



Multi-year Budget Planning

Strategies and Implementation Under the Budget Reform Initiative

OFFICE OF THE
PROVOST

I ILLINOIS

Outline

- Motivation for multi-year planning
- Operational Excellence @ Illinois
- Budget reform parameters
- Dialogue

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](#).

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

Prioritize
Opportunities

Focus on
excellence

Transparency

Budget
Awareness

Accountability

Comprehensive
Planning

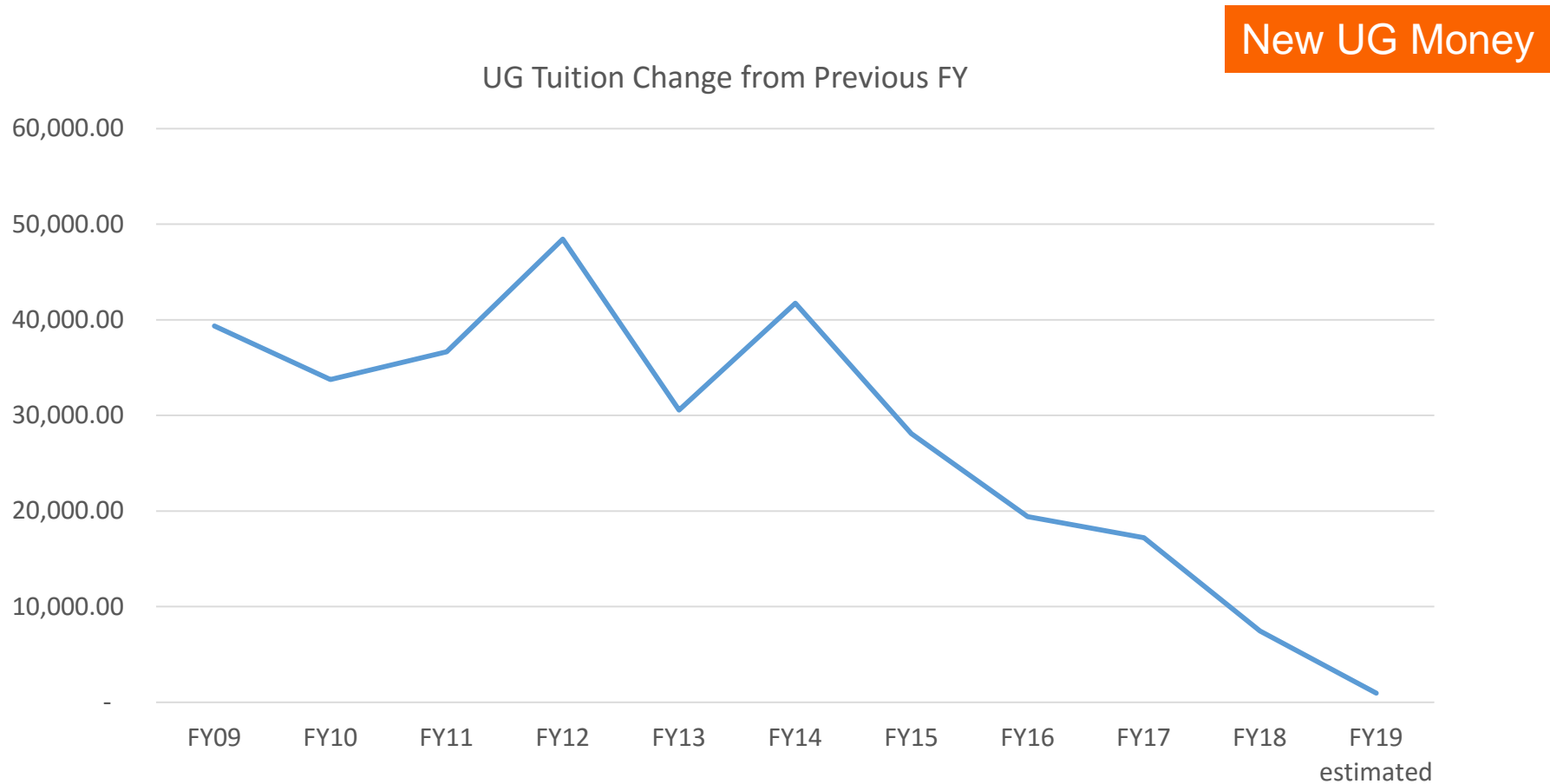
Participatory
Decision-Making



Operational Excellence @ Illinois Initiative



Declining Margins



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

The background is an abstract, low-angle photograph of a modern building's interior or exterior structure. It features sharp, angular lines and planes. A strong red light source from the left creates a gradient across the scene, while a cooler blue light is visible on the right. The overall mood is architectural and futuristic.

Budget Reform Parameters

Integrated and Value-Centered Budgeting

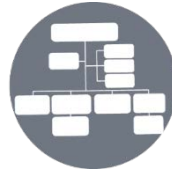


Integrated and Value-Centered Budgeting



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

CBATF Findings

- Transparency
- Predictability
- Encourage wise stewardship
- Accountability
- Responsiveness to strategic goals/priorities
- Facilitate multi-year planning
- Stimulate appropriate incentives

