Multi-year Budget Planning
Strategies and Implementation Under the Budget Reform Initiative
Outline

• Motivation for multi-year planning

• Operational Excellence @ Illinois

• Budget reform parameters

• Dialogue
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.

Presentations

- September 26, 2018 – Academic Leadership Series: Budget Reform Update presentation by Paul Ellinger, Associate Chancellor and Vice Provost for Budget & Resource Planning
- 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.
Multi-year Planning Perspective

Incremental +

Incentives +

Uncertainty
Why Multi-year Planning?

**Conditions of**
- Uncertainty
- Margins

**Consequences**
- Identify Opportunities
- Focus on excellence
- Budget Awareness
- Comprehensive Planning
- Prioritize Opportunities
- Transparency
- Accountability
- Participatory Decision-Making
Operational Excellence @ Illinois Initiative

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

UG Tuition Change from Previous FY

Note: $19 million increase
Salary, Wages, Promotion, & Retention
Two Components of Planning

What impacts your budget allocation?

IUs
Majors (UG, Grad & Professional)
FTE
ICR Generation
Space
Utilities Usage
Historical Expenditures

How do you plan to spend your allocation and other budget sources?

Faculty *
Staff *
Administration *
Teaching/Research Assistants*
Scholarships
Plant transfers
Other strategic priorities
Other personnel expenses *
Other nonpersonnel expenses ...

* separate new and continuing
Budget Reform Parameters
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
Integrated and Value-Centered Budgeting

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
- Collaborate w/System offices - accounting infrastructure

Processes & Practices
- Efficient processes
- Effective & transparent budget reviews
- Decision-making at the appropriate level
- Streamline approval processes
## Guiding Principles

<table>
<thead>
<tr>
<th>CBATF Findings</th>
<th>Budget Reform</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Transparency</td>
<td>• Transparency</td>
<td>• Transparency</td>
</tr>
<tr>
<td>• Predictability</td>
<td>• Accountability</td>
<td>• Accountability</td>
</tr>
<tr>
<td>• Encourage wise stewardship</td>
<td>• Integrated</td>
<td>• Predictability</td>
</tr>
<tr>
<td>• Accountability</td>
<td>• Value-centered</td>
<td>• Adaptability</td>
</tr>
<tr>
<td>• Responsiveness to strategic goals/priorities</td>
<td>• Trust and confidence</td>
<td>• No “right turns”</td>
</tr>
<tr>
<td>• Facilitate multi-year planning</td>
<td>• Comprehensive vision</td>
<td>• Transition time</td>
</tr>
<tr>
<td>• Stimulate appropriate incentives</td>
<td>• Balance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Responsiveness to internal and external factors</td>
<td></td>
</tr>
</tbody>
</table>
Critical Implementation Elements

Adequate Time to Transition

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

Campus Unrestricted Sources

- State Appropriation: 19%
- ICR: 14%
- State Appropriation: 19%

Tuition: 67%

$1.21 billion

### Tuition Revenue

<table>
<thead>
<tr>
<th>Category</th>
<th>Item</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition Revenue</td>
<td>Undergraduate Base-Rate Tuition</td>
<td>$7,928,128</td>
</tr>
<tr>
<td></td>
<td>Undergrad Non-resident Tuition</td>
<td>$2,189,999</td>
</tr>
<tr>
<td></td>
<td>Undergrad Program Differential</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Undergrad International Base</td>
<td>$86,718</td>
</tr>
<tr>
<td></td>
<td>Undergrad International Differential</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Less: Centrally-Funded Financial Aid</td>
<td>($1,566,095)</td>
</tr>
<tr>
<td></td>
<td>Less: Centrally-Assigned Tuition Waivers</td>
<td>($708,198)</td>
</tr>
<tr>
<td></td>
<td>Less: College-Assigned Tuition Waivers</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Subtotal: Undergraduate Tuition Revenue</td>
<td>$7,930,552</td>
</tr>
<tr>
<td></td>
<td>Net tuition: Graduate &amp; Professional</td>
<td>$1,557,721</td>
</tr>
<tr>
<td></td>
<td>Net tuition: per credit hour / CITL (all levels)</td>
<td>$2,580,505</td>
</tr>
<tr>
<td></td>
<td>Coursera and Other Revenue</td>
<td>$198,290</td>
</tr>
<tr>
<td></td>
<td>Subtotal: Graduate and Other Tuition Revenue</td>
<td>$4,336,516</td>
</tr>
<tr>
<td></td>
<td>Total Tuition Revenue Generated</td>
<td>$12,267,068</td>
</tr>
</tbody>
</table>

### Institutional Fund Revenue

<table>
<thead>
<tr>
<th>Category</th>
<th>Item</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>100% Tuition Remission</td>
<td>$317,798</td>
</tr>
<tr>
<td>College Managed Grants</td>
<td>Facilities &amp; Admin. Cost: Distributed</td>
<td>$734,541</td>
</tr>
<tr>
<td></td>
<td>Campus Portion Facilities &amp; Admin. Cost: Allocated</td>
<td>$500,350</td>
</tr>
<tr>
<td>IRUs &amp; Other Unit Managed</td>
<td>Facilities &amp; Admin. Cost: Distributed</td>
<td>$73,706</td>
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<tr>
<td></td>
<td>Campus Portion Facilities &amp; Admin. Cost: Allocated</td>
<td>$441,847</td>
</tr>
<tr>
<td></td>
<td>Total Indirect Cost Recoveries Generated</td>
<td>$2,068,242</td>
</tr>
</tbody>
</table>

