



Campus Budget Reform

September 2018

Outline

Fall: *Update on Campus Budget Reform*

- Campus budget overview
- Budget reform

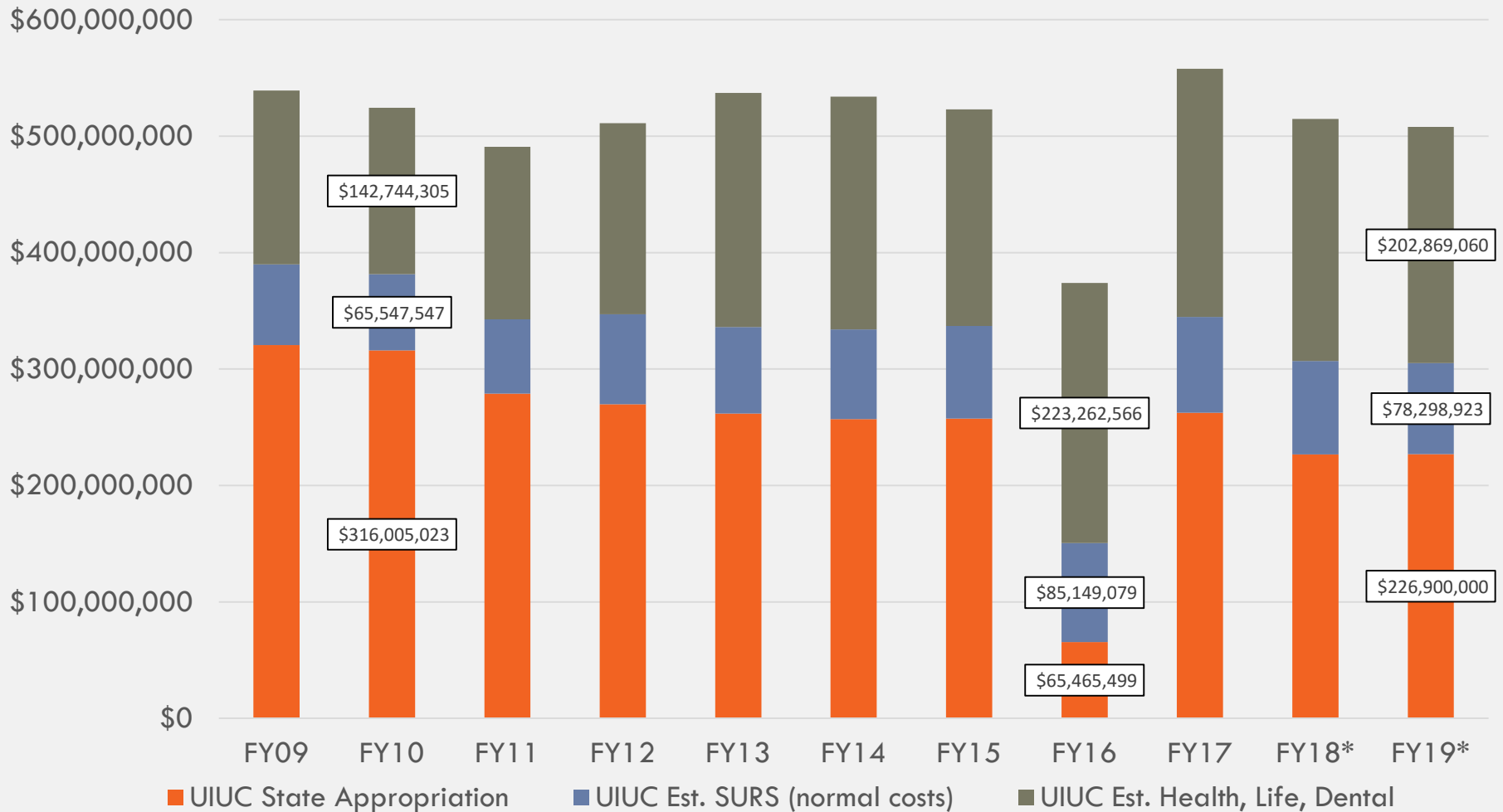
Spring: *Planning your Department's Budget*

- 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

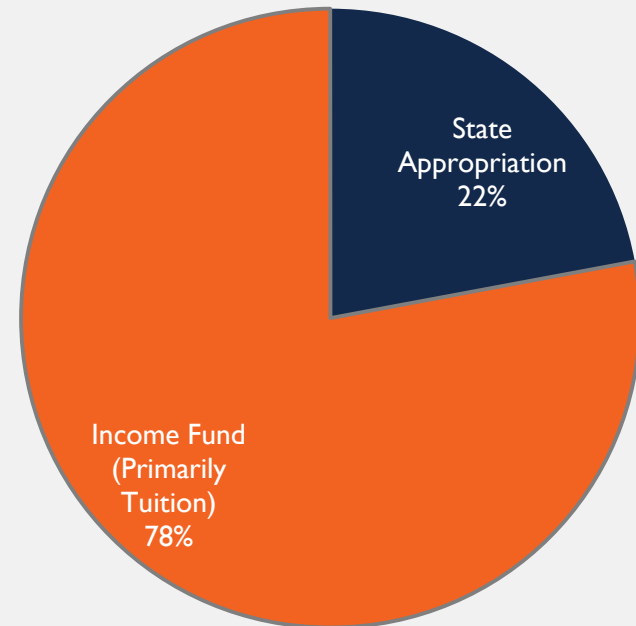
Financial Plan Overview

FY19

- UIUC portion of the increase in 2% General Funds Base:

