Campus Budget Reform

September 2018
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 (7%)
- Sponsored Research & Fed Appropriations: $459M (20%)
- Gifts & Endowment Income: $169M (7%)
- Auxiliary Enterprises & Departmental Activities: $453M (20%)

**FY19 Total = $2.291B**
FY19 Budget Allocations
(unrestricted)

- Tuition Units: $559M
- 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
- Other Centrally Budgeted Academic & Admin Units: $157M

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
- Gift and endowment income: 8.0
- University Research: 6.6
- Vice Chancellor for Research & Institutes: 4.8
- Other: 1.9
Budgeted Tuition

$ Millions

FY10  FY11  FY12  FY13  FY14  FY15  FY16  FY17  FY18  FY19

Undergrad  Grad  Professional
Budgeted Undergraduate Tuition

$ Millions

FY11  FY12  FY13  FY14  FY15  FY16  FY17  FY18  FY19

- Base Rate
- Non-Resident Differential
- International Differential
- Program Differentials
- Summer/Winter Terms
In-State Cost of Attendance First Year Students: Big 10 Publics: 2018-19

- **Purdue**: $9,992 (Tuition/Fees) + $10,030 (Room & Board) + $10,322 (Other)
- **Iowa**: $9,492 (Tuition/Fees) + $11,172 (Room & Board) + $10,322 (Other)
- **Indiana**: $10,680 (Tuition/Fees) + $10,466 (Room & Board) + $10,322 (Other)
- **Nebraska**: $9,242 (Tuition/Fees) + $11,430 (Room & Board) + $10,322 (Other)
- **Wisconsin**: $10,534 (Tuition/Fees) + $11,114 (Room & Board) + $10,322 (Other)
- **Maryland**: $10,595 (Tuition/Fees) + $12,429 (Room & Board) + $10,322 (Other)
- **Ohio State**: $10,726 (Tuition/Fees) + $12,474 (Room & Board) + $10,322 (Other)
- **Minnesota**: $14,760 (Tuition/Fees) + $9,910 (Room & Board) + $10,322 (Other)
- **Michigan State**: $14,516 (Tuition/Fees) + $10,322 (Room & Board) + $10,322 (Other)
- **Illinois**: $16,004 (Tuition/Fees) + $11,308 (Room & Board) + $10,322 (Other)
- **Michigan**: $16,225 (Tuition/Fees) + $11,534 (Room & Board) + $10,322 (Other)
- **Rutgers University**: $14,974 (Tuition/Fees) + $12,706 (Room & Board) + $10,322 (Other)
- **Penn State**: $18,400 (Tuition/Fees) + $11,570 (Room & Board) + $10,322 (Other)

*Maximum tuition differentials @ IL = $5,004 additional cost*
Central Investment in Financial Aid

$ million

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Budgeted</th>
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<tbody>
<tr>
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<td>2018</td>
<td>85.4</td>
<td>91.6</td>
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<tr>
<td>2019 est</td>
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</tbody>
</table>
Historical Budget Strategies

FY16
- Campus-wide recurring reductions $49 Million
- $2 million reinvestment pool funded from activity-based units
- Campus-wide cash rescissions $50 million

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

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
- March 27, 2018 – [Budget Reform Town Hall](#) presentation by Andreas Cangellaris, Vice Chancellor for Academic Affairs and Provost
  - [Budget Reform Town Hall Video](#) with 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 dean’s 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

**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

INVEST IN EXCELLENCE ACROSS MISSION AREAS
Research • Teaching • Outreach
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

