Two Broad Financial Responsibilities

• Financial Planning—ensuring the effective deployment of a unit’s resources in support of its goals.

• Financial Oversight—ensuring that expenditures meet institutional, state and federal regulations and guidelines. Beyond that, are public funds being spent wisely?
Campus Budget
**FY14 UIUC Budget**

(000s)

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>$242,340</td>
</tr>
<tr>
<td>Tuition</td>
<td>658,955</td>
</tr>
<tr>
<td>Institutional Funds</td>
<td>155,229</td>
</tr>
<tr>
<td>Grants, Contracts, &amp; Fed Appropriations</td>
<td>465,355</td>
</tr>
<tr>
<td>Gifts &amp; Endowment Income</td>
<td>120,621</td>
</tr>
<tr>
<td>Departmental Activities</td>
<td>134,125</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>221,878</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,998,503</strong></td>
</tr>
</tbody>
</table>
FY14 UIUC Budget

- State Appropriations: 12%
- Tuition: 33%
- Grants, Contracts, & Fed Appropriations: 23%
- Institutional Funds: 8%
- Auxiliary Enterprises: 11%
- Departmental Activities: 7%
- Gifts & Endowment Income: 6%
- Departmental Activities: 7%
UIUC Budget by Source of Funds

- State Appropriations
- Tuition
- Institutional Funds
- Grants, Contracts, & Fed Appropriations
- Gifts & Endowment Income
- Departmental Activities
- Auxiliary Enterprises

FY04 vs FY14
Managing Your Slice
Duties of an Administrator

• To **develop** the unit strategically within the scope of mission and within resources accessible to the unit

• To present the case (**be an advocate**) at the college/campus level concerning the unit’s relationship to strategic concerns of the campus
Duties of an Administrator

• To ensure that the unit has an effective process for planning and budgeting

• To manage the unit’s resources, as required, to adapt to changing opportunities and needs

• To ensure that the units, programs, and other subsidiary organizations are accountable functioning appropriately
Duties of an Administrator

• To be appropriately entrepreneurial—look to gifts, self-supporting activities, and partnerships with other units

• To work with the resources available to your unit (no deficits!)

• To be responsive to the needs of the institution as a whole
Managing Unit Finances

• Develop a summary plan for the year that involves all funds

• Each month, someone needs to reconcile your account statements. Sit down quarterly to review status

• Know who owes you money; don’t forget to collect

• Have at least two people review transactions

• Have your staff attend training
Fund Accounting

- Universities track “funds” separately. For most units:
  - State/tuition: The main operating account for most units
  - ICR: Overhead on grants & contracts
  - Gifts: Each separately tracked. Individual restrictions important
  - G&C: Each separately tracked. Individual purpose important
Big Picture/Small Details

• Know the full set of resources available to unit:
  – Unrestricted for unit use: State/tuition, ICR, unrestricted gifts
  – Restricted funds whose use coincides with unit need: some restricted gift funds, self-supporting

• Each fund separately tracked
  – Each statement reconciled
  – Rules of fund use honored (particularly watch donor intent)
Budget Process
Budgets are About Making Choices

“C’mon, c’mon—it’s either one or the other.”
The Budget Process

• Spring – Campus/U of I requests developed
• July – BOT reviews preliminary budget request
• September – BOT approves U of I budget request
• Oct/Dec – IBHE/University interaction
• December/Jan – IBHE recommendations submitted to the Gov.
• February – Governor’s budget recommendations submitted to Legislature
• May/June – Legislature acts
• June/July – Governor signs appropriation
  - Budget allocation to units
College Level Planning

- Nov/Dec - Colleges develop annual report following campus planning guidelines
- Feb/Mar - Budget hearings (one per college) led by Provost with assistance of Campus Budget Oversight Committee (CBOC)
- Late Spring – campus allocates funds to colleges
- Summer – College leadership reconciles request with actual allocation
Guiding Principles
From Provost Communication One