\$4.01 million allocated to tuition colleges
based on FY18 permanent budget base

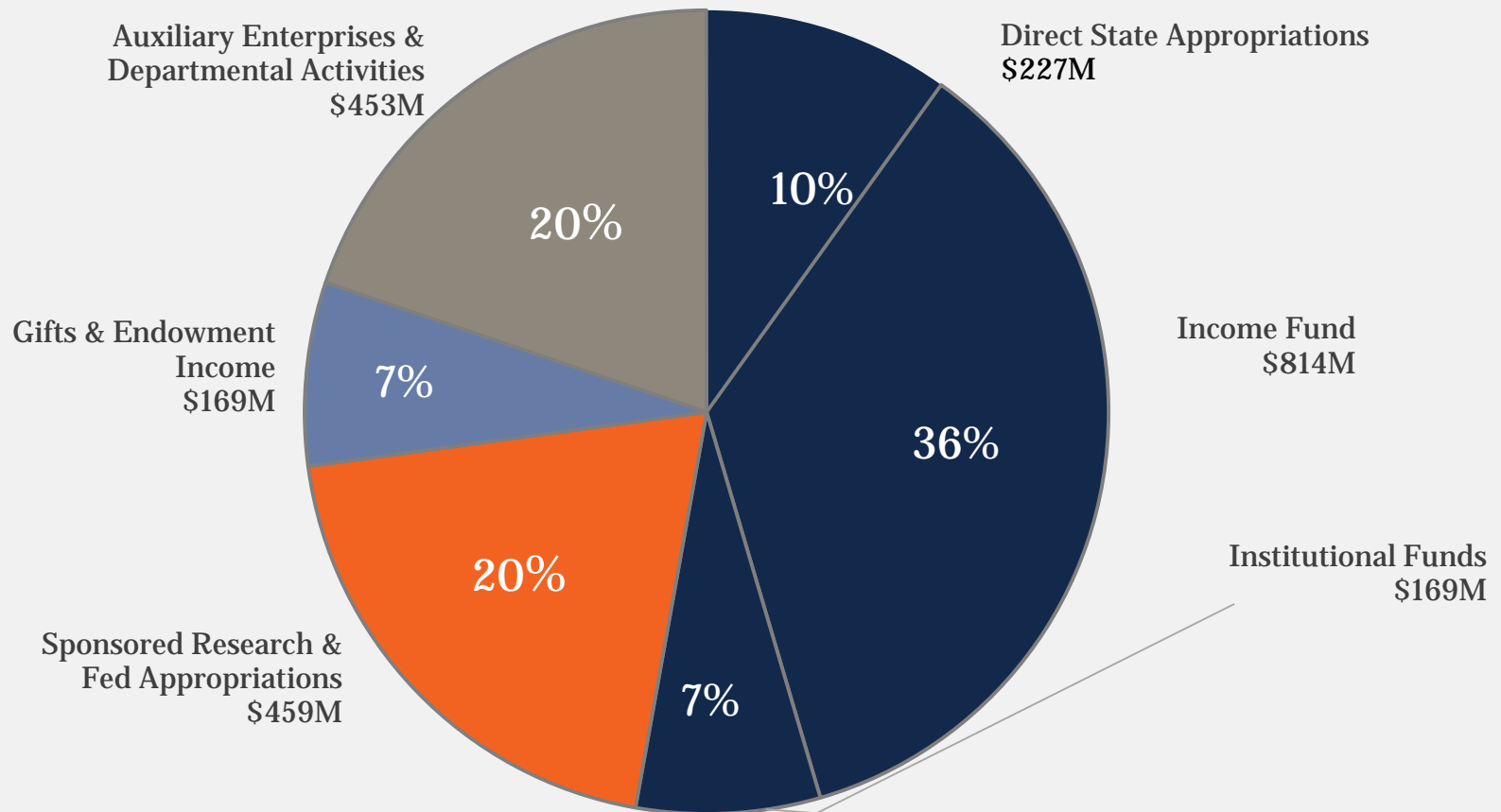
- No decrease in budget for centrally-budgeted units



State Funding Issues

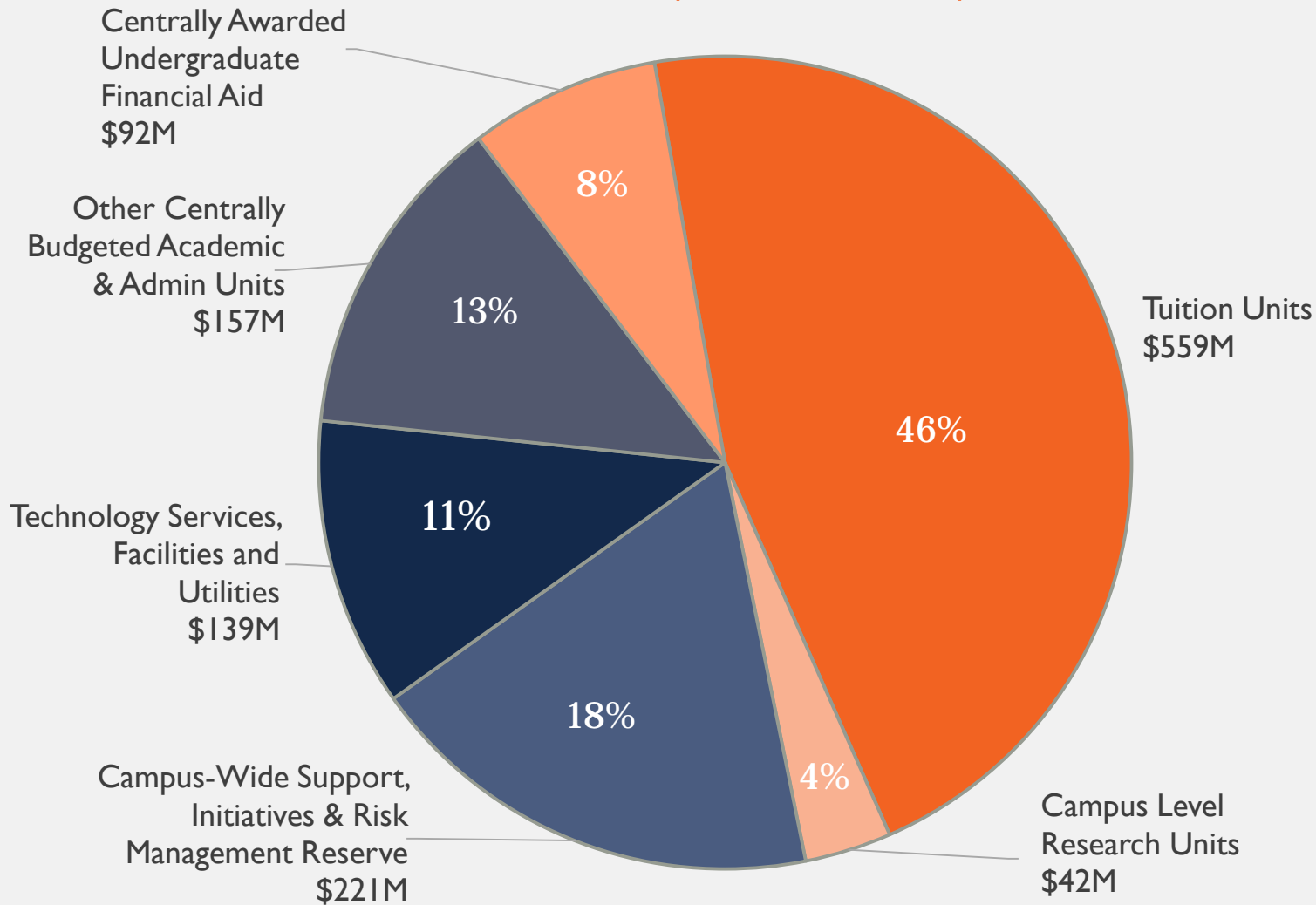
- Funding uncertainty remains high
- Continued pressure on benefit shift
- Currently, two areas
 - Employees in Tier I that exceed governor's salary
 - New 3% rule for calculating SURS obligation

