Outline

Fall: Update on Campus Budget Reform
• Campus budget overview
• Budget reform

Spring: Planning your Department’s Budget
• Budget planning
• Best practices
• New tools
BUDGET OVERVIEW
State Funding Trend
(2019 dollars)

FY19 estimated CPI adjusted dollars; inflation of 2.5% assumed for FY19
*FY18 & FY19 POB estimated at FY17 levels
Financial Plan Overview
FY19

• UIUC portion of the increase in 2% General Funds
  Base:
  
  $4.01 million allocated to tuition colleges
  based on FY18 permanent budget base

• No decrease in budget
  for centrally-budgeted units
State Funding Issues

• Funding uncertainty remains high

• Continued pressure on benefit shift

• Currently, two areas
  – Employees in Tier 1 that exceed governor’s salary
  – New 3% rule for calculating SURS obligation
FY19 Budget Sources

- Direct State Appropriations: $227M (36%)
- Income Fund: $814M (7%)
- Institutional Funds: $169M (10%)
- Sponsored Research & Fed Appropriations: $459M (20%)
- Gifts & Endowment Income: $169M (7%)
- Auxiliary Enterprises & Departmental Activities: $453M (20%)

Total FY19 Budget = $2,291B
FY19 Budget Allocations (unrestricted)

- Tuition Units $559M
- Campus-level Research Units $42M
- Campus-wide Support, Initiatives & Risk Management Reserve $221M
- Technology Services, Facilities and Utilities $139M
- Other Centrally Budgeted Academic & Admin Units $157M
- Centrally Awarded Undergraduate Financial Aid $92M

Total = $1.210B
FY19 Unrestricted Budget

$ Millions

- FY16 Funding Gap: 189.0
- Liberal Arts & Sciences: 169.1
- Facilities and Utilities: 163.1
- Engineering: 150.9
- Gies College of Business: 110.5
- University Library & Law Library: 91.6
- Agr, Consumer, & Env Sciences: 68.6
- Fine & Applied Arts: 62.2
- Technology Services and CIO: 45.4
- Veterinary Medicine: 41.2
- Applied Health Sciences: 30.2
- Law: 28.6
- Education: 22.9
- College of Media: 18.5
- School of Social Work: 17.3
- School of Labor & Empl. Rel.: 13.8
- Carl Illinois Medicine: 10.7
- College of Business: 8.0
- College of Engineering: 6.6
- College of Liberal Arts: 4.8
- College of Medicine: 1.9
Budgeted Tuition

$ Millions

- **Undergrad**
- **Grad**
- **Professional**

FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19
--- | --- | --- | --- | --- | --- | --- | --- | --- | ---
400 | 425 | 450 | 475 | 500 | 525 | 550 | 575 | 600 | 625

Office of the Provost
In-State Cost of Attendance First Year Students: Big 10 Publics: 2018-19

Maximum tuition differentials @ IL = $5,004 additional cost
Historical Budget Strategies

FY16
- Campus-wide recurring reductions $49 Million

FY17
- Campus-wide recurring reductions $18 million
- $2 million reinvestment pool funded from activity based units
- Campus-wide cash rescissions $50 million

FY18
- $10.6 million reinvestment pool funded from activity-based units
- Centrally budgeted units recurring reductions $2.5 million

FY19
- $5.3 million reinvestment pool funded from activity-based units
- Tuition-based units increased $4 million
- No recurring reductions for centrally budgeted units
BUDGET REFORM
Budget Reform

Based on feedback from the Council of Deans and the Campus Budget Advisory Task Force, the Office of the Provost has committed to leading a comprehensive reform of the current budgeting process.

The guiding principle for budget reform is to develop and incorporate a system that permits colleges/schools to define their paths while allowing the campus to invest strategically. The system should be integrated with campus strategic priorities, work across disciplines, and support all mission areas. It should also have the flexibility to allow for investments at the college and university levels that support our values and University-wide excellence. Based on these fundamental principles, we have entitled the budgeting framework Integrated and Value-Centered Budgeting.

AY2017-18 Activity Updates

Public Presentations

- April 19, 2018 – Provost Coffee: Budget Reform Update – Costs & Investments presentation by Paul Ellinger, Associate Chancellor and Vice Provost for Budget & Resource Planning
- April 5, 2018 – Provost Coffee: Budget Reform Update – Revenue presentation by Paul Ellinger, Associate Chancellor and Vice Provost for Budget & Resource Planning
- March 27, 2018 – Budget Reform Town Hall presentation by Andreas Cangellaris, Vice Chancellor for Academic Affairs and Provost
- March 13, 2018 – Budget Reform Town Hall presentation by Andreas Cangellaris, Vice Chancellor for Academic Affairs and Provost
- February 6, 2018 – Academic Leadership Series: Budget Reform and Managing Your Budget presentation by Paul Ellinger, Associate Chancellor and Vice Provost for Budget & Resource Planning
- November 2, 2017 – Provost Coffee: Budget Reform Update presentation by Paul Ellinger, Associate Chancellor and Vice Provost for Budget & Resource Planning

Strategic Planning

- Integrated and Value-Centered Budgeting White Paper was drafted in December 2017.
- Meetings with campus and department heads focused on financial reporting best practices.

