



Digging Deeper Budget Reform: Cost and Investments

April 2018

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**.

Costs & Investments: How to allocate ?

Other Centrally Budgeted
Academic & Admin Units
\$147M

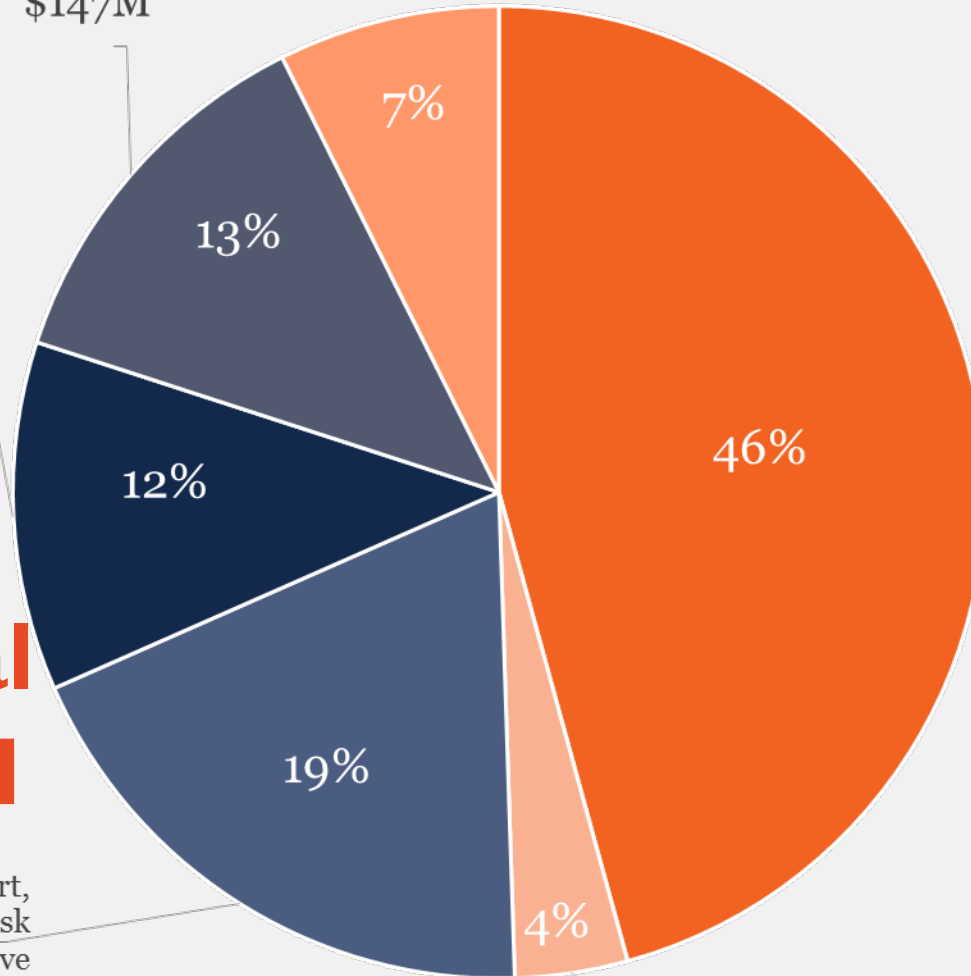
Centrally Awarded Financial Aid
\$86M

Technology Services,
Facilities and Utilities
\$135M

Tuition Units
\$534M

Campus-Wide Support,
Initiatives & Risk
Management Reserve
\$221M

Campus Level Research Units
\$44M



**FY18 Total
= \$1,167M**

Resource Allocation System

Campus Leadership

- Establishes **strategic** and **investment** priorities
- Determines **investment levels**: academic and admin. units
- Assures **accountability**

Levels

Budget Model

- **Tool** that **informs** decision makers
- Establishes and documents **transparent** processes
- Provides appropriate **incentives**

Weights

College Budgeting Framework

SOURCES of FUNDS:

Tuition

Indirect Cost Recovery (ICR)

