Integrated and Value Centered Budgeting

**Integrated**
- Across disciplines
- Across mission areas
- With focus on strategic priorities

**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*
Goals and Principles

- Transparent
- Predictable
- Easily understood
- Promotes good stewardship
- Ensures accountability
- Responsive to strategic goals/priorities
- Facilitates multi-year planning
- Alignment of incentives

Requires Balance

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

Unit
flexibility, capacity and predictability

Requires Balance
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

Levels

Weights
Myths

• Budget reform was required due to State of Illinois budget problems

• Will be an RCM (Responsibility Centered Management) model or entirely formulaic

• Will result in an enrollment-based model w/o emphasis on research, public engagement, quality of instruction, diversity, multi-disciplinary excellence, etc.

• Will be a zero sum game – just moves money around

• Predefined winners and losers

• Will centralize decision-making and investments

• Will negatively impact flow of ICR funds to the colleges / schools

• Will result in implicit reallocations to campus from gift funds
General Framework of IVCB

“Paper Transactions & Relationships”

- Net Tuition and Fees
- ICR
- State Appropriation

Departments

Colleges/Schools

Cost Assessments

Investments for Excellence/Admin

University

Building, Utilities & Services

Administrative Units

University-Wide Support & Initiatives

Capital Renewal Fund

Risk Management Fund

Capital Renewal Fund
Tuition Related Issues

Undergrad Base Rate

- Blended weighting on IUs & Majors
- Oversight needed re Gen Ed & Large Enrollment Classes

Undergrad Non-resident Differential

- Additional costs incurred by some colleges: career services & recruiting
- Continued focus on resident students

Undergrad Program & International Differentials

- Campus & Board of Trustee approvals based on higher costs of equipment, lab, and salaries.
- An approved plan for use of the differentials (scholarships, student support, lab, etc.) in place
Tuition Related Issues

Graduate and Professional

Colleges retain the net tuition they generate from the enrollment of graduate students in their college.

Negotiated agreements between colleges that facilitate the transfer of tuition revenues in cases where a college’s graduate program includes required courses outside of that college.

Centrally Funded Financial Aid

Allocated across campus without regard to major.

Undergrad Waivers

Statutory: Allocated across campus without regard to major.

Discretionary waivers:
Need-based waivers - allocated evenly across campus with no regard to the individual students receiving the waivers.
Talent-based & other discretionary waivers – Should be individually reviewed by the Provost Office to determine the level of benefit to the entire campus.
Indirect Cost Recovery

• No intention to change existing ICR model

• Considering attributing a portion of the campus 55% to account for
  – Facility costs
  – Technology costs
  – Administrative costs
  – Cost of campus goods
<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>ITEM</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Fund Revenue</td>
<td>Undergraduate Base Tuition</td>
<td>$7,654,382</td>
</tr>
<tr>
<td></td>
<td>Undergrad Nonresident Tuition</td>
<td>2,102,615</td>
</tr>
<tr>
<td></td>
<td>Undergrad Program Differential</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Undergrad International Base</td>
<td>82,411</td>
</tr>
<tr>
<td></td>
<td>Undergrad Intl Differential</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Less: Centrally funded financial aid</td>
<td>(1,517,933)</td>
</tr>
<tr>
<td></td>
<td>Less: Centrally assigned tuition waivers</td>
<td>(617,501)</td>
</tr>
<tr>
<td></td>
<td>Less: College assigned tuition waivers</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Net tuition: Graduate</td>
<td>1,912,200</td>
</tr>
<tr>
<td></td>
<td>Net tuition: Professional</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Net tuition: CITL (all levels)</td>
<td>1,957,252</td>
</tr>
<tr>
<td></td>
<td>Coursera and other revenue</td>
<td>-</td>
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<tr>
<td></td>
<td>Total Income Fund Revenue Generated</td>
<td>$11,573,426</td>
</tr>
</tbody>
</table>

| Indirect Cost Recoveries | Facilities/Administration                           | $1,700,898 |
|                         | Tuition Remission                                   | 317,798    |
|                         | Total Indirect Cost Recoveries Generated            | $2,018,696 |

| Total Revenue Generated | $13,592,123 |

Scenario: Base tuition 50% IU, 50% Major, 20% nonresident based on home enrollment
Student enrollment
Expenditures
Faculty and Staff
Space (square ft.)
Sponsored Research Expenditures

Costs & Investments: How to allocate?