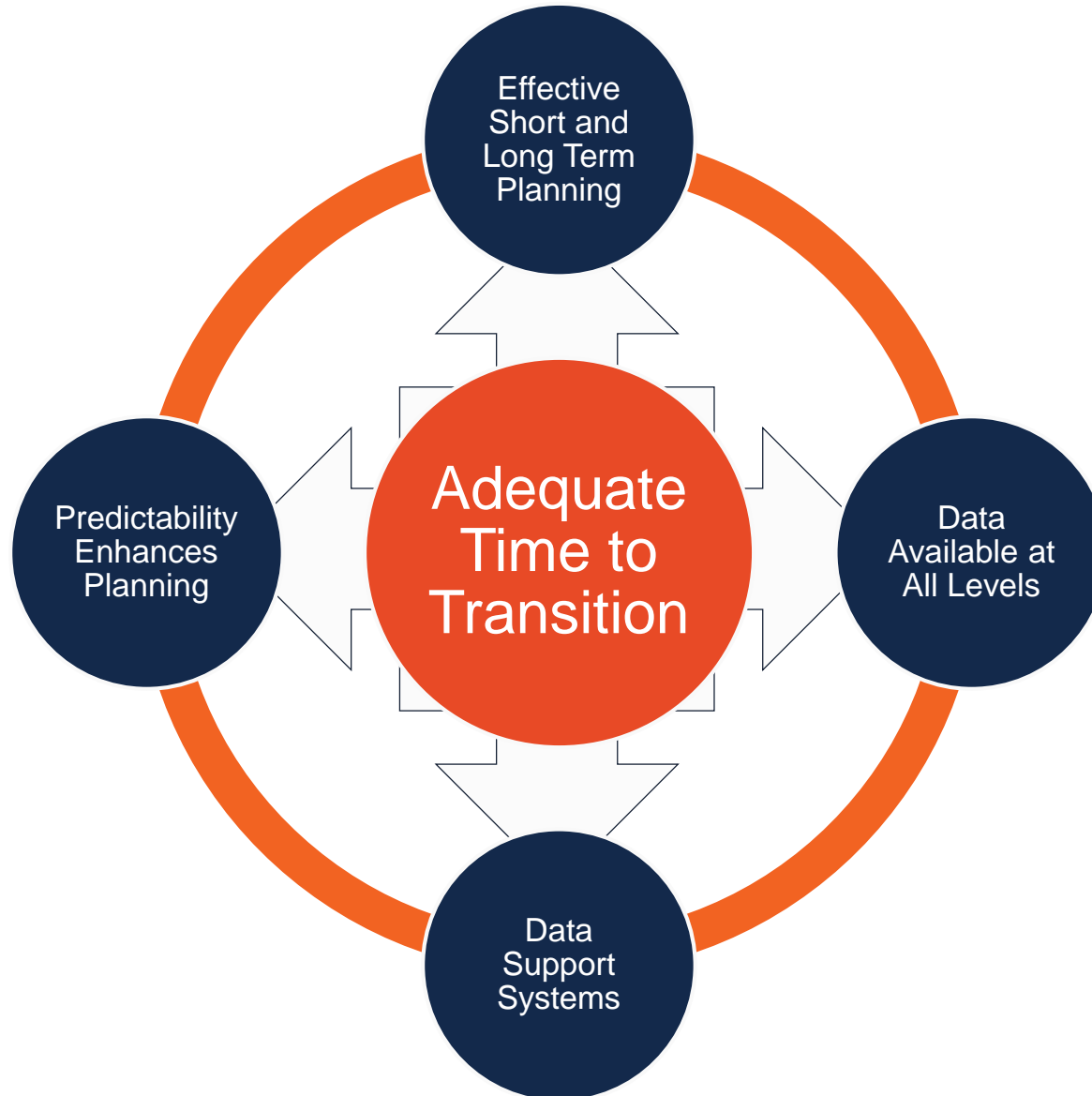
Budget Reform

- Transparency
- Accountability
- Integrated
- Value-centered
- Trust and confidence
- Comprehensive vision
- Balance
- Responsiveness to internal and external factors

Implementation

- Transparency
- Accountability
- Predictability
- Adaptability
- No “right turns”
- Transition time

Critical Implementation Elements



College Budgeting Framework

SOURCES of FUNDS:

Tuition

Indirect Cost Recovery (ICR)

University Value-Based Investment

Sources Total

USES of FUNDS:

Existing College Budget

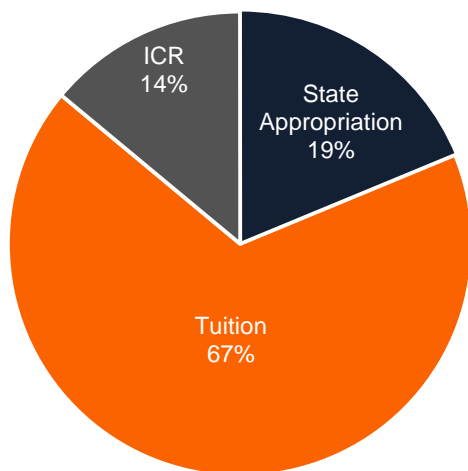
Facilities, Utilities & Technology Services

Investment in Administration & Public Goods

Uses Total

Sources

Campus Unrestricted Sources



\$1.21 billion

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

| | | |
|-------------------------------|--|---------------|
| Institutional Fund Revenue | | |
| | 100% Tuition Remission | \$ 317,798 |
| College Managed Grants | Facilities & Admin. Cost: Distributed | 734,541 |
| | Campus Portion Facilities & Admin. Cost: Allocated | 500,350 |
| IRUs & Other Unit Managed | Facilities & Admin. Cost: Distributed | 73,706 |
| | Campus Portion Facilities & Admin. Cost: Allocated | 441,847 |
| | Total Indirect Cost Recoveries Generated | \$ 2,068,242 |
| Cost of Education Assistance: | | |
| | Cost of Education Generated | - |
| | Total Institutional Fund Revenue Generated | \$ 2,068,242 |
| | 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 | | \$ 26,615,954 |
|------------------------|--|---------------|