<table>
<thead>
<tr>
<th>Existing Model</th>
<th>New Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unit Actions</strong></td>
<td><strong>Unit Actions</strong></td>
</tr>
<tr>
<td>IUs</td>
<td>IUs</td>
</tr>
<tr>
<td>Majors</td>
<td>Majors</td>
</tr>
<tr>
<td>Graduate Tuition</td>
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</tr>
<tr>
<td>Summer/Winter Tuition</td>
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</tr>
<tr>
<td>ICR/Remission</td>
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</tr>
<tr>
<td><strong>Campus Actions</strong></td>
<td><strong>Campus Actions</strong></td>
</tr>
<tr>
<td>Salary and promotions</td>
<td>Incremental campus adjustments</td>
</tr>
<tr>
<td>Incremental campus adjustments</td>
<td>Campus strategic investments</td>
</tr>
<tr>
<td>Campus strategic investments</td>
<td>Change in campus goods</td>
</tr>
<tr>
<td></td>
<td>Change in administrative costs</td>
</tr>
<tr>
<td>Space</td>
<td>Utility usage</td>
</tr>
<tr>
<td>FTE</td>
<td>Expenditures</td>
</tr>
</tbody>
</table>
College Budgeting Framework

**Sources of Funds:**
- Tuition
- Indirect Cost Recovery (ICR)
- University Value-Based Investment

**Uses of Funds:**
- Existing College Budget
- Facilities, Utilities & Technology Services
- Investment in Administration & Public Goods

**Sources Total**

**Uses Total**
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**
Transition: University Value-Based Investments

**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

### Per IU

<table>
<thead>
<tr>
<th>Tuition Revenue</th>
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<tr>
<td>Undergraduate Base-Rate Tuition</td>
<td>$9,692,735</td>
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<tr>
<td>Undergrad Non-resident Tuition</td>
<td>$2,112,811</td>
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<td>Undergrad Program Differential</td>
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<td>Undergrad International Base</td>
<td>$82,824</td>
</tr>
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<td>Undergrad International Differential</td>
<td></td>
</tr>
<tr>
<td>Less: Centrally-Funded Financial Aid</td>
<td>(1,525,567)</td>
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<tr>
<td>Less: Centrally-Assigned Tuition Waivers</td>
<td>(620,600)</td>
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<td>Net tuition: Graduate</td>
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<td>Net tuition: Professional</td>
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<tr>
<td>Net tuition: CITL (all levels)</td>
<td>$1,957,252</td>
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<tr>
<td>Coursera and Other Revenue</td>
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</tr>
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</table>

**Total Tuition Revenue Generated:** $13,611,656

### Per Major

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<td>Less: Centrally-Funded Financial Aid</td>
<td>(1,179.31)</td>
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<td>(479.74)</td>
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</table>

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
- **Facilities and Administration (F&A)**
  - 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)
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<td><strong>Cost of Education Allowance:</strong></td>
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<tr>
<td><strong>Total Revenue Generated</strong></td>
<td><strong>$ 15,223,772</strong></td>
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## Direct Cost Assessments

### Facilities and Space

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<td>Building and Space</td>
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<td>Utilities</td>
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<td>Capital Renewal / Deferred Maintenance</td>
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<td><strong>Total Facilities and Space Costs</strong></td>
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<td>Technology and Services</td>
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<tr>
<td><strong>Total Direct Cost Assessments</strong></td>
<td><strong>$1,284,731</strong></td>
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## College Investments in Administration and University-Wide Excellence

<table>
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<tbody>
<tr>
<td>University System Office</td>
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<tr>
<td>Research Admin. &amp; Campus Interdisciplinary Research Units</td>
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<tr>
<td>Administrative and Other Campus Units</td>
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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>
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<tr>
<td>Contributions to University Risk Management</td>
<td>$631,946</td>
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<tr>
<td><strong>Total College Investments in Administration and University-Wide Excellence</strong></td>
<td><strong>$11,886,899</strong></td>
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</table>

**Total Direct Costs and Investments**  

<table>
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<th>Component</th>
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</thead>
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<tr>
<td><strong>Total Direct Costs and Investments</strong></td>
<td><strong>$13,171,630</strong></td>
</tr>
</tbody>
</table>
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

\[
\frac{F&S \text{ Tuition Unit Allocated Building Costs}}{\text{Adjusted Net Assignable Square Ft (ANASF)}} = \text{FY17 Preliminary Estimate*}
\]

\[
\frac{\$27 \text{ Million}}{3 \text{ Million ANASF}} = \$9.0 \text{ per ANASF}
\]