• Maintain a balanced approach to allocations, protecting the ability of leadership to act strategically
• Ensure the financial stability necessary for units to engage in strategic planning by providing some protection for historical budget allocations
• Foster sound fiscal management among units through alignment between unit expenses and budget allocations
Guiding Principles (cont’d)

• Support new initiatives and programs to ensure continued excellence

• Make allocation decisions within an information-rich environment

• Maintain appropriate financial reserves to provide the flexibility and security necessary for sound and strategic financial planning
Not Simply Formula Driven

• Partially based on measurable activity (majors, IUs)

• Partially based on programs (TOP, partner hires, strategic hires & others)

• Partially based on judgment (sometimes specific programmatic initiatives; sometimes metric factors, such as GRF support)
The Burden of History

• Historical allocations are the result of scores of decisions over the years. Very challenging to understand

• Allocation models cannot undo history; judgment cannot be turned into formula

• Special review of base budget is required to revisit allocations to units
  – Recent effort to correct “under allocation” to Business, AHS, LAS & Media
State Planning Environment
Major Financial Challenges

• State of Illinois
  – Pension shortfall
  – State competitiveness

• Access and Affordability

• Maintaining & Improving Facilities
State of Illinois Unfunded Public Pension Obligations
(SERS, SURS, JRS, GARS, TRS)
(Dollars in Billions)

(At end of Fiscal Year, FY 2003-04 sale of Pension Bonds)
Using Actuarial Accrued Liability at Market Value without asset smoothing.
Cumulative Change in State Tax Appropriation by Higher Education Sector

In Constant 2013 Dollars (CPI)

FY02 - FY14 exclude $45 million from higher education for Health Insurance payment to CMS.
FY13-FY14 higher education includes funding for state surveys.
Accessibility and Affordability

- Tuition—One of the highest cost publics; cost growing beyond capacity to pay. All publics receiving pushback

- Unmet financial need is growing
Updating Facilities

• We have relied on state funding for facility upgrades
• Large state-funded projects are over for at least the next 5-10 years
• Student fee helps us not fall further behind on deferred maintenance (roofs, windows, HVAC. . .)
• How do we support facility renovation?
Campus Planning Efforts:
Taking action so that Illinois can thrive

• Protecting our ability to:
  – Hire & retain the best faculty—our reputation depends on it
  – Protect quality and access for our students
  – Ensure Illinois remains a leader in higher education

*We have been moving from a defensive to competitive posture*
Strengthening our Foundation

Through interconnected efforts to:

Ensure Financial Stability

Reduce Central Costs

Reduce College Costs

Enhance Our Revenue Base
Enhancing Financial Stability & Reducing Central Costs

- Increased financial oversight
- Reducing staff size to control costs and accelerate efficiencies (~300+ FTE decline from AY04-05 to AY13-14)
- Investing in energy conservation – retro-commissioning efforts

However, most work is at the unit level
Well Positioned for Challenging Times

• Solid financial position
• Major facilities projects $90M Matching Funds Program
• 130 searches faculty searches for AY2014-15; 180 for AY2013-14 (includes approx. 55 carryover each year)
• Cluster Hiring Themes
• Major financial aid initiative

However, significant challenges remain
Planning is More Important than Ever
Unit Budget Planning

• Unit’s planning should come from goals in its strategic plan—units should look for tie in with college and campus plans
• Know how your unit is spending its resources. Does that spending match goals and align with your mission?
• In challenging times, planning should not be dependent on growth. How can a unit best deploy existing resources?
• Be creative—find ways to partner with others, find new funding sources, focus efforts on highest priorities
Take Control!

• Meet with those who have been successful
• Attend leadership/training programs
• Make strategic choices—don’t do things just because you have always done them
• Find ways to reduce “backroom” costs. Is a shared services model an option?
• Start from the bottom up in redesigning your organization
Resources

• Accounting Customer Service—Ron Miner, Assoc. Director. 265-5315

• Budgets and Financial Analysis—Suzanne Rinehart, Director. 333-9526

• University Audits—Darla Hill, Director. 265-5400
Questions?