University Value-Based Investment

Sources Total

USES of FUNDS:

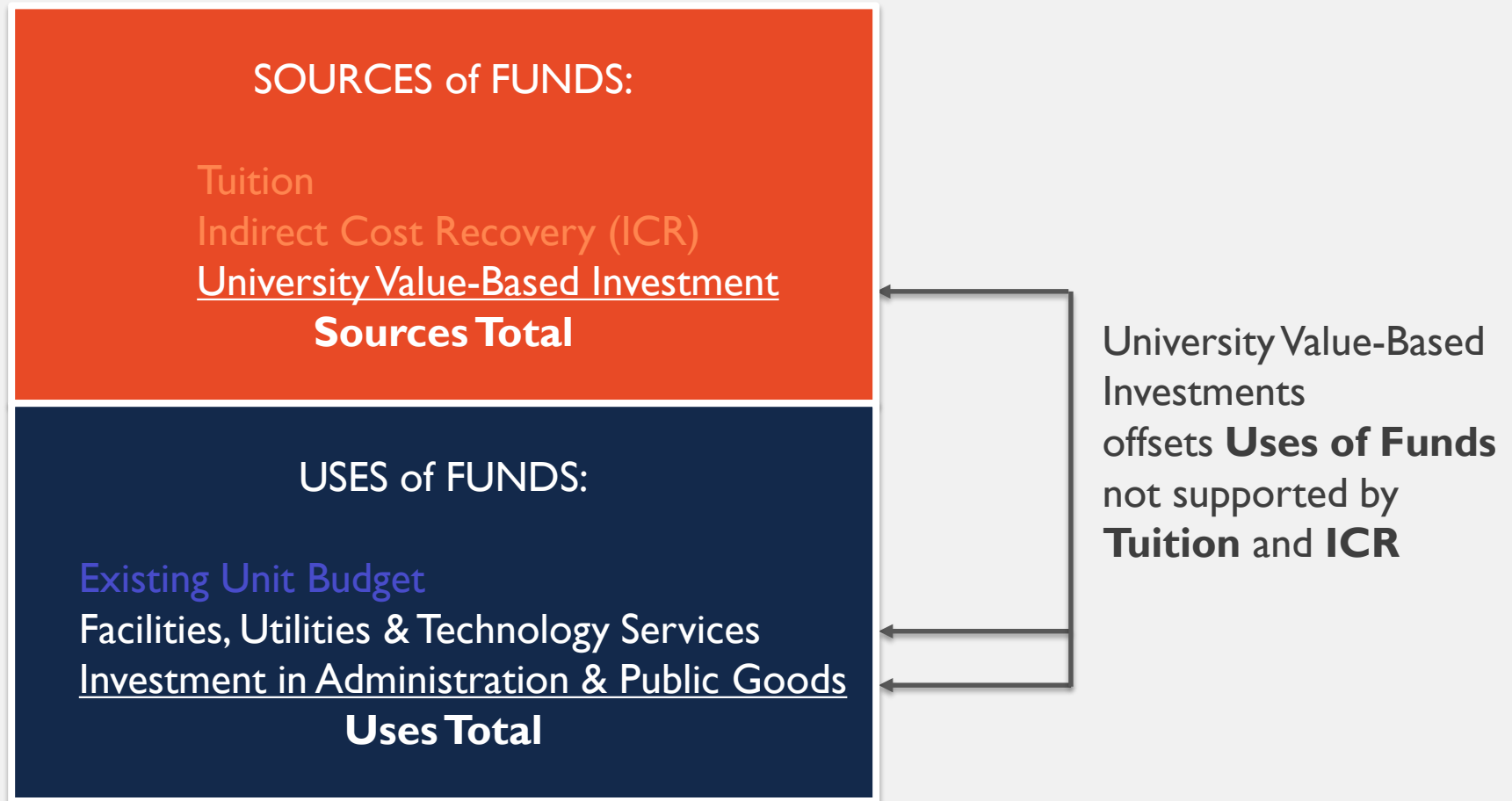
Existing College Budget

Facilities, Utilities & Technology Services

Investment in Administration & Public Goods

Uses Total

Initial Conditions



Cost & Investment Drivers:

Price x Unit

Aggregate Total

Data Considerations

Availability
Timing
Averaging

Criteria for Model Components



COST DETAILS

Direct Cost Assessments

Building
&
Space

F&S Building & Space Costs to Allocate

- ✓ Centrally-held budget accounting for direct-billed services
- ✓ Includes centrally-funded leases
- ✓ Adjusted for direct billing by F&S for services
- ✓ Centrally-budgeted costs added to cost of the F&S

Cost estimates (FY17):

Total centrally-held budget	\$42M
Directly allocated to tuition units	\$28M

Allocation of Costs Tuition Units

By Space Type Office (DMI)

- **Lab 100%**
- **Office 52%**
- **Classroom 47%**
- **Study 40%**
- **Special 40%**
- **General 40%**
- **Support 40%**
- **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

Scenario Rate Calculation (FY17)

F&S Tuition Unit Allocated Building Costs

Adjusted Net Assignable Square Ft (ANASF)

\$28 Million

3 Million ANASF

= \$9.33 per ANASF
FY17 Preliminary Estimate*

*This is a draft estimate:

ANASF needs to be adjusted for Division of
Responsibility

Building &
Space

Likely need to have incremental increases to address
deferred maintenance

Utility Costs



Utilities

Utilities Costs to Allocate

- ✓ Direct usage costs
- ✓ Indirect utility costs: energy administration and overhead
- ✓ Indirect costs allocated in similar proportions to direct cost
- ✓ Utility costs for centrally-budgeted units get added to centrally-budgeted unit cost

Cost estimates (FY17):

Total campus utilities	\$71M
Direct usage all units	\$51M
Direct usage by tuition units	\$34M

Central Technology Services

Technology
Services

Tech Services Costs to Allocate

- ✓ Centrally-held budget accounting for direct-billed services
- ✓ Tech Services attributed costs from campus (utility, space, etc.)
- ✓ Accounts for direct billing by Tech Services, distributed IT and library IT fee

Cost estimates (FY17):

Total centrally-held budget	\$20M
Directly allocated to tuition units	\$13M

Allocation of Tech Services Costs Tuition Units

Example Scenario

- ✓ Student weight (25%)
- ✓ Employee weight (75%)
 - Identify lower technology users

Preliminary Cost Estimates (FY17)*:

Per adjusted FTE	\$ 1,400
Per IU	\$ 1.15
Per Major	\$ 36

* Need to make adjustments for grad assistants to avoid double counting

College Investments in Administration and University-Wide Excellence

College Investments in Administration and University-Wide Excellence	FY17 Estimates
University System Office	42,000,000
Research Admin. & Campus Interdisciplinary Research Units	38,610,955
Administrative and Other Campus Units	158,324,787
Investment for Growth	10,000,000
University-wide Investments & Initiatives	100,622,903
Contributions to University Risk Management	20,000,000
Total College Investments in Administration and University-Wide Excellence	\$ 369,558,645

University System Office

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

For an organizational chart

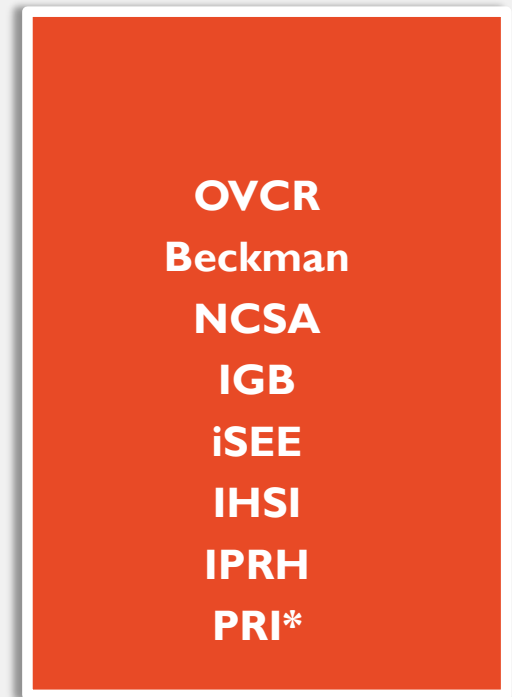
<http://www.pb.uillinois.edu/documents/staffing/SO-Org-Chart.pdf>