Committee Work

- Budgeting Reform Implementation Committee was charged to provide recommendations on model parameters and implementation considerations to the Steering Committee, Chancellor, and Provost.
- Periodic meetings are convened with the Campus Budgeting Reform Steering Committee to assess reports from the campus working groups on budgeting model components and data.

Updated 4/7/2018
“We need to reinvent or redefine what a public land-grant university—an invention of the 19th century—is and should do for the citizens of a 21st century world.”

Robert J. Jones, Chancellor
Budget Model Needs to Support This Vision

Change Incentives

Improve Transparency

Unit Actions ⇔ Budget Outcomes

Comprehensive, interconnected campus
Integrated and Value-Centered Budgeting

INVEST IN EXCELLENCE ACROSS MISSION AREAS
Research • Teaching • Outreach

Integrated
- Across disciplines, mission areas
- Within strategic priorities
- Via strategic plan

Value-Centered
- Offers units flexibility in future plans
- Provides commitment to investments
- Ensures consistency with values, priorities, and excellence
Primary Foci

Budget Modeling
- Revenue
  - Tuition
  - ICR
- Costs: space, utilities, technology
- College investments: administration, public goods, services
- University investments: campus, unit priorities

Financial Management Reporting
- Unit needs and wants
- Best practices
- Leadership training
- Long-term forecasting tools
- Collaborate w/System Offices - accounting infrastructure

Processes & Practices
- Efficient processes
- Effective & transparent budget reviews
- Decision-making at the appropriate level
- Streamlined approval processes
This model is a tool to make our decisions about revenue, spending and transfers more transparent.

The main difference from today is that these transfers will now be intentional and transparent.
Critical Implementation Elements

Adequate Time to Transition

- Effective Short and Long Term Planning
- Data Available at All Levels
- Data Support Systems
- Predictability Enhances Planning
Impacts

Colleges

Departments

Centrally Budgeted Units

http://provost.illinois.edu/budget/budget-reform/
College Budgets
Year to Year Changes

Existing Model

Unit Actions
- IUs
- Majors
- Graduate Tuition
- Summer/Winter Tuition
- ICR/Remission

Campus Actions
- Salary and promotions
- Incremental campus adjustments
- Campus strategic investments

New Model

Unit Actions
- IUs
- Majors
- Graduate Tuition
- Summer/Winter Tuition
- ICR/Remission
- Space
- Utility usage
- FTE
- Expenditures

Campus Actions
- Incremental campus adjustments
- Campus strategic investments
- Change in campus goods
- Change in administrative costs
College Budgeting Framework

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<td>Indirect Cost Recovery (ICR)</td>
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<tr>
<td>University Value-Based Investment</td>
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<tr>
<td><strong>Sources Total</strong></td>
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<table>
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<th>USES of FUNDS:</th>
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<td>Existing College Budget</td>
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<td>Facilities, Utilities &amp; Technology Services</td>
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<td>Investment in Administration &amp; Public Goods</td>
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<td><strong>Uses Total</strong></td>
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Initial Conditions

**sources of funds:**
- Tuition
- Indirect Cost Recovery (ICR)
- University Value-Based Investment

**uses of funds:**
- Existing Unit Budget
- Facilities, Utilities & Technology Services
- Investment in Administration & Public Goods

University Value-Based Investments offsets Uses of Funds not supported by Tuition and ICR
Rationale

- Cost of instruction, class size, and pedagogy differs across colleges
- Space quality and space utilization varies across colleges
- Some mission-related activities may not generate revenue
- Programmatic differences across colleges

Implementation

- Administration and College Leadership jointly establish a 3-year target
- Timeline for colleges to plan
- Increases across all units have to equal decreases
## Tuition Revenue

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Scenario: 2017, all differentials to colleges, 20% of nonresident to colleges.
Indirect Cost Recovery: College Managed

Tuition Remission

100% attributed to college enrollment of RA

45% College Distribution Home of College PI

55% Campus Portion

27% Attributed Colleges

28% Central Campus Cost Offset
Indirect Cost Recovery: IRU Managed

- **Tuition Remission**: 100% attributed to college enrollment of RA
- **Facilities and Administration (F&A)**: 45% College Distribution Home of College PI
  - 55% Campus Portion
    - 27% Attributed Colleges
    - 28% IRU
# Institutional Fund Revenue

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**Cost of Education Allowance:**

- **Cost of Education Generated**
- **Total Institutional Fund Revenue Generated** $1,612,116
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### Direct Cost Assessments

#### Facilities and Space

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### College Investments in Administration and University-Wide Excellence