FY19 Budget Sources



FY19 Total = \$2.291B

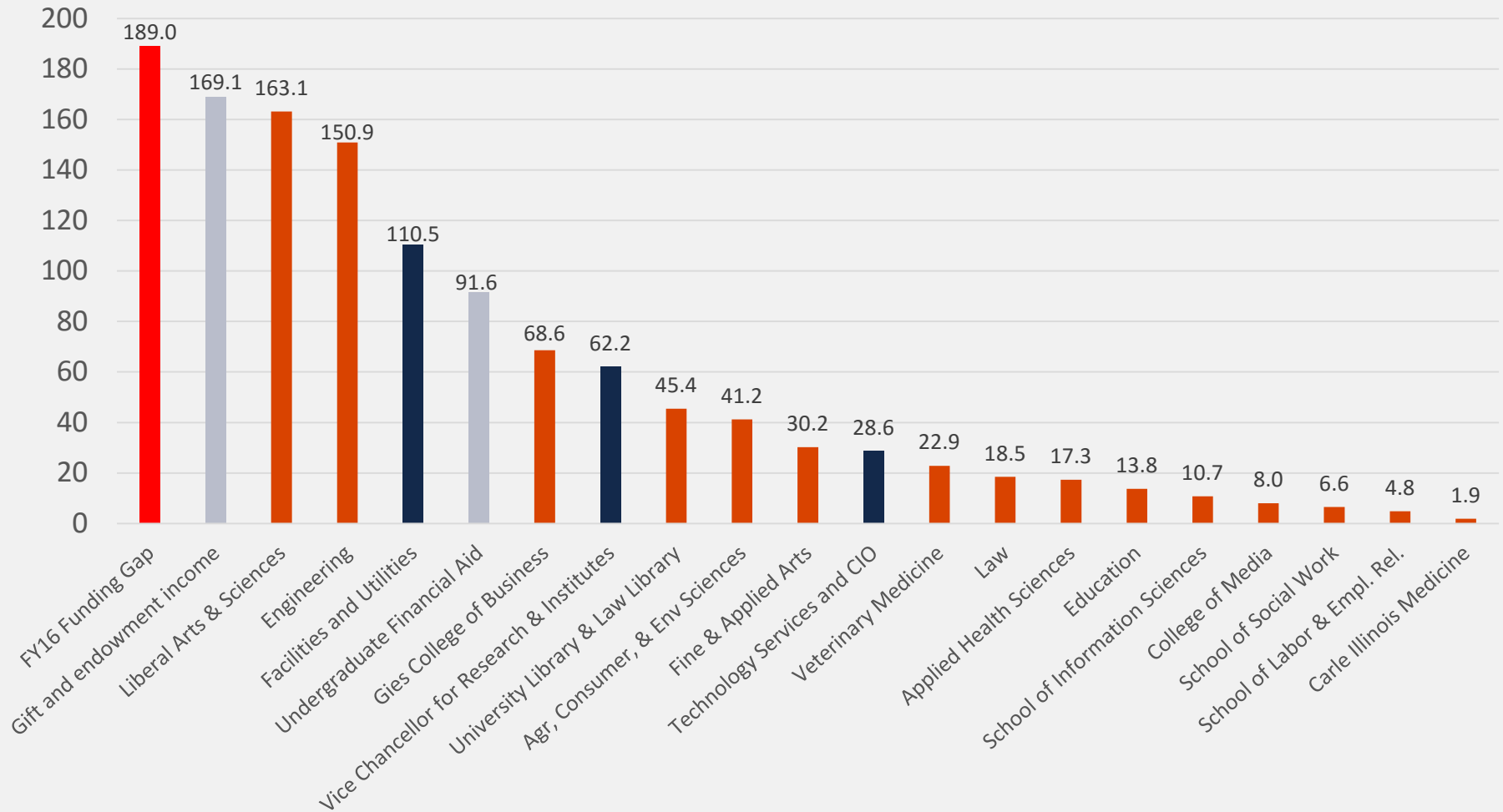
FY19 Budget Allocations (unrestricted)



