

Memorandum

To: Provost Feser

From: Campus Budget Advisory Task Force

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Mike Yao, Associate Professor, Advertising and Journalism (*joined in November 2015*)
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Provost's Office Staff: Staci Provezis, Assistant Provost for Assessment

Subject: Mid-year Update

Date: February 11, 2016

The Campus Budget Advisory Task Force (CBATF) was asked to act as an advisory body to the Chancellor and Provost, and to focus its attention on fundamental questions surrounding our historic budget allocation model, the implications of continued declines in General Revenue Funds, and the size of our administrative functions.

During the Fall 2015 semester, CBATF met every two weeks as a full committee. The task force held study sessions on 1) the campus's budget model and method for allocating tuition revenues, 2) the campus's and university's method for estimating General Revenue Funds (GRF) allocations, and 3) carry-forward funds and the role of funds described as "Campus General Use" in the Budget Summary for Operations. In addition, task force members met in small groups with members of the Council of Deans to learn about budgeting in their units, how the campus's budgeting process affects the work of their units, and other recommendations. Staff provided additional data about campus budgeting and staffing over the last 10 years. As we understood the campus's budgeting practices better, some task force members initiated a discussion of principles to guide budgeting in the future.

During the Spring 2016 semester, the task force plans to continue the work of developing principles to guide future budgeting. The task force will also analyze data collected to understand trends in expenditures, subsidies, and administrative costs.

The task force now has an understanding of some of the strengths and weaknesses of the current budgeting practices.

The campus's current incremental budget practices mean that allocations change slowly over time, so most campus-level units have had a fair amount of stability, largely sheltering those units from dramatic changes in the short term. The campus has achieved considerable excellence under the current model, and so should consider substantial changes to its budgeting practices with care. On the other hand, given the likelihood of continued financial pressure on the campus, the need to adopt financial practices that align incentives with institutional goals is more pressing than ever.

The incremental allocation of state funds based on enrollment (credit hours and majors) described in Provost's Communication Number 1 governs only a portion of allocations. The campus's overall budgeting practice therefore allows for some discretion at the campus level. It has enabled some campus-level units to be subsidized, and indeed past budget analyses have explicitly recognized that some units and activities are shared assets. For example, the campus has been able to use some centrally held funds for financial aid.

However, the current budgeting practices are not adequate to respond to the challenges faced by the institution. For example,

- Current practice does not have adequate mechanisms for transparent strategic decision-making even in the short run. It is very difficult to use the current budget model to set and achieve long-term goals.
- In particular, the current practice lacks a way to respond intentionally and adequately to external changes such as a decline in state support or long-term changes in enrollments.
- The current budgeting process is opaque and difficult to understand; it also contributes to mistrust.
- Incentives and budgets are unclear even for campus-level units, for example, because a substantial portion of the budget does not flow through published processes such as those described in Communication Number 1.
- Published policy mostly governs budgeting between the campus and college-level units. Policy and incentives are considerably less clear at the departmental level.
- Such incentives as exist may not correspond to institutional values, such as excellence in instruction or research.

This task force believes that the campus should begin work on a revision of the budgeting system that better aligns units' incentives with institutional priorities and the campus's shared vision of being the pre-eminent public research university with a land-grant mission and global impact.