- Tuition Units: $534M
- Centrally Awarded Financial Aid: $86M
- Campus Level Research Units: $44M
- Technology Services, Facilities and Utilities: $135M
- Other Centrally Budgeted Academic & Admin Units: $147M
- Campus-Wide Support, Initiatives & Risk Management Reserve: $221M

- 46% Tuition Units
- 19% Campus Level Research Units
- 13% Technology Services, Facilities and Utilities
- 12% Other Centrally Budgeted Academic & Admin Units
- 7% Campus-Wide Support, Initiatives & Risk Management Reserve

Other costs and investments include:
- Sponsored Research Expenditures: $46M
- Other Centrally Budgeted Academic & Admin Units: $147M
- Technology Services, Facilities and Utilities: $135M
- Campus-Wide Support, Initiatives & Risk Management Reserve: $221M
- Central Awarded Financial Aid: $86M

7% of costs and investments go to Technology Services, Facilities and Utilities, 13% to Other Centrally Budgeted Academic & Admin Units, and 4% to Campus-Wide Support, Initiatives & Risk Management Reserve.
## Cost Assessments and College Investments

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>University System Office</strong></td>
<td>New USO funding model likely to require costs assessments from Universities</td>
</tr>
<tr>
<td><strong>Facilities, Utilities and Space Technology Services</strong></td>
<td>Direct and Indirect Utilities, Facilities &amp; Space, Technology Services</td>
</tr>
<tr>
<td><strong>Research and Research Institutes</strong></td>
<td>Research infrastructure investments – OVCR, Beckman, NCSA, IGB, iSEE, etc.</td>
</tr>
<tr>
<td><strong>Administrative Units</strong></td>
<td>Library, Extension, KCPA, public safety, public affairs, enrollment management, provost office, DRES, CITL, Graduate College, etc.</td>
</tr>
<tr>
<td><strong>Campus Support, Investment Initiatives &amp; Risk Reserves</strong></td>
<td>Dual career, TOP, Investment for Growth, campus and college contingencies</td>
</tr>
</tbody>
</table>
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
## Direct Cost Assessments

### Facilities and Space

<table>
<thead>
<tr>
<th>Description</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and Space</td>
<td>$455,403</td>
</tr>
<tr>
<td>Utilities</td>
<td>$470,322</td>
</tr>
<tr>
<td>Capital Renewal / Deferred Maintenance</td>
<td></td>
</tr>
<tr>
<td>Less: College Funded Facilities and Space</td>
<td></td>
</tr>
<tr>
<td>Less: Transition factor</td>
<td></td>
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<tr>
<td><strong>Total Facilities and Space Costs</strong></td>
<td><strong>$925,725</strong></td>
</tr>
</tbody>
</table>

### Technology and Services

<table>
<thead>
<tr>
<th>Description</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Direct Cost Assessments</strong></td>
<td><strong>$1,313,223</strong></td>
</tr>
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</table>

## College Investments in Administration and University-Wide Excellence

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>University System Office</td>
<td></td>
</tr>
<tr>
<td>Research and Research Institutes</td>
<td>925,511</td>
</tr>
<tr>
<td>Administrative and Other Campus Units</td>
<td>5,251,524</td>
</tr>
<tr>
<td>University-wide Investments &amp; Initiatives</td>
<td>2,214,871</td>
</tr>
<tr>
<td>Contributions to University Risk Management</td>
<td>590,632</td>
</tr>
<tr>
<td><strong>Total College Investments in Administration and University-Wide Excellence</strong></td>
<td><strong>$8,982,539</strong></td>
</tr>
</tbody>
</table>

## Total Revenue less Direct Costs and Investments

<table>
<thead>
<tr>
<th>Description</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue less Direct Costs and Investments</strong></td>
<td><strong>$3,296,361</strong></td>
</tr>
</tbody>
</table>