Total = \$1.210B

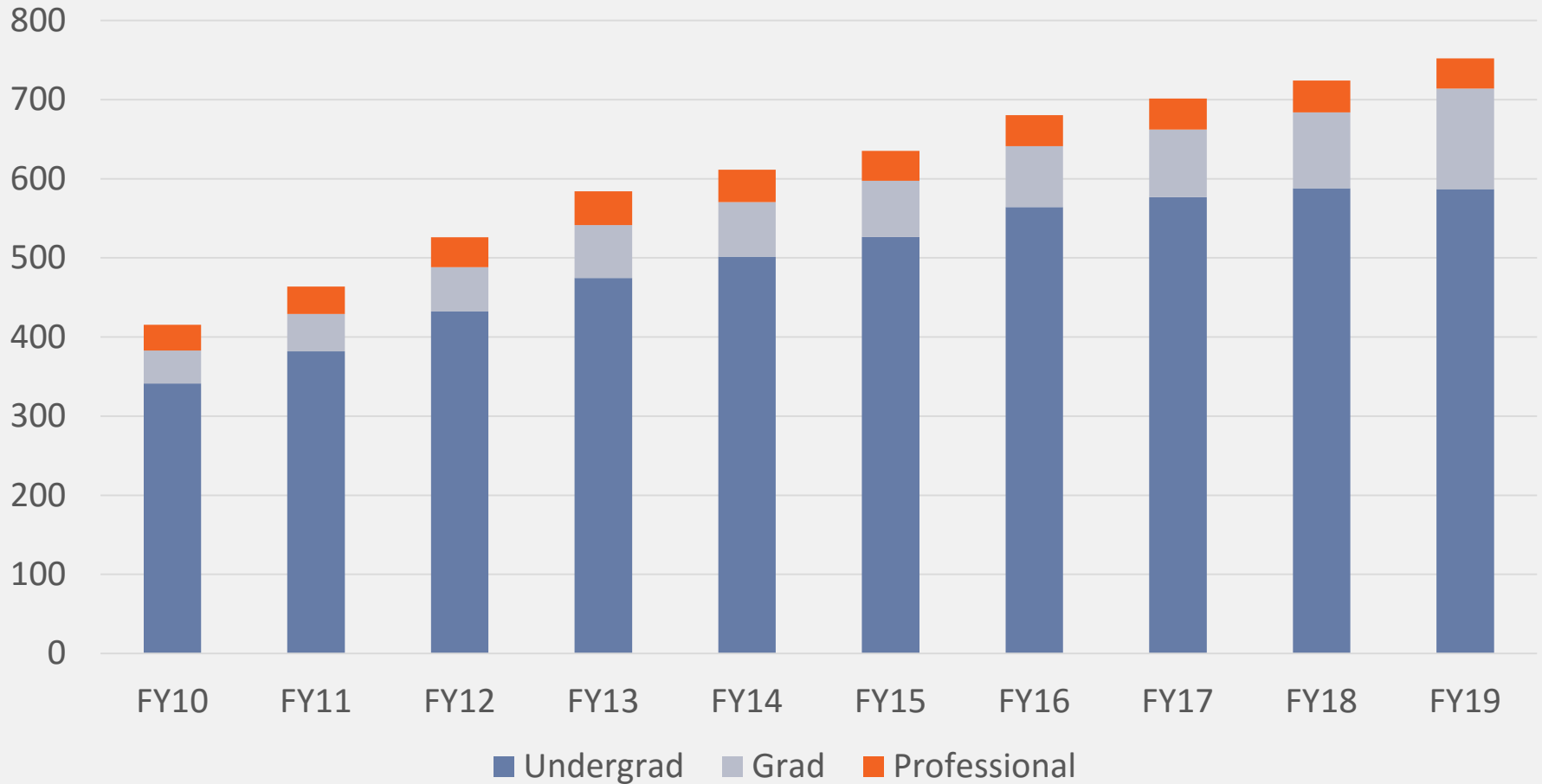
FY19 Unrestricted Budget

\$ Millions

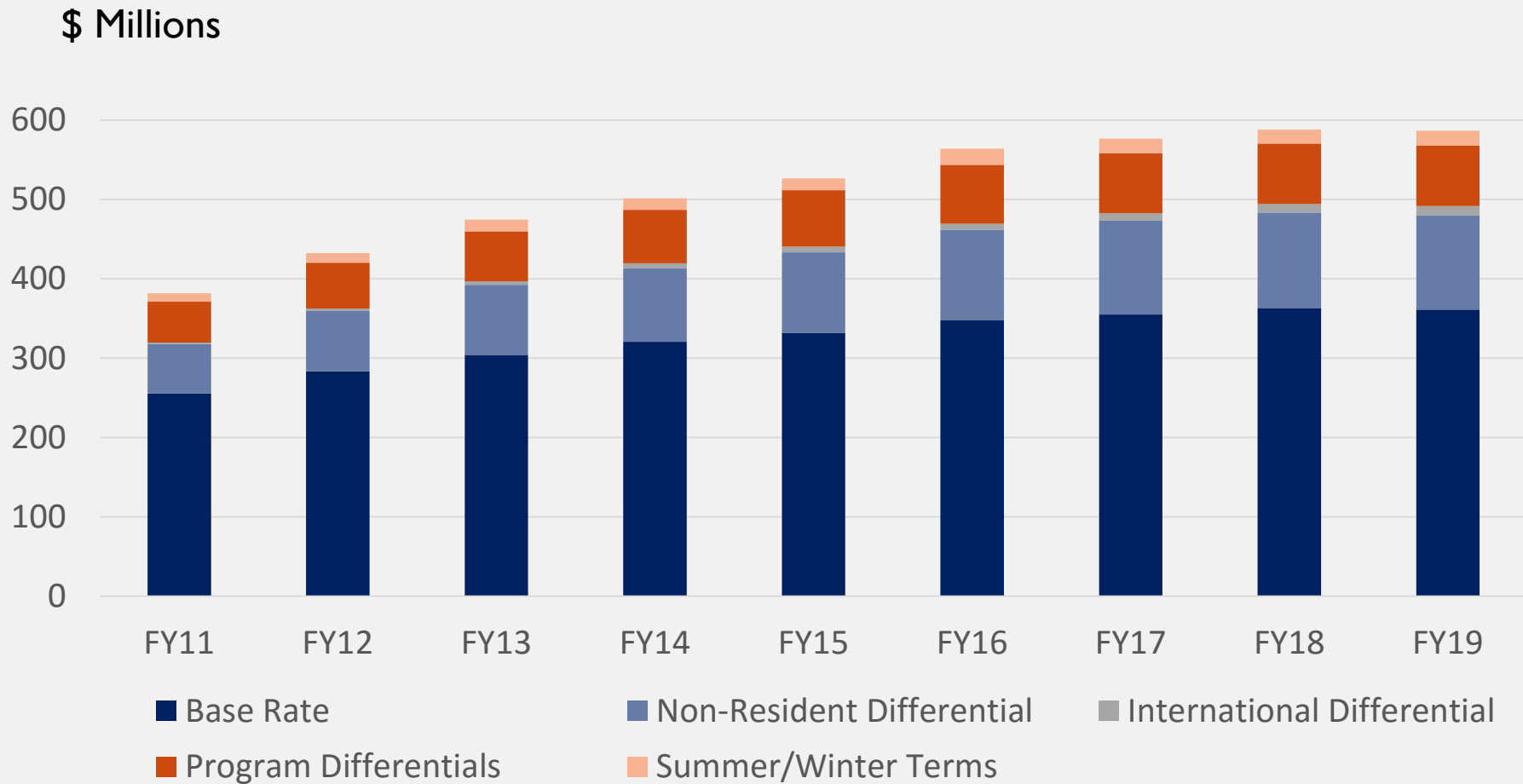


Budgeted Tuition

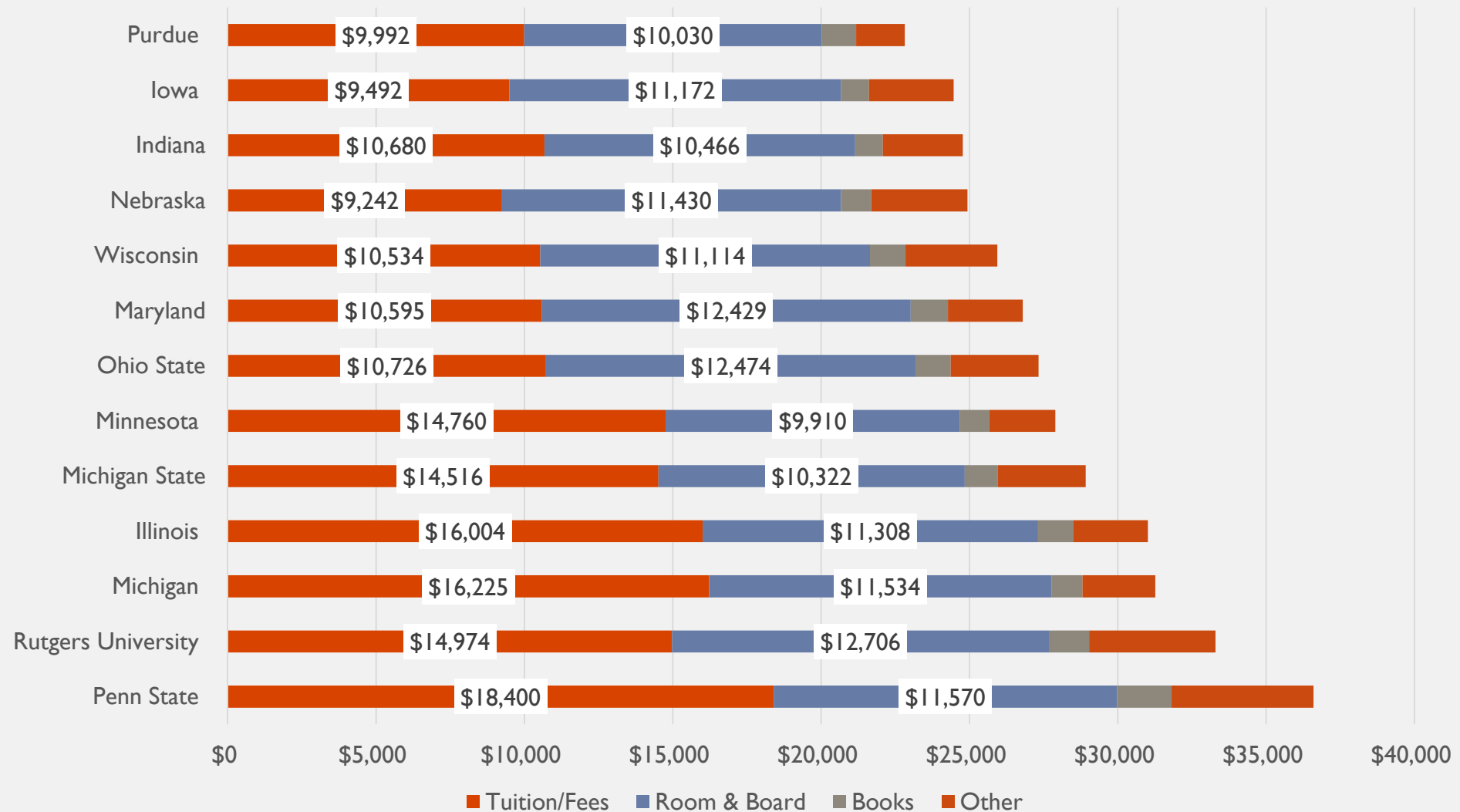