*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

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

✓ 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
## Tuition Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate Base-Rate Tuition</td>
<td>$9,629,735</td>
</tr>
<tr>
<td>Undergrad Non-resident Tuition</td>
<td>$2,112,811</td>
</tr>
<tr>
<td>Undergrad Program Differential</td>
<td>-</td>
</tr>
<tr>
<td>Undergrad International Base</td>
<td>$82,824</td>
</tr>
<tr>
<td>Undergrad International Differential</td>
<td>-</td>
</tr>
<tr>
<td>Less: Centrally-Funded Financial Aid</td>
<td>($1,525,567)</td>
</tr>
<tr>
<td>Less: Centrally-Assigned Tuition Waivers</td>
<td>($620,600)</td>
</tr>
<tr>
<td>Less: College-Assigned Tuition Waivers</td>
<td>-</td>
</tr>
<tr>
<td>Net tuition: Graduate</td>
<td>$1,912,200</td>
</tr>
<tr>
<td>Net tuition: Professional</td>
<td>-</td>
</tr>
<tr>
<td>Net tuition: CITL (all levels)</td>
<td>$1,957,252</td>
</tr>
<tr>
<td>Coursera and Other Revenue</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Tuition Revenue Generated</strong></td>
<td><strong>$13,611,656</strong></td>
</tr>
</tbody>
</table>

### Institutional Fund Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% Tuition Remission</td>
<td>$317,798</td>
</tr>
</tbody>
</table>

### College Managed Grants

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities &amp; Admin. Cost: Distributed</td>
<td>$734,541</td>
</tr>
<tr>
<td>Campus Portion Facilities &amp; Admin. Cost: Allocated</td>
<td>$441,847</td>
</tr>
</tbody>
</table>

### IRUs & Other Unit Managed Grants

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities &amp; Admin. Cost: Distributed</td>
<td>$73,706</td>
</tr>
<tr>
<td>Campus Portion Facilities &amp; Admin. Cost: Allocated</td>
<td>$44,224</td>
</tr>
</tbody>
</table>

### Total Indirect Cost Recoveries Generated

**$1,612,116**

### Cost of Education Allowance:

- Cost of Education Generated: 
- Total Institutional Fund Revenue Generated: **$1,612,116**

### Total Revenue Generated

**$15,223,772**

### Direct Cost Assessments

#### Facilities and Space

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and Space</td>
<td>$425,364</td>
</tr>
<tr>
<td>Utilities</td>
<td>$470,322</td>
</tr>
</tbody>
</table>

#### Capital Renewal / Deferred Maintenance

**$895,685**

#### Technology and Services

**$389,046**

**Total Direct Cost Assessments**

**$1,284,731**

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>University System Office</td>
<td>$1,327,086</td>
</tr>
<tr>
<td>Research Admin. &amp; Campus Interdisciplinary Research Units</td>
<td>$1,843,696</td>
</tr>
<tr>
<td>Administrative and Other Campus Units</td>
<td>$4,496,392</td>
</tr>
<tr>
<td>Investment for Growth</td>
<td>$408,369</td>
</tr>
<tr>
<td>University-wide Investments &amp; Initiatives</td>
<td>$3,179,411</td>
</tr>
<tr>
<td>Contributions to University Risk Management</td>
<td>$631,946</td>
</tr>
</tbody>
</table>

**Total College Investments in Administration and University-Wide Excellence**

**$11,886,899**

### Total Direct Costs and Investments

**$13,171,630**

### Total Revenue less Direct Costs and Investments

**$2,052,142**

### 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>
</tbody>
</table>

### Budget Allocations Attributed College Budget

**College Target Level**

**$15,000,000**
NEXT STEPS
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
Questions