INCOMPLETE LIST

President's Office
VP Academic Affairs
University Council
Business and Financial Services
Accounting
Audits
Payroll
Treasury
Capital Financing
Cash Management
Risk Management
Budget Planning & Reporting
Government Relations
System HR
Economic
Development/Innovation
OTM
AITs

Research and Campus Interdisciplinary Research Units

- ✓ Cost attribution accounts for ICR generated in the institutes
- ✓ Campus portion of generated ICR used to reduce the costs allocated to colleges
- ✓ Building, space, utilities and tech services costs attributed to institutes added
- ✓ Allocation Scenario:
 - 25% on all expenditures (adjusted)
 - 75% on research expenditures



* PRI has a separate budget allocation from the state and costs are not allocated to the units.

All Expenditure Calculation Adjustments

Included expenditures on the following funds:

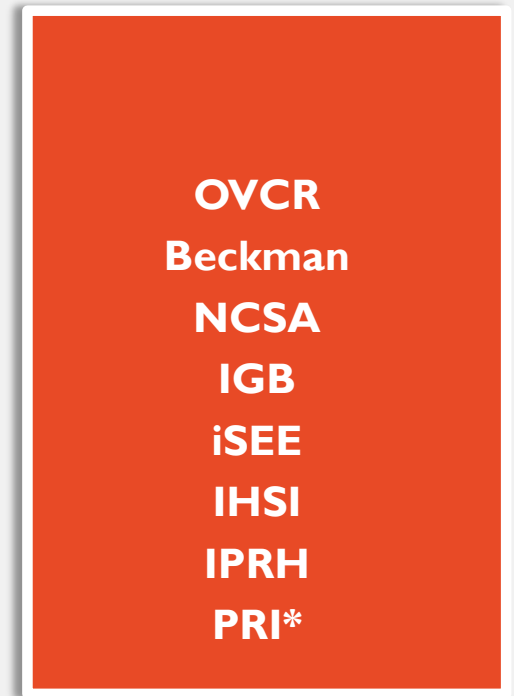
- State/Income Fund & Special State Appropriations
- Institutional funds: Education & Admin Allowances, ICR, Patents & Royalties, and Term Sick Leave
- Auxiliary Enterprises and Departmental Activities
- Sponsored Projects
- Medical Service plan (COM)
- Federal Land Grant Appropriation

Excluded expenditures on the following funds:

- Gifts/current use endowment Income
- Service and Storeroom funds
- Plant & Agency funds
- The following expenditures on included funds:
 - Capitalized equipment
 - Plant expenditures
 - Student Aid & Awards
 - Workers Compensation
 - Cost of goods for resale
 - Admin allowance charges
 - F&A assessments on sponsored projects
 - Federal Works Study
 - Benefit Costs
 - Non-mandatory expense transfers
 - Mandatory transfers except debt service

Research and Campus Interdisciplinary Research Units

- ✓ Example Scenario FY17 :
 - 25% on all expenditures (adjusted)
\$ 0.013 per \$1
 - 75% on research expenditures
\$ 0.10 per \$1



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

Administrative & Campus Public Goods (Units)

- ✓ Centrally-held budget for administration and centrally-budgeted academic units
- ✓ Net of student fees
- ✓ Scenario:
Costs allocated based on all expenditures (adjusted)

FY17 \$0.18 per \$1

INCOMPLETE LIST

Library
Enrollment Management
Extension
Grad College
Public Safety
OV CIA
CITL
Office of Provost
Office of Chancellor
Human Resources
Museums
Krannert

ion

Investments, Initiatives and Risk Management

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

- ✓ Scenario:
Costs Allocated based on all expenditures (adjusted)