\$ Millions



Budgeted Undergraduate Tuition



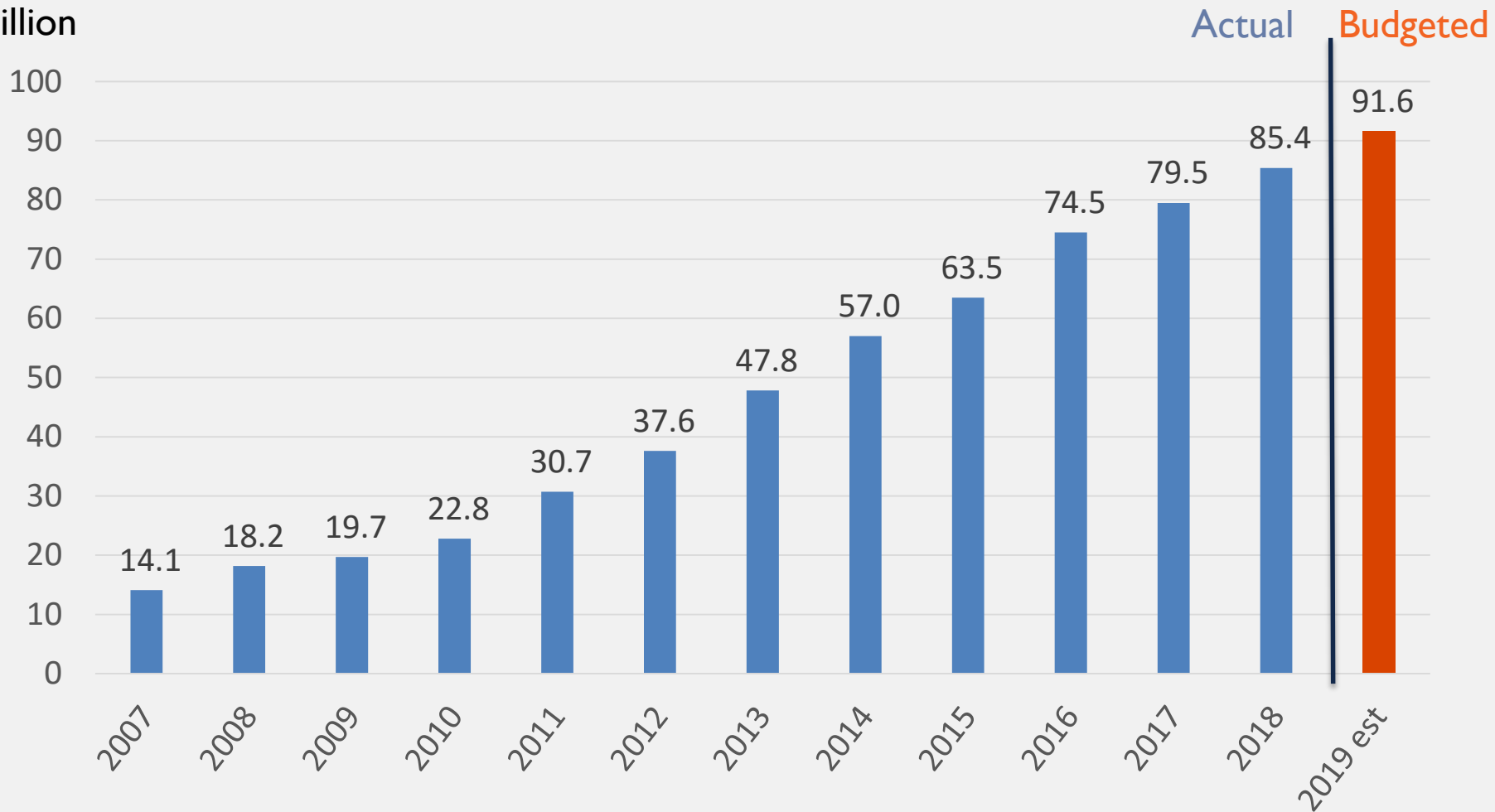
In-State Cost of Attendance First Year Students: Big 10 Publics: 2018-19