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<td>Investment for Growth</td>
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<tr>
<td>University-wide Investments &amp; Initiatives</td>
<td>$3,179,411</td>
</tr>
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<td>Contributions to University Risk Management</td>
<td>$631,946</td>
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**Total Direct Costs and Investments**                                    **$13,171,630**
Direct Cost Assessments

F&S Building Costs to Allocate
✓ Centrally-held budget accounting for direct-billed services
✓ Includes centrally-funded leases
✓ F&S attributed costs from campus
✓ Adjusted for direct billing by F&S for services
✓ Centrally-budgeted costs added to cost of the F&S
Allocation of Costs
Tuition Units

By Space Type Office (DMI)
- Lab 100%
- Office 46%
- Classroom 37%
- Study 38%
- Special 37%
- General 37%
- Support 37%
- Health Care 100%
- Residential 100%

✓ Based on:
  CBRE Group, Inc. (formerly Whitestone Research Corporation)

✓ Updated from white paper

✓ Adjusted for college-funded space costs: Division of Responsibility

✓ General classrooms allocated to campus

✓ College controlled classrooms allocated to colleges
Building Costs

Rate Calculation

F&S Tuition Unit Allocated Building Costs

Adjusted Net Assignable Square Ft (ANASF)

$27 Million

3 Million ANASF

= $9.0 per ANASF

FY17 Preliminary Estimate*

*This is a draft estimate:
ANASF needs to be adjusted for Division of Responsibility

Likely need to have incremental increases to address deferred maintenance
Utility Costs

Utilities Costs to Allocate

✓ Direct usage costs

✓ Indirect utility costs: energy administration and overhead

✓ Indirect charges allocated in similar proportions to direct cost

✓ Utility costs for centrally-budgeted units get added to centrally-budgeted unit cost
Central Technology Services

Tech Services Costs to Allocate

✓ Centrally-held budget adjusted for direct-billed services

✓ Tech Services attributed costs from campus (utility, space, etc.)

✓ Accounts for direct billing by Tech Services and library IT fee

✓ Student weight 25%

✓ Employee weight 75%
University System Office

- Changing their budget model
- Likely based on size of budgets among Universities
- Neutral impact in first year

For an organizational chart
Research and Campus Interdisciplinary Research Units

✓ Institutes generate resources

✓ Campus portion of ICR used to reduce the costs allocated to colleges

✓ Building, space, utilities and tech services costs added

✓ Allocation:
  ✓ 25% on all expenditures (adjusted)
  ✓ 75% on research expenditures

* PRI has a separately budget allocation from the state and costs are not allocated to the units.
Administrative and Campus Public Goods

✓ Centrally-Budgeted Units

✓ Costs allocated based on all expenditures (adjusted)

Incomplete list
- Library
- Enrollment Management
- Extension
- Grad College
- Public Safety
- OVCIA
- CITL
- Office of Provost
- Office of Chancellor
- Human Resources
- Museums
- Krannert
Investments, Initiatives and Risk Management

✓ Risk Management
✓ Enrollment changes
✓ Shifts in demand across colleges
✓ Provide stability buffering in costs/salary programs

✓ Costs Allocated based on all expenditures (adjusted)

Incomplete list

Fire service contract
Promotion and tenure
Hazardous waste
Leases
Grad assistant benefits
Worker’s comp
Medicare
Advancement road map funding
TOP
DUAL
Risk Management
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</tr>
<tr>
<td>Investment for Growth</td>
<td>$408,369</td>
</tr>
<tr>
<td>University-wide Investments &amp; Initiatives</td>
<td>$3,173,411</td>
</tr>
<tr>
<td>Contributions to University Risk Management</td>
<td>$631,946</td>
</tr>
<tr>
<td><strong>Total College Investments in Administration and University-Wide Excellence</strong></td>
<td>$11,886,899</td>
</tr>
<tr>
<td><strong>Total Direct Costs and Investments</strong></td>
<td>$13,171,630</td>
</tr>
<tr>
<td><strong>Total Revenue less Direct Costs and Investments</strong></td>
<td>$2,052,142</td>
</tr>
</tbody>
</table>

## University-Wide Investments & Transfers with College

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Investments and Transfers</td>
<td>$12,947,858</td>
</tr>
<tr>
<td><strong>College Target Level</strong></td>
<td>$15,000,000</td>
</tr>
</tbody>
</table>
Baseline Discussions

• Meeting with College teams in Oct to review baselines and initial budget allocations
• Data available unit levels this Fall
• Look for colleges to develop 3 year plans uses of budget
  – Encourage transparent discussions
  – Focus on comprehensive budgeting – not transaction budgeting
Operational Excellence @ Illinois
Initiative
coming soon

- Manage Cash Strategically
- Develop Smarter Budgeting Systems
- Innovate Processes and Services
- Streamline Decision Making
- Identify Cost and Scale Efficiencies
- Enhance Productivity
- Reduce Redundancies

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