FY17 \$0.16 per \$1

INCOMPLETE LIST

Fire service contract

Promotion and tenure

Hazardous waste

Grad assistant benefits

Worker's comp

Medicare

Advancement road map

funding

TOP

Dual Career

Risk management

Rates and Data Timing Issues

Potential Scenarios

Expenditures: 2-year average with 1-year lag (FY20 calc: average of FY17 & FY18)

Research Expenditures: 2-year average with 1-year lag (FY20 calc: average of FY17 & FY18)

Utilities: 2-year average with 1-year lag (FY20 calc: average of FY17 & FY18)

FTE: Prior year October DMI snapshot (FY20 calc: October 2019 DMI)

Student Numbers: Prior year October DMI snapshot (FY20 calc: October 2019 DMI)

Square Footage: Prior year DMI snapshot (FY20 calc: 2019 DMI code)

TRADEOFFS

Risk

Predictability

Incentive Payoff

Rate Determined
Parameters

Fix for 3 years?

Revise Review Processes

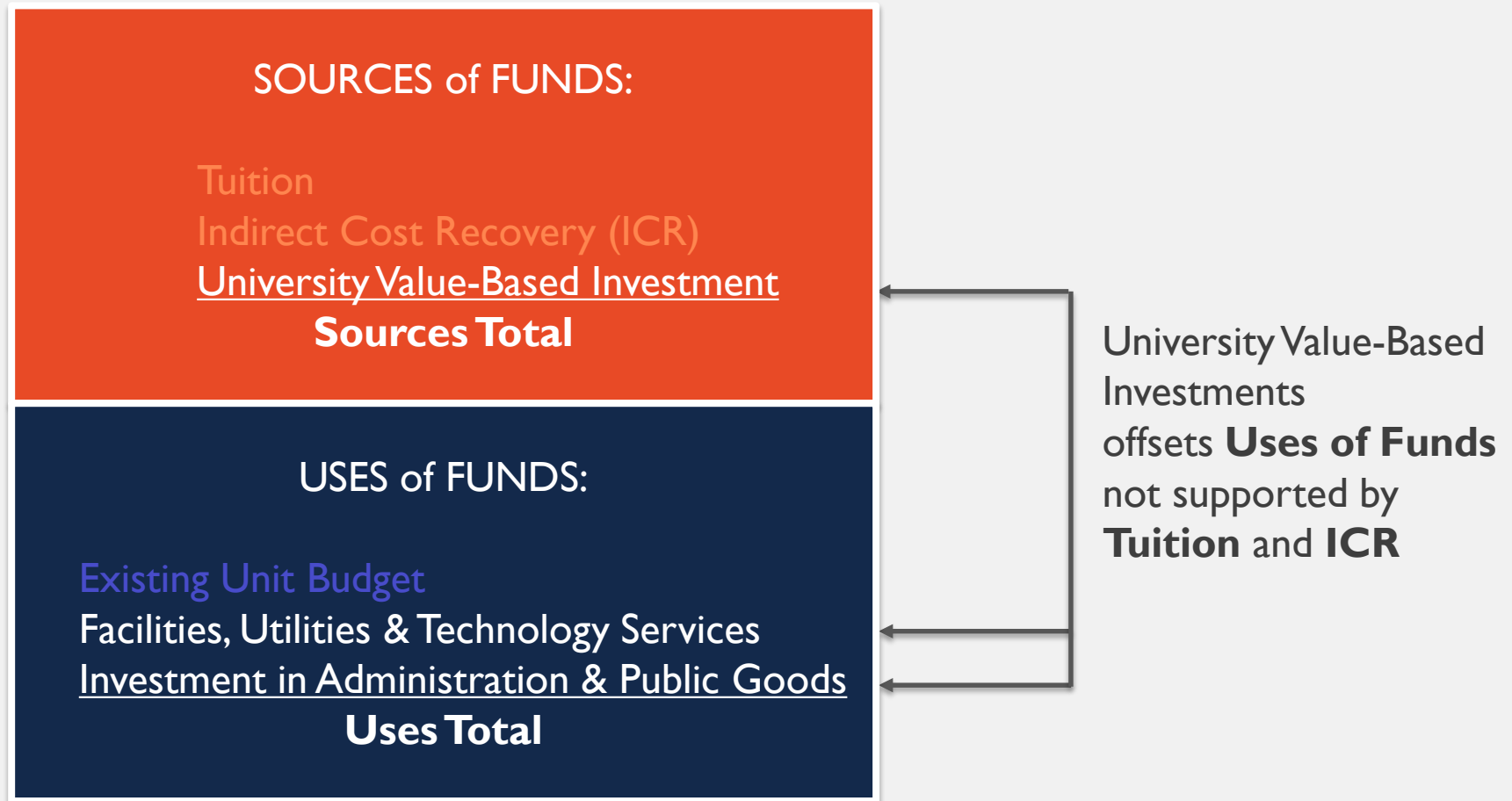
Review Process for All Units

- ✓ Composition of review teams
- ✓ Scope of the review
- ✓ Frequency
- ✓ Time of year

Accountability

Transparency

Initial Conditions



CATEGORY	ITEM	FY17
Tuition Revenue		
	Undergraduate Base-Rate Tuition	\$ 21,446,406
	Undergrad Non-resident Tuition	6,886,178
	Undergrad Program Differential	2,471,384
	Undergrad International Base	230,904
	Undergrad International Differential	-
	Less: Centrally-Funded Financial Aid	(3,327,708)
	Less: Centrally-Assigned Tuition Waivers	(1,730,157)
	Less: College-Assigned Tuition Waivers	(1,595,237)
	Net tuition: Graduate	6,725,138
	Net tuition: Professional	-
	Net tuition: CITL (all levels)	7,265
	Coursera and Other Revenue	-
	Total Tuition Revenue Generated	\$ 31,114,173
Indirect Cost Recoveries		
	All Tuition Remission	167,442
College Managed Grants	Facilities & Admin. Cost: Distributed	\$ 1,313,301
	Campus Portion Facilities & Admin. Cost: Allocated (banner)	1,605,151