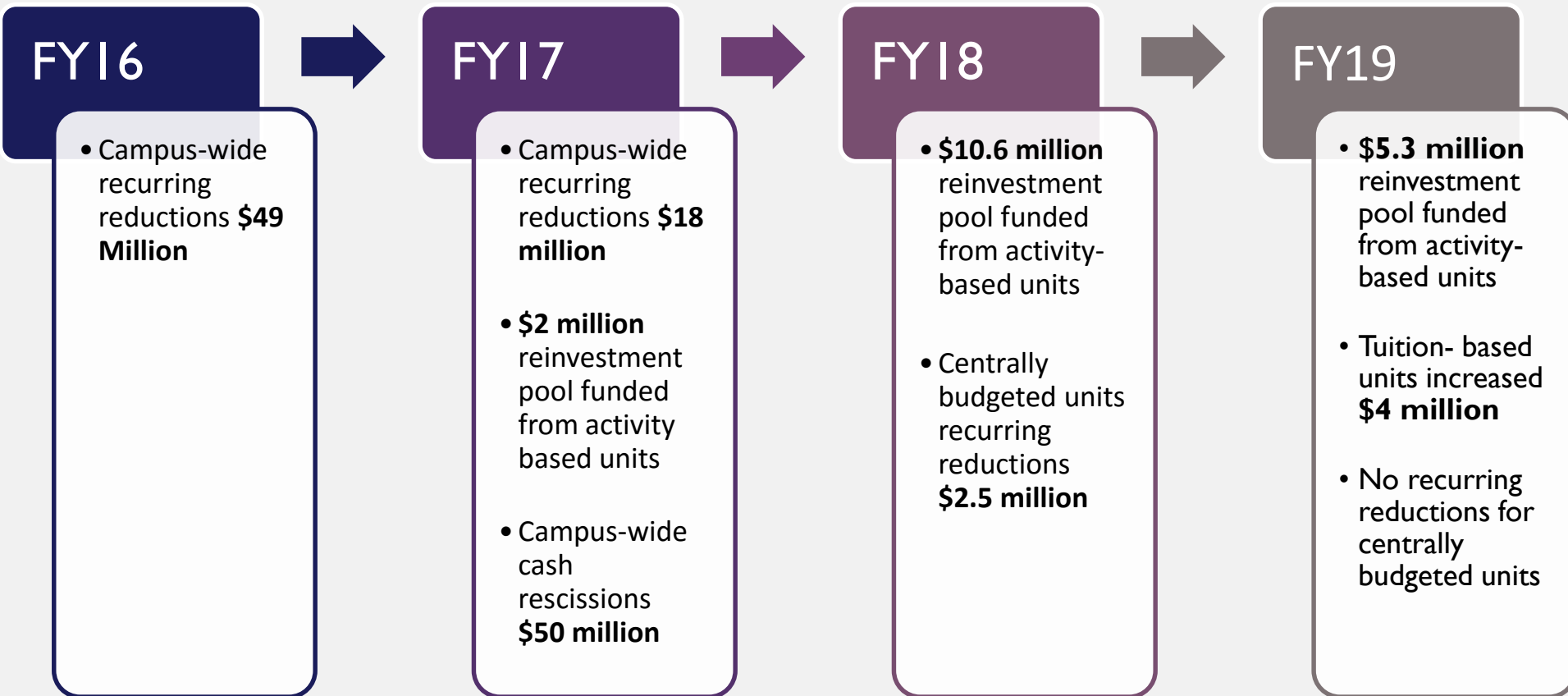
Maximum tuition differentials @ IL = \$5,004 additional cost

Central Investment in Financial Aid

\$ million



Historical Budget Strategies



BUDGET REFORM

BUDGET

Budget Overview

Budget Reform

Budget Reform Timeline

Budget Reform Town Hall Video – March 2018

Budgeting Reform Steering Committee

Campus Budget Advisory Task Force (CBATF)

Integrated & Value-Centered Budgeting

Previous Work on Campus Budgeting

Business & Financial Policies

Capital Planning

Planning & Reporting



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
 - [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 deans 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.

“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

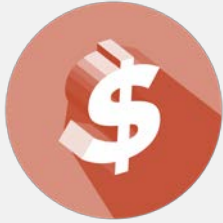
Value-Centered

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



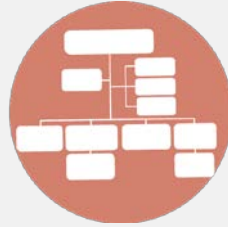
**INVEST IN EXCELLENCE
ACROSS MISSION AREAS**
Research • Teaching • Outreach

