Budget Reform Update

Paul Ellinger, Associate Chancellor & Vice Provost
Budget and Resource Planning
February 2018
Outline

• Brief budget model overview
  – Communication plan
  – Principles
  – Major components
  – Timeline

• Panel discussion: Preparing for Change
  – Impacts and impediments
  – Concerns
  – Communication strategies
  – Internal budget preparations
Communication Plans

- White Paper – provost.Illinois.edu/budget
- Developing FAQ
- Feedback form
  - Provost
  - Senate
- Discussions
  - Today – Academic Leadership
  - Town Halls
    - February 26
    - March 13
  - Provost Coffee
    - March 26
    - April 5
Why and Why Now?

Change Incentives
Improve Transparency
Unit Actions ⇔ Budget Outcomes
Comprehensive and Interconnected Campus
Integrated and Value Centered Budgeting

**Integrated**

- Across disciplines
- Across mission areas
- With focus on strategic priorities
- With the strategic plan

**Value Centered**

- Allow flexibility and capacity for units to shape their future around unit values
- Commitment to university-wide investments consistent with values, strategic priorities, and university-wide excellence

*Invest in excellence across mission areas*

*Research ---- Teaching ---- Outreach*
**FY18 All Budget Sources**

- **Direct State Appropriations**: $221M (36%)
- **Income Fund**: $781M (10%)
- **Institutional Funds**: $165M (20%)
- **Auxiliary Enterprises & Departmental Activities**: $430M (6%)
- **Gifts & Endowment Income**: $139M (7%)
- **Sponsored Research & Fed Appropriations**: $449M (21%)

**Total = $2,185M**
Budget Model Allocations

- **Direct State Appropriations** $221M
- **Income Fund** $781M
- **Institutional Funds** $165M
- **Sponsored Research & Fed Appropriations** $449M
- **Gifts & Endowment Income** $139M
- **Auxiliary Enterprises & Departmental Activities** $430M

Planning:
- How will these change over time?
- Magnitude of changes may impact colleges more directly? Positive or Negative
- Fiscal management changes?

Total = $1,167M
Costs & Investments: How to allocate?

- Tuition Units: $534M (46%)
- Centrally Awarded Financial Aid: $86M (7%)
- Technology Services, Facilities and Utilities: $135M (13%)
- Other Centrally Budgeted Academic & Admin Units: $147M (12%)
- Campus-Wide Support, Initiatives & Risk Management Reserve: $221M (19%)
- Campus Level Research Units: $44M (4%)
Budget Flows

Internal Cost Recoveries (ICR) → Departments

Tuition Revenue → College Units

State Appropriation → College Investments for Excellence/Admin

Direct Cost Assessments → University

Research Admin and Campus Interdisciplinary Research Units

Administrative and Other Campus Units

University-Wide Investments and Initiatives

Investment for Growth

University Risk Management

Building, Space, Utilities, & Tech Services
Goals and Principles

- Transparency
- Balance
- Resilience
- Responsive

Transparency

- Effective Stewardship
- Transparency
- Trust & Confidence
- Accountability
- Comprehensive vision
Goals and Principles

- Transparency
- Resilience
- Responsive
- Balance

University flexibility and capacity to invest in interdisciplinary priorities and campus goods

Unit flexibility, capacity and predictability
Goals and Principles

Responsive

- Economic and Political Conditions
- Emerging Demands
- Technology

Transparency
Balance
Resilience
Responsive

Strategic Plan
Budget Model
Goals and Principles

- Transparency
- Balance
- Resiliency
- Responsive

Resiliency

Effective Planning

Risk

Resiliency
Two Primary Thrusts

Budget Modeling

• Attribute and allocate revenue
  • Tuition
  • ICR

• Direct and indirect costs allocations for space, utilities and technology

• College investments for administration, campus goods and central initiatives

• University-wide investments based on campus and unit priorities

Financial Management Reporting

• Survey units on needs and wants

• Investigate best practices

• Improve historical financial management reporting

• Develop training sessions for decision makers

• Longer term: developing and implementing forecasting tools
Cautions

Campus Leadership

• Sets the strategic and investment priorities

• Assess the levels of investments across academic and admin units

• Increases attention on accountability

Budget System

• Tool to inform decision makers

• Establishes transparent processes

• Provides the appropriate incentives

• Results in accountability and transparency
College Budgeting Framework

Revenue: Tuition
+ Revenue: ICR
- Direct Costs: Facilities, Utilities & Technology
- Investment in Campus Goods and Administration
= Net Revenue
+/- Campus Investment to College
= Existing Budget Baseline Under Existing Model
College Budgeting Framework

Revenue: Tuition

Undergraduate
- Base Tuition
- Nonresident
- International
- Differentials

Financial Aid
Tuition Waivers

Graduate
Professional
Online

General
- Instructional Units
Specific
- Differentials

General
- Instructional Units
Specific
- College assigned waivers

Majors
College Budgeting Framework

Revenue: Tuition

+ 

Revenue: ICR

45% College Distribution (no change)

