

Office of the Provost
University of Illinois at Urbana-Champaign
BUDGET REPORT GUIDANCE FOR FY19:
CENTRALLY-BUDGETED ADMINISTRATIVE UNITS

3 November 2017

The State of Illinois' recent budget impasse ended in July 2017. Allocations for Urbana-Champaign from the University of Illinois System Offices include funding for the remaining FY17 appropriations, Monetary Award Programs (MAP) support for FY17 and FY18, and FY18 funding at 87.6% of FY15 levels. These reductions are coupled with shifts in benefit and pension costs to the university. Despite the reductions and shifts in costs, the University of Illinois is in a stable financial position moving forward as result of careful financial planning and university-wide cost reductions that exceeded \$69 million the past two fiscal years. We remain committed to developing strategies to further reducing our reliance on direct funding from the State of Illinois. These strategies will require reducing costs, reorganizing within and among units, and investing strategically to grow our net revenue.

Our plan for FY19 is to be both strategic and efficient while making critical investments for our future. In FY18, each college and research institute contributed resources to a \$10.6 million investment pool that funded eighteen projects that address high and emerging growth opportunities. Because the reductions colleges and units have taken these past two years have impacted hiring, retention and investments, we will reduce the fixed individual college contributions to the investment pool by 50% in FY19. As in FY18, we will invest these funds in a non-recurring manner in projects to seed net revenue generating activities, to provide bridge funds for the expansion of existing revenue-generating activities, to invest in automating processes, to motivate reorganization, and to co-invest in new instructional facilities and projects. Our goal continues to be investing in the future to improve our financial viability and reducing our reliance on State of Illinois financial support.

To continue making progress in this strategy, we are implementing the following initiatives in our FY19 planning process:

- We are asking all university units—activity-based, centrally-budgeted academic and centrally-budgeted administrative—to continue the process of developing plans that significantly reduce their financial dependence on the State of Illinois. Activity-based units are defined as colleges, schools, and research institutes—those units that generate a significant share of their revenues through their direct activities.
- Leaders of all activity-based units will once again have the opportunity to provide investment proposals that have the potential to provide net additional revenue; thus, we are once again asking all activity-based units to contribute recurring resources to an investment pool. Each unit will be asked to provide one-half of the fixed, recurring amount that was used for each unit during FY18 planning.
- Leaders and the senior budget officers of all activity-based units and larger centrally-

budgeted units will meet and discuss their reports, plans and investment proposals with the Provost and the Provost's staff. We may provide some unit-specific questions in advance to address in your meeting. The Administrative Budget Committee (ABC) will review the remaining centrally-budgeted units. Because of the large number of centrally-budgeted units, all will prepare plans, but only selected units will meet with the ABC in a given year.

- The unit reports and the attendant review and discussion will be considered and factored in the formulation of a draft university-wide budget plan for FY19 by the Provost Office. This draft budget plan will be reviewed and revised under the guidance of the Campus Budget Oversight Committee (CBOC) and the Council of Deans and subsequently shared with the Faculty Senate. We will share all budget reports with both CBOC and the Council of Deans.
- We have shaped the budget guidance for both activity-based and centrally-budgeted units to prioritize strategic efforts to reduce administrative overhead and costs, as well as to generate additional net revenue.

The remainder of this document provides additional details on the plan outlined above and specific guidance for the preparation of centrally-budgeted unit reports.

Budget Report: Metrics

Please include reference to the financial metrics provided in preparing your report. The metrics are obtained from common data sources, including the Campus Profile, and other standard financial reports. Note that these metrics, along with standard accounting information, will be reviewed in conjunction with your report. If you have questions on the financial template, please contact Suzanne Rinehart (srinehar@illinois.edu).

Financial Metrics*

This table provides five years of data for the following items:

- Budget (state, tuition, and ICR)
- Non-state funds (grants, gifts, self-supporting)
- Carryover balances
- Deficit balances
- Staffing trends

Report Components

There are just three required sections for the report, as described below. Please be sure to follow the requested format.