## University-Wide Investments & Transfers with College

<table>
<thead>
<tr>
<th>Description</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Investments and Transfers</td>
<td><strong>$11,475,738</strong></td>
</tr>
</tbody>
</table>

## Budget Allocations

<table>
<thead>
<tr>
<th>Description</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributed College Budget</td>
<td>14,772,099</td>
</tr>
</tbody>
</table>

### Scenario Assumptions

- **Sq. foot**
- **Actual usage**
- **FTE & Enrollment**
- **Sponsored research $**
- **Expenditures**
- **Transition Investment amount**
- **Allocated budget**
Winners and Losers

Revenue: Tuition + ICR

- Direct Costs: Facilities, Utilities & Technology

- Investment in Campus Goods and Administration

= Net Revenue

+/- Campus Investment to College

= College Budget
Implementation & Advisory Committees

• Recommendations to Chancellor & Provost
  – Tuition attribution
  – Facilities and space costs
  – Weights on costs and investments
  – Budget review process for F&S, Tech Services, administration and campus goods
  – Implementation transition
  – Budget monitoring

• Investment target levels between colleges and university will be discussed among Deans, Chancellor and Provost
Public Phase of Budget Reform

- Post this presentation
- Developing a white paper this month
- Meeting with deans on preliminary analyses next few weeks

Need and want your feedback
Committees

Campus Budgeting Reform Steering Committee

John Wilkin, Dean of Libraries and University Librarian (Chair)
Matthew Ando, Associate Dean, College of Liberal Arts & Sciences
Jeff Brown, Dean, College of Business
Clare Crowston, Professor and Chair, Department of History
Barb Geissler, Executive Assistant Dean, College of Education
Michael LeRoy, Professor, Labor and Employment Relations, Chair, Senate Budget Committee
Klara Nahrstedt, Professor, Computer Science, Director, Coordinated Science Laboratory
Paul Ellinger, Associate Chancellor & Vice Provost for Budget and Resource Planning, ex-officio
Jamelle Sharpe, Professor of Law, Provost’s Fellow, ex-officio

Budgeting Reform Implementation Committee

Larry DeBrock, Professor, Department of Economics and Finance (Chair)
Amy Edwards, Assistant Provost, Division of Management Information
Barb Geissler, Executive Assistant Dean, College of Education
Philippe Geubelle, Professor and Head, Department of Aerospace Engineering
Andrea Hoey, Assistant Provost and Director, Budget and Resource Planning
Curtis Perry, Professor, Department of English
Paul Redman, Associate Dean, Fine and Applied Arts
Suzanne Rinehart, Assistant Provost, Budget and Resource Planning
Gene Robinson, Director, Institute for Genomic Biology
Sharee Robinson, Assistant Vice Chancellor, Office of the Vice Chancellor for Research
Michael Yao, Associate Professor, Department of Advertising
Budget Reform Timeline
Milestones

- COD retreat focused on budget: 1/29/2016
- Budget website launched: 4/15/2016
- Budget Reform Steering Committee charged: 9/7/2016
- Budget Reform Working Groups charged: 12/20/2016
- Budget Reform Steering Committee reconvened: 9/22/2017
- Budget Reform Implementation Team charged: 10/28/2017
- Revisions and refinements based on feedback from Chancellor, Provost, deans, CBOC, faculty, senate, etc.: 3/16/2018
- Final budget parameters identified and baseline allocations determined: 7/1/2018
- CBATF charged: 7/1/2015
- CBATF mid-year report submitted: 2/19/2016
- Preliminary revenue flow modeling done by OVPBRP: 7/15/2017
- OVPBRP conducts additional analysis on building, space, IT, and cost of "campus goods": 10/1/2017
- Campus white paper on key budget reform issues: 11/20/2017
- Recommendation on key elements provided to campus leadership: 1/12/2018
- Change in budget allocations determined under budget reform parameters: 7/1/2019

Office of the Provost
University of Illinois at Urbana-Champaign