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



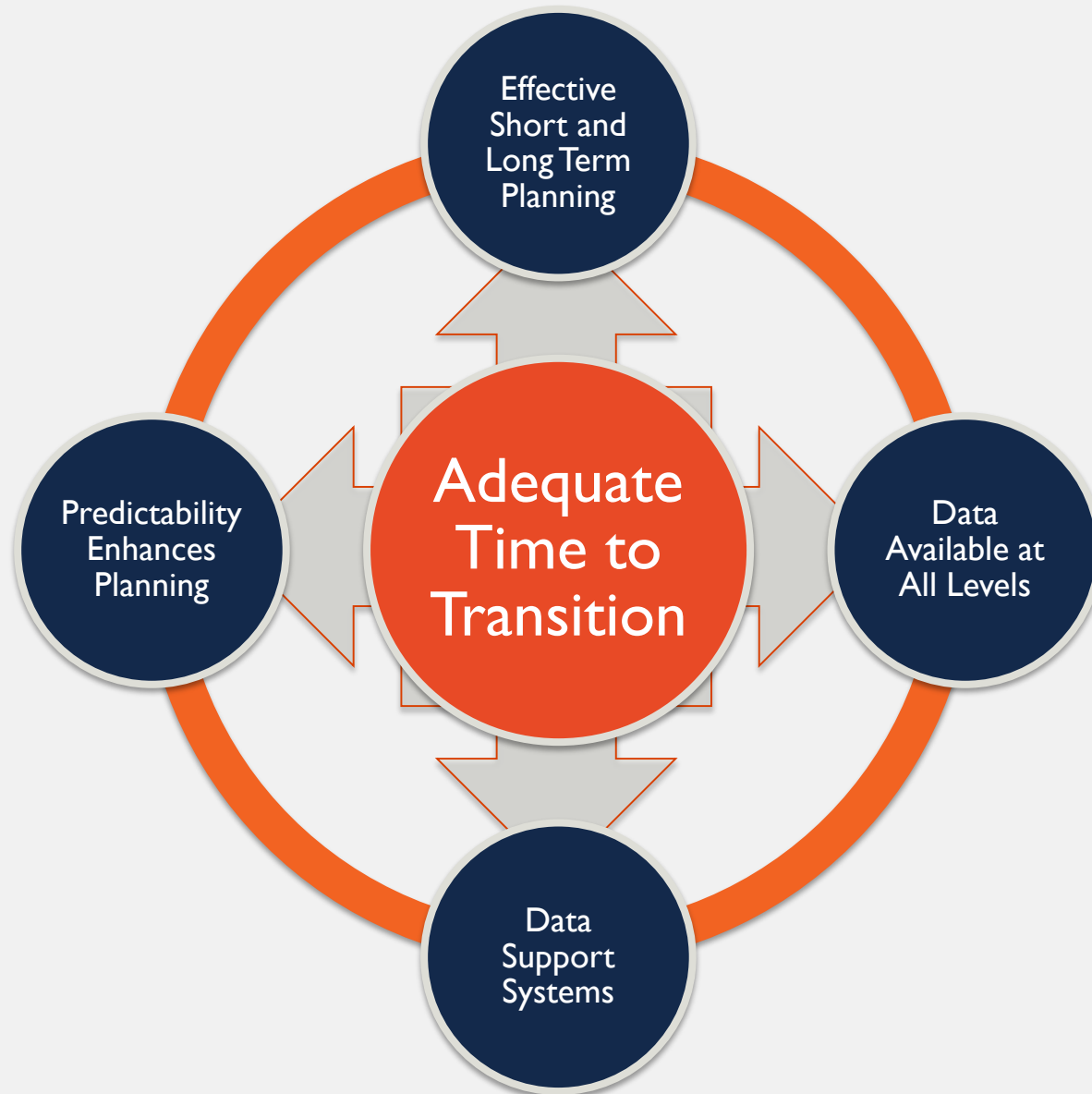
Processes & Practices

- 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



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

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

SOURCES of FUNDS:

Tuition

Indirect Cost Recovery (ICR)

University Value-Based Investment

Sources Total

USES of FUNDS:

Existing Unit Budget

Facilities, Utilities & Technology Services

Investment in Administration & Public Goods

Uses Total

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

Tuition Revenue	
Undergraduate Base-Rate Tuition	\$ 9,692,735
Undergrad Non-resident Tuition	2,112,811
Undergrad Program Differential	-
Undergrad International Base	82,824
Undergrad International Differential	-
Less: Centrally-Funded Financial Aid	(1,525,567)
Less: Centrally-Assigned Tuition Waivers	(620,600)
Less: College-Assigned Tuition Waivers	-
Net tuition: Graduate	1,912,200
Net tuition: Professional	-
Net tuition: CITL (all levels)	1,957,252
Coursera and Other Revenue	-
Total Tuition Revenue Generated	\$ 13,611,656

DRAFT

Per IU

Undergraduate Base-Rate Tuition	184.55
Undergrad Non-resident Tuition	48.99
Undergrad Program Differential	0.00
Undergrad International Base	1.99
Undergrad International Differential	0.00
Less: Centrally-Funded Financial Aid	-36.60
Less: Centrally-Assigned Tuition Waivers	-14.89
	\$ 184.05

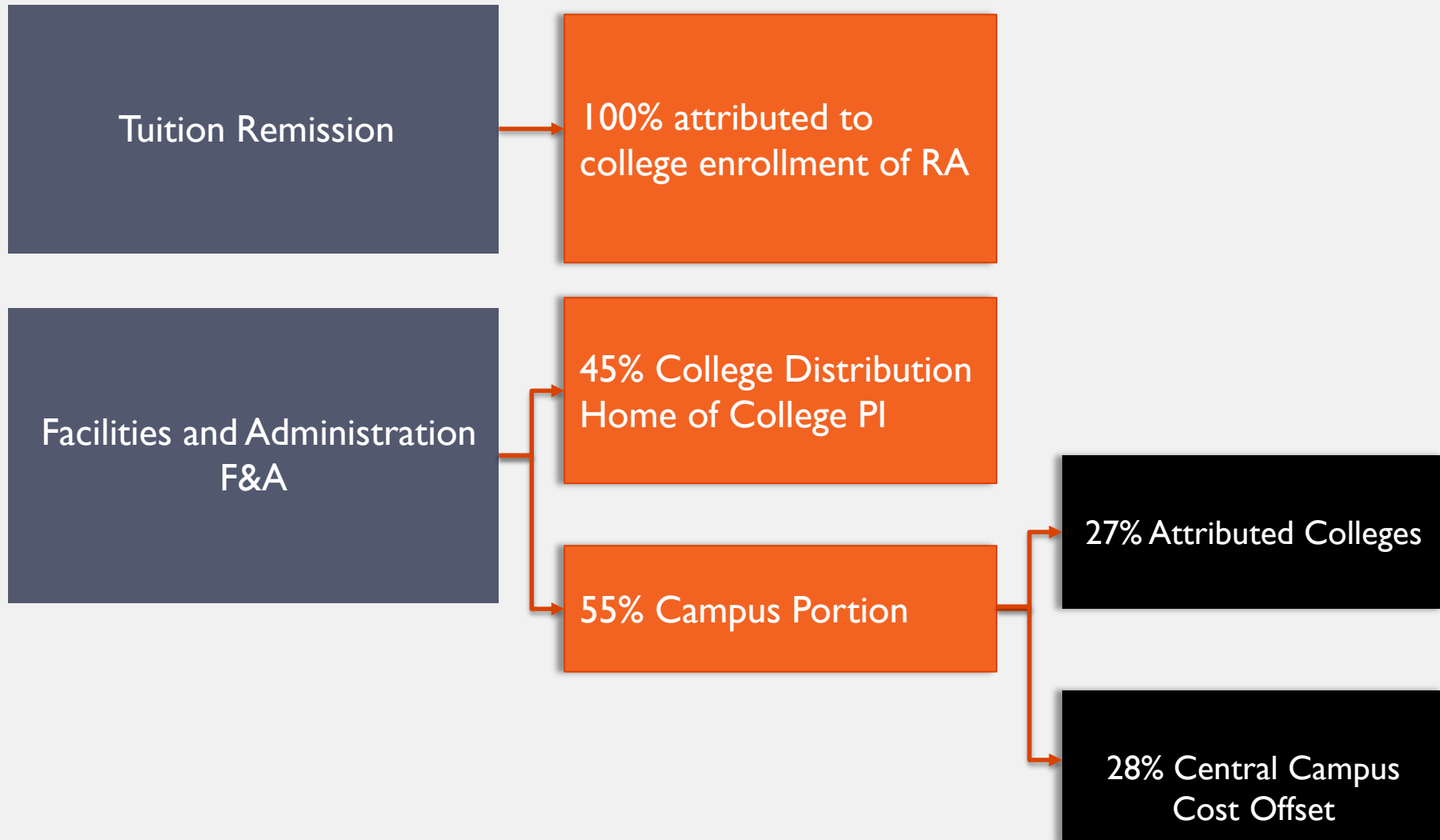
Per Major

Undergraduate Base-Rate Tuition	5,946.70
Undergrad Non-resident Tuition	1,578.62
Undergrad Program Differential	-
Undergrad International Base	64.03
Undergrad International Differential	-
Less: Centrally-Funded Financial Aid	(1,179.31)
Less: Centrally-Assigned Tuition Waivers	(479.74)
	\$ 5,930.30

