoc Program Specialists, Undergraduate Assistants and Undergraduate Interns	6.8%	5.0%	14.9%
Student Hourly Employees	1.5%	3.2%	2.3%

It is unlikely that DHHS will approve the FY26 rates prior to the beginning of the FY26 budget build. However, we will build the FY26 budget using the calculated rates identified in the above table. If the approved rates vary from the calculated rates, campus will adjust FY26 divisional GPR budgets to reflect the new rates.

Other considerations:

- Campus will supplement GPR budgets for additional fringe costs resulting from pay plan increases, campus compensation fund exercises and supplemental funding for graduate assistant stipends.
- Divisions will need to ensure they have sufficient salary and fringe budget to cover fringe costs associated with personnel actions outside of CCF including salary increases and lump sum payments or filling a position in an employee category with a higher fringe rate than the one in which it was budgeted. If you have the salary built into your budget, the associated fringe will be part of the budget as well so this should not be an issue unless the budgeted salary is in a different employee category than the actual salary expense.
- Due to the upcoming implementation of new budget approach in FY27, academic units will not be allowed to swap non-salary budget for salary and fringe budget in FY26 as this will create challenges establishing base budgets and in de-pooling our fund 131 tuition revenue from the fund 101 budget.
- Non-academic units may be allowed to swap non-salary budget for salary and fringe budget on a very limited basis.

Fiscal Year-end

- Units with positive budget balances in fringe expenses on GPR funds at year-end will not be able to carryover that balance to the next year.
- Units with negative budget balances on fringe expenses on GPR funds will have to cover the overage from non-salary budget, or transfer salaries off GPR funding to balance the salary and fringe to the budget.

Why is this the case? The State establishes the GPR fringe budget for UW System as a whole. At the end of the fiscal year, System can request a fringe supplement from the State, *only* if the System-wide fringe expenditures exceed the original budget allocation (which is the norm). As a result, if one campus underspends on fringes, the available fringe budget will be transferred to another campus that exceeded its fringe budget. As a campus, we do not get to keep fringe savings; therefore, we do not have the ability to allow divisions to retain fringe savings for carryover. On the other side of the equation, we cannot allow divisions to exceed their fringe budgets without consequence, as there is a limit to the fringe supplement available from the State. We cannot assume the risk of covering unfunded fringes should the State supplement be insufficient to cover the overage.