College Managed
55% Campus Distribution
Allocated to Colleges

Existing Distribution
Or
College Managing Grant

IRU Managed
45% College Distribution (no change)
IRU Portion - (no change)
Campus Portion - Cost offset for IRU
College Budgeting Framework

Revenue: Tuition

Revenue: ICR

Direct Costs: Facilities, Utilities & Technology

Facilities and Space

Utilities – direct allocation

Campus Technology Services

By Space Type
Office (DMI)
- Lab
- Classroom
- Study
- Special
- General
- Support
- Health Care
- Residential

Student Weight
FTE Weight
- By FTE type
College Budgeting Framework

Revenue: Tuition
+ Revenue: ICR

Direct Costs: Facilities, Utilities & Technology

Investment in Campus Goods and Administration

Research Admin and Campus IRUS

Administration and Other Campus Units

Investment for Growth

University-Wide Investments and Initiatives

Risk Management

All Expenditures
Research Expenditures

All Expenditures
College Budgeting Framework

Revenue: Tuition

+ Revenue: ICR

- Direct Costs: Facilities, Utilities & Technology

- Investment in Campus Goods and Administration

= Net Revenue

+/- Campus Investment to College

= Existing Budget Baseline Under Existing Model
<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>ITEM</th>
<th>FY17</th>
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<tr>
<td>Tuition Revenue</td>
<td>Undergraduate Base-Rate Tuition</td>
<td>$ 7,692,735</td>
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<td>Undergrad Non-resident Tuition</td>
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<td>Undergrad Program Differential</td>
<td>1,576,520</td>
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<td>Undergrad International Base</td>
<td>82,824</td>
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<td>Undergrad International Differential</td>
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<td>Less: Centrally-Funded Financial Aid</td>
<td>(1,120,202)</td>
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<td>Less: Centrally-Assigned Tuition Waivers</td>
<td>(620,600)</td>
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<td>Less: College-Assigned Tuition Waivers</td>
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<td>Net tuition: Graduate</td>
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<td>Net tuition: Professional</td>
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<td>Net tuition: CITL (all levels)</td>
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<td>Coursera and Other Revenue</td>
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<td>Total Tuition Revenue Generated</td>
<td>$ 13,593,540</td>
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| Indirect Cost Recoveries       | All Tuition Remission                                                 | 317,798  |
| College Managed Grants         | Facilities & Admin. Cost: Distributed                                 | $ 734,541 |
|                                | Campus Portion Facilities & Admin. Cost: Allocated (banner)           | 900,065  |
| IRUs & Other Unit Managed      | Facilities & Admin. Cost: Distributed                                 | 73,706   |
| Grants                         | Total Indirect Cost Recoveries Generated                              | $ 2,026,111 |
|                                | Total Revenue Generated                                               | $ 15,619,651 |
### Direct Cost Assessments

**Facilities and Space**

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<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Building and Space</td>
<td>$402,481</td>
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<tr>
<td>Utilities</td>
<td>$470,322</td>
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<td>Capital Renewal / Deferred Maintenance</td>
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<tr>
<td>Total Facilities and Space Costs</td>
<td>$872,803</td>
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<tr>
<td>Technology and Services</td>
<td>$426,844</td>
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<tr>
<td><strong>Total Direct Cost Assessments</strong></td>
<td>$1,299,647</td>
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### College Investments in Administration and University-Wide Excellence

- University System Office: $694,548
- Research Admin. & Campus Interdisciplinary Research Units: $4,658,511
- Administrative and Other Campus Units: $408,369
- Investment for Growth: $3,111,022
- University-wide Investments & Initiatives: $592,360
- Contributions to University Risk Management: $9,464,809

**Total College Investments in Administration and University-Wide Excellence**: $10,764,456

### Total Direct Costs and Investments

**Total Direct Costs and Investments**: $10,764,456

### Total Revenue less Direct Costs and Investments

**Total Revenue less Direct Costs and Investments**: $4,855,194

### University-Wide Investments & Transfers with College

**University Investments and Transfers**: $8,748,536

#### College Target Level

### Budget Allocations

**Attributed College Budget**: $13,603,730
College Budgeting Framework

Phase 1: FY19

Revenue: Tuition + ICR

- Direct Costs: Facilities, Utilities & Technology

- Investment in Campus Goods and Administration

= Net Revenue

+/- Campus Investment to College

= Existing Budget Baseline Under Existing Model

Phase 2: FY20-23

New Investments in Deferred Maintenance

Based on Value Principles

Transition to Target Campus Investment

Ongoing Reviews: System and Non-tuition Units
Panel Discussion
Preparing for Change

- Impacts and impediments
- Concerns
- Communication strategies
- Internal budget preparations