### Cost of Education Allowance

- Cost of Education Generated: -

- Total Institutional Fund Revenue Generated: $2,068,242

### Total Revenue Generated

- Total Revenue Generated: $14,335,310

### University-Wide Investments & Transfers with College

- University Investments and Transfers: $12,280,644
  - College Target Level: -

### Total Sources of Funds

- Total Sources of Funds: $26,615,954
Estimated Tuition Parameters

Note: Need adjustments for 2019 projections
All differentials return to college + 20% of nonresident tuition returns to college
Graduate and professional tuition return to college of enrollment

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Per IU FY19</th>
<th>Per Major FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Undergraduate Base-Rate Tuition</td>
<td>$208.28</td>
<td>$6,153.26</td>
</tr>
<tr>
<td>2 Undergrad Non-resident Tuition</td>
<td>54.99</td>
<td>1,624.62</td>
</tr>
<tr>
<td>3 Undergrad International Base</td>
<td>2.28</td>
<td>67.31</td>
</tr>
<tr>
<td>4 Less: Centrally-Funded Financial Aid</td>
<td>(41.14)</td>
<td>(1,215.42)</td>
</tr>
<tr>
<td>5 Less: Centrally-Assigned Tuition Waivers</td>
<td>(18.60)</td>
<td>(549.66)</td>
</tr>
<tr>
<td>Note: Per $ million</td>
<td>($0.54)</td>
<td>($15.86)</td>
</tr>
</tbody>
</table>
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 to 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 to Colleges
  - 28% IRU
# Uses of Funds

## 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>$624,365</td>
</tr>
<tr>
<td>Utilities &amp; ESCO payments</td>
<td>$505,045</td>
</tr>
<tr>
<td>Capital Renewal / Deferred Maintenance</td>
<td></td>
</tr>
<tr>
<td><strong>Total Facilities and Space Costs</strong></td>
<td><strong>$1,129,410</strong></td>
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</table>

### Technology Services & Distributed IT

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td><strong>Total Direct Cost Assessments</strong></td>
<td><strong>$1,636,641</strong></td>
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</table>

## 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>$1,473,698</td>
</tr>
<tr>
<td>Research Admin. &amp; Campus Interdisciplinary Research Units</td>
<td>$1,764,230</td>
</tr>
<tr>
<td>Administrative and Other Campus Units</td>
<td>$4,363,111</td>
</tr>
<tr>
<td>Investment for Growth</td>
<td>$612,553</td>
</tr>
<tr>
<td>University-wide Investments &amp; Initiatives</td>
<td>$1,913,876</td>
</tr>
<tr>
<td>Contributions to University Risk Management</td>
<td>$978,220</td>
</tr>
<tr>
<td><strong>Total College Investments in Administration and University-Wide Excellence</strong></td>
<td><strong>$11,105,688</strong></td>
</tr>
</tbody>
</table>

## Total Direct Costs and Investments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Direct Costs and Investments</strong></td>
<td><strong>$12,742,329</strong></td>
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</table>

## Budget Allocations

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributed College Budget</td>
<td>$13,873,625</td>
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</table>

## Total Uses of Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td><strong>$26,615,954</strong></td>
</tr>
</tbody>
</table>
# Direct Cost Assessments
## Building and Space

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

### 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
- Include indirect utility costs

### Cost
$13.24 to $13.75 per weighted NASF
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% ($56 per UG, $1.90 per IU, $125 per grad) *
✓ Employee weight 75% ($1,710 per weighted FTE)

* Estimates: will need to adjust for revised student FTE numbers
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

✓ 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
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
College Investments in Administration and University-Wide Excellence
Estimated Parameters

<table>
<thead>
<tr>
<th>College Investments in Administration and University-Wide Excellence</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 USO Cost per adj expenditure</td>
<td>0.064</td>
</tr>
<tr>
<td>2 Research Cost per research expenditure</td>
<td>0.252</td>
</tr>
<tr>
<td>3 Research Cost per research adj expenditure</td>
<td>0.022</td>
</tr>
<tr>
<td>4 Admin and other campus unit cost per adj expenditure</td>
<td>0.189</td>
</tr>
<tr>
<td>5 Investment and initiatives per adj expenditure</td>
<td>0.084</td>
</tr>
<tr>
<td>6 University Risk Management per adj expenditure</td>
<td>0.043</td>
</tr>
</tbody>
</table>
Hold cost parameters constant (possibly 3 years, aids predictability)

**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: October 2019 DMI code)
Fundamental Implementation Concepts

Campus investments (gray box) is used to bring all colleges to FY19 baseline

Changes from this baseline impact college budgets not absolute levels
College Budget Year-to-Year Changes

Annual changes from baseline

- Majors
- Instructional Units
- Graduate/prof. tuition
- Centrally Funded Financial Aid

- ICR Generation
- Tuition Remission

- Transparent leadership discussions
- State appropriation changes

Baseline

Tuition

ICR

University Value –Based Investments

Sources of Funds
College Budget Year-to-Year Changes

Annual changes from baseline

- Inflation
- Investments
- Staffing
- Benefit shift
- Other operating costs

- Space footprint
- Utility usage
- Students
- FTE Employees

- Expenditures
- Research expenditures

Uses of Funds

Baseline

College Budget

Space/Facilities
Utilities
Tech Services

Administration
Campus
Goods

OFFICE OF THE PROVOST
Next Steps
What is next?

- Update white paper version (3) & technical appendix
- Make revisions to parameters
- Meet with college teams in Nov to review baselines
  - Make addition revisions to parameters/baselines
- Assist college teams with model and potential applications to departments
  - Data available - unit levels
- Looking for colleges to develop 3 year plans this winter
  - Encourage transparent discussions
  - Campus focus on comprehensive budgeting – not transaction budgeting
Discussion