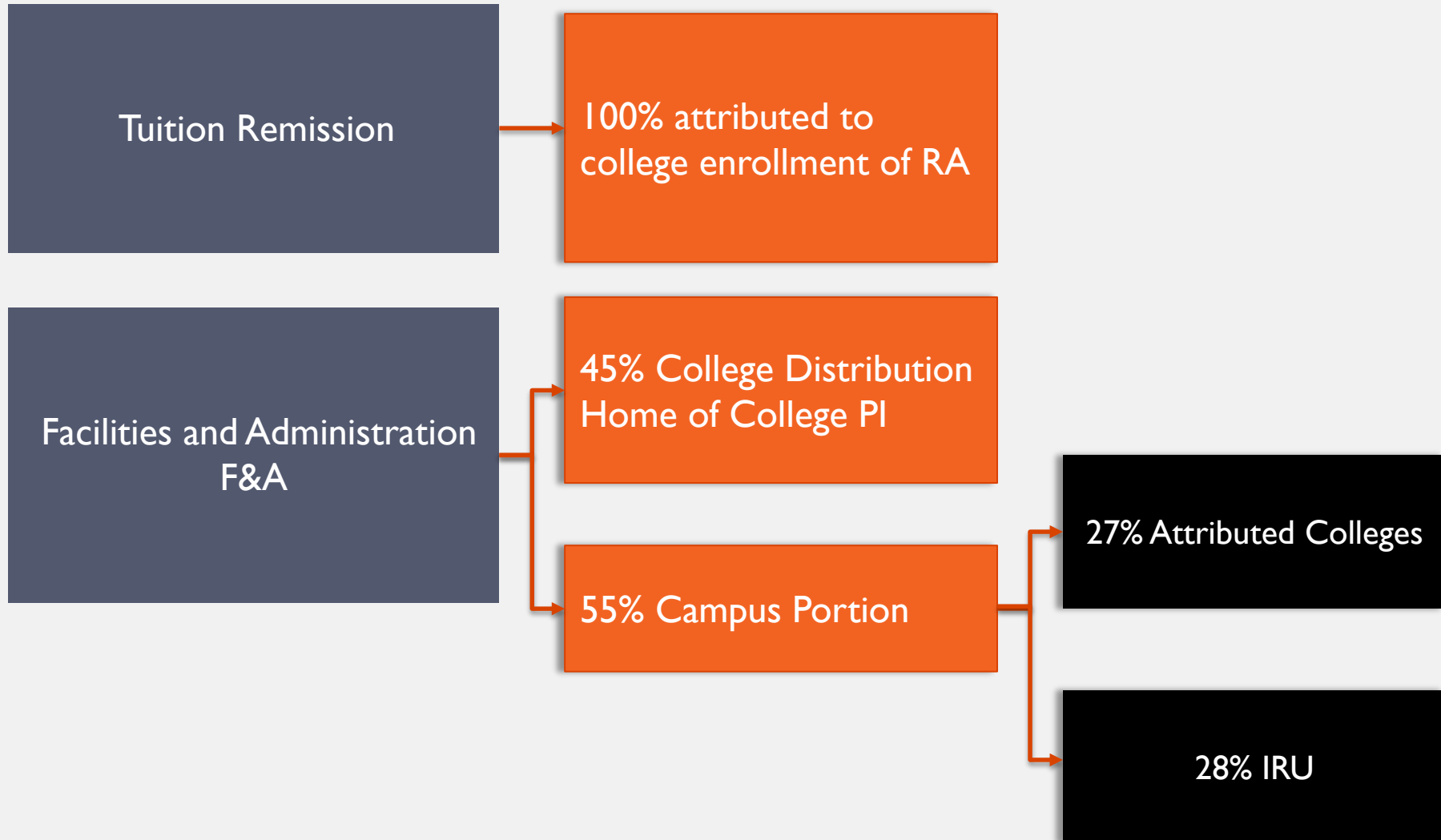
Scenario: 2017, all differentials to colleges, 20% of nonresident to colleges

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Indirect Cost Recovery: College Managed



Indirect Cost Recovery: IRU Managed



Institutional Fund Revenue

Institutional Fund Revenue

	100% Tuition Remission	317,798
College Managed Grants	Facilities & Admin. Cost: Distributed	\$ 734,541
	Campus Portion Facilities & Admin. Cost: Allocated	441,847
IRUs & Other Unit	Facilities & Admin. Cost: Distributed	73,706
Managed Grants	Campus Portion Facilities & Admin. Cost: Allocated	44,224
	Total Indirect Cost Recoveries Generated	1,612,116
Cost of Education Allowance:		
	Cost of Education Generated	-
	Total Institutional Fund Revenue Generated	\$ 1,612,116

Revenue

Tuition Revenue		
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	Cost of Education Generated	-
	Total Institutional Fund Revenue Generated	\$ 1,612,116
	Total Revenue Generated	\$ 15,223,772

Direct Cost Assessments			
Facilities and Space			
	Building and Space	\$	425,364
	Utilities		470,322
	Capital Renewal / Deferred Maintenance		
	Total Facilities and Space Costs	\$	895,685
	Technology and Services		389,046
	Total Direct Cost Assessments		1,284,731
College Investments in Administration and University-Wide Excellence			
	University System Office		1,327,086
	Research Admin. & Campus Interdisciplinary Research Units		1,843,696
	Administrative and Other Campus Units		4,496,392
	Investment for Growth		408,369
	University-wide Investments & Initiatives		3,179,411
	Contributions to University Risk Management		631,946
	Total College Investments in Administration and University-Wide Excellence	\$	11,886,899
	Total Direct Costs and Investments	\$	13,171,630

Direct Cost Assessments



Building
&
Space

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

Building &
Space

Rate Calculation

F&S Tuition Unit Allocated Building Costs

Adjusted Net Assignable Square Ft (ANASF)

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

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

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



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

<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

- ✓ 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

OVCR
Beckman
NCSA
IGB
iSEE
IHSI
IPRH
PRI*

* 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

ion

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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Total Direct Costs and Investments	\$	13,171,630
Total Revenue less Direct Costs and Investments	\$	2,052,142
University-Wide Investments & Transfers with College		
University Investments and Transfers	\$	12,947,858
College Target Level		
Budget Allocations	Attributed College Budget	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



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Questions