IRUs & Other Unit Managed Grants	Facilities & Admin. Cost: Distributed	3,139
	Total Indirect Cost Recoveries Generated	\$ 3,089,035
	Total Revenue Generated	\$ 34,203,208

	Total Revenue Generated	\$ 34,203,208
Direct Cost Assessments		
	Facilities and Space	
	Building and Space	\$ 2,917,500
	Utilities	1,916,815
	Capital Renewal / Deferred Maintenance	
	Less: College Funded Facilities and Space	
	Less: Transition factor	
	Total Facilities and Space Costs	\$ 4,834,315
	Technology and Services	718,067
	Total Direct Cost Assessments	5,552,382
College Investments in Administration and University-Wide Excellence		
	University System Office	2,297,758
	Research Admin. & Campus Interdisciplinary Research Units	637,714
	Administrative and Other Campus Units	9,277,202
	Investment for Growth	839,630
	University-wide Investments & Initiatives	5,896,101
	Contributions to University Risk Management	1,171,920
	Total College Investments in Administration and University-Wide Excellence	\$ 20,120,326
	Total Direct Costs and Investments	\$ 25,672,709
Total Revenue less Direct Costs and Investments		\$ 8,530,499
University-Wide Investments & Transfers with College		
	University Investments and Transfers	\$ 22,397,719
	College Target Level	
Budget Allocations	Attributed College Budget	30,928,218

Payments on Behalf Estimates (contingent liability)

Pension	3,034,924
Health and Dental	5,534,597

Next Steps

- ✓ Listen and learn
- ✓ Compile feedback and make adjustments
- ✓ July: Set the attributed college budgets based on existing model
- ✓ Fall: Finalize baseline parameters year 1
- ✓ Fall/Spring: Establish medium-term targets
- ✓ Fall/Spring: Educational sessions for departments and colleges including revised reports





PREPARING FOR CHANGE

Concerns & Questions

**Next Provost Coffee:
Panel Discussion
May 4, 2018**

provost.illinois.edu