Unit Introduction

Please explain the most important functions of your unit, how they support the institutional mission, protect or promote the campus's reputation, and why the functions are best performed centrally. Indicate how the unit budget is aligned with these functions.

Actions Taken

The ability to understand the financial implications of strategic decisions, accurately project expenditures, and monitor spending is critically important in this environment. For last year's report, units were asked to complete a financial template* predicting FY17 expenses and forecasting for FY18-20. Please review FY17 unit actual expenditures and explain any variances where expenses exceeded 10 percent of the predicted value. For FY18, compare expenditures-to-date to your FY18 budget allocation document. Please explain any variances where expenses using the current burn rate will exceed your FY18 allocation. If you did not complete the financial template for last year's report, please explain how you are forecasting and managing your unit's expenditures.

Please describe how last year's planning process informed your unit's ability to meet the reductions necessitated by the FY18 allocation sheet, if applicable. To what extent has your unit implemented the plans described in last year's report?

Supplement this section with any other relevant information on activities undertaken in longer range planning, benchmarking, or programmatic evaluation and prioritization. Please address relevant financial metrics such as cash balances and deficits. The committee is also interested in the alignment of financial resources to the essential functions of the unit. Provide information on programmatic accomplishments *only* if there was a relevant financial aspect. For example, if your unit was able to improve a certain process such that savings were achieved, or if a new "unfunded mandate" made your planned reductions difficult to implement, please discuss.

Financial Scenarios and Actions Planned

Please address the budget reduction scenarios described below in your report. Identify actions that would be taken by your unit to address the cuts. Avoid ideas that simply shift costs or would involve charging other units for services that they currently receive at no charge.

- 1) What plans will you implement to **address a reduction in the unit's permanent allocation** (State + Allocated ICR + Allowances, if relevant) **of 1.5% in FY19**. You are encouraged to think creatively about how you would restructure your operations. As noted above, there is no presumption that cost reductions will be implemented "across the board", but for planning purposes, we ask that each unit use 1.5% as its reduction target. Be as specific as possible about the actions you would undertake as well as the related consequences of the proposed actions.
- 2) Please address the following as relevant:
 - a. Specific activities which will be stopped or reduced and the effect this would have on customers and stakeholders. Are there activities or programs that don't offer enough value to justify their cost?
 - b. Are there opportunities to increase efficiencies or collaborations aimed at reducing costs? These could include centralization, decentralization, merging programs, establishing shared services, and outsourcing.

- c. The time period it would take to implement those measures.
 - d. Whether you have consulted with stakeholders and customers about your plans. If not, do you plan on doing so and how?
 - e. Are there duplications or overlaps with other units of the services you provide?
 - f. The assumptions you used to come up with your projections.
 - g. The process or mechanism you use to evaluate and prioritize programs within your unit and the rank order you have used to prioritize your measures.
 - h. Programs (and associated expenses) you deem as critical, unavoidable, and must be protected from cuts. Explain your rationales and provide concrete evidence of anticipated consequences of reducing these activities.
 - i. Note your plans for cash reserves and/or correcting deficits resulting from anticipated budget reductions.
- 3) Staffing Plans: Staff salaries comprise the vast majority of most centrally-budgeted units' operational costs. Include projections of your staff FTE as part of your action plan. In your report please address the following as necessary:
- a. What assumptions did you use in projecting your staff FTE? **If you wish to make a request for new Academic Professional positions (additional FTE), please complete and submit the attached Hiring Plan Template* along with your report.**
 - b. Are there vacancies in your unit and, if so, what are your plans for filling them?
 - c. What are your policies and practices for dealing with positions that become vacant due to resignations or retirements? Can they be strategically reallocated to other units or are they automatically replaced?
 - d. Are there any personnel policies, requirements, market forces, etc., that impact the flexibility of your unit's workforce?

Submission Deadline

Please submit your report to provostbudget@illinois.edu by **Friday, January 19, 2018**.

Page Limit

Your narrative should be ***no more than ten pages long***.

*These reports/templates can be found in your unit-specific folder on Box:
Academic and Admin Units>*your unit*>2019 Budget>Annual Report Supporting Data