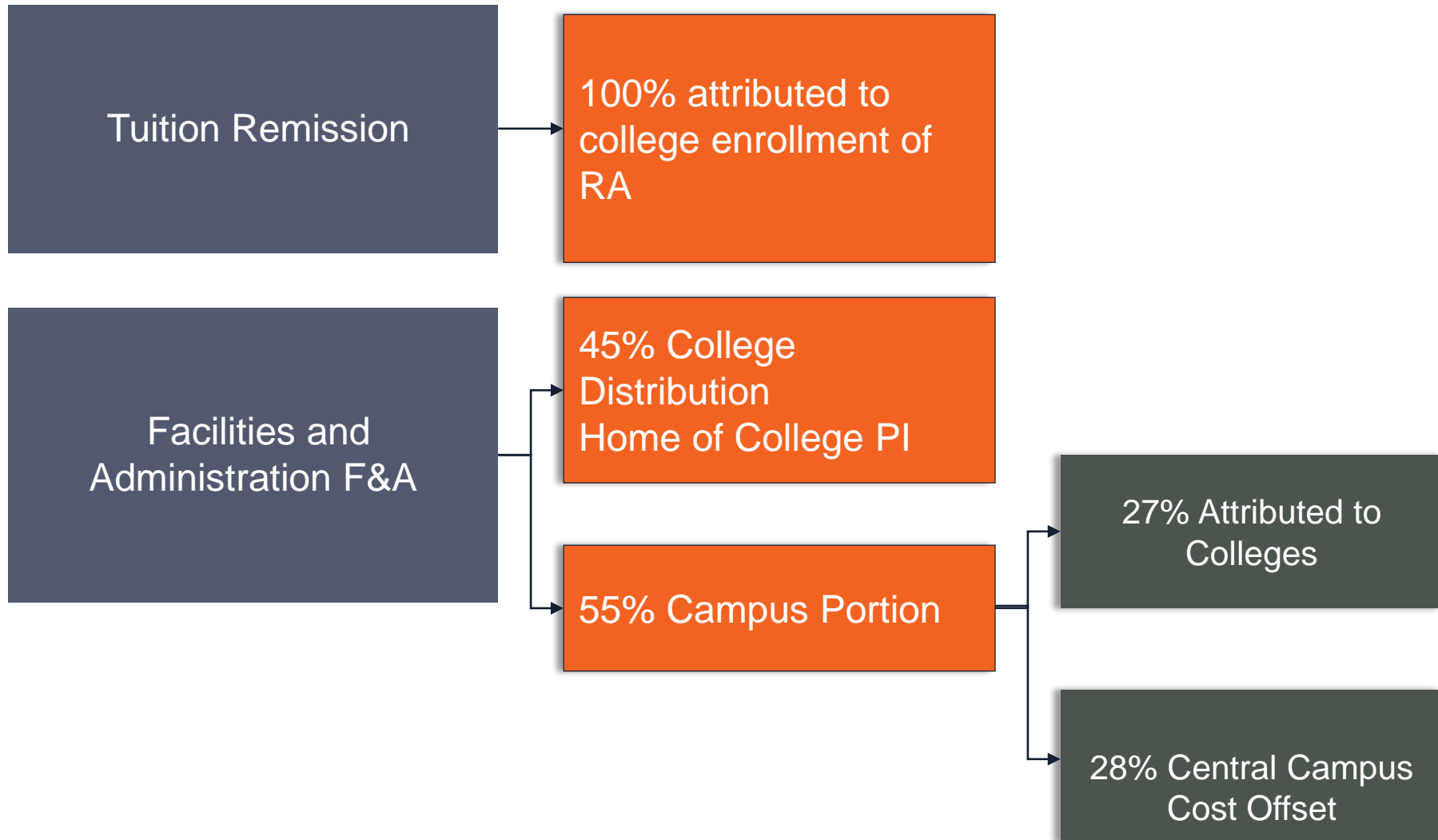
Estimated Tuition Parameters

| Revenue | Per IU | Per Major |
|--|----------|------------|
| | FY19 | FY19 |
| 1 Undergraduate Base-Rate Tuition | \$208.28 | \$6,153.26 |
| 2 Undergrad Non-resident Tuition | 54.99 | 1,624.62 |
| 3 Undergrad International Base | 2.28 | 67.31 |
| 4 Less: Centrally-Funded Financial Aid | (41.14) | (1,215.42) |
| 5 Less: Centrally-Assigned Tuition Waivers | (18.60) | (549.66) |
| Note: Per \$ million | (\$0.54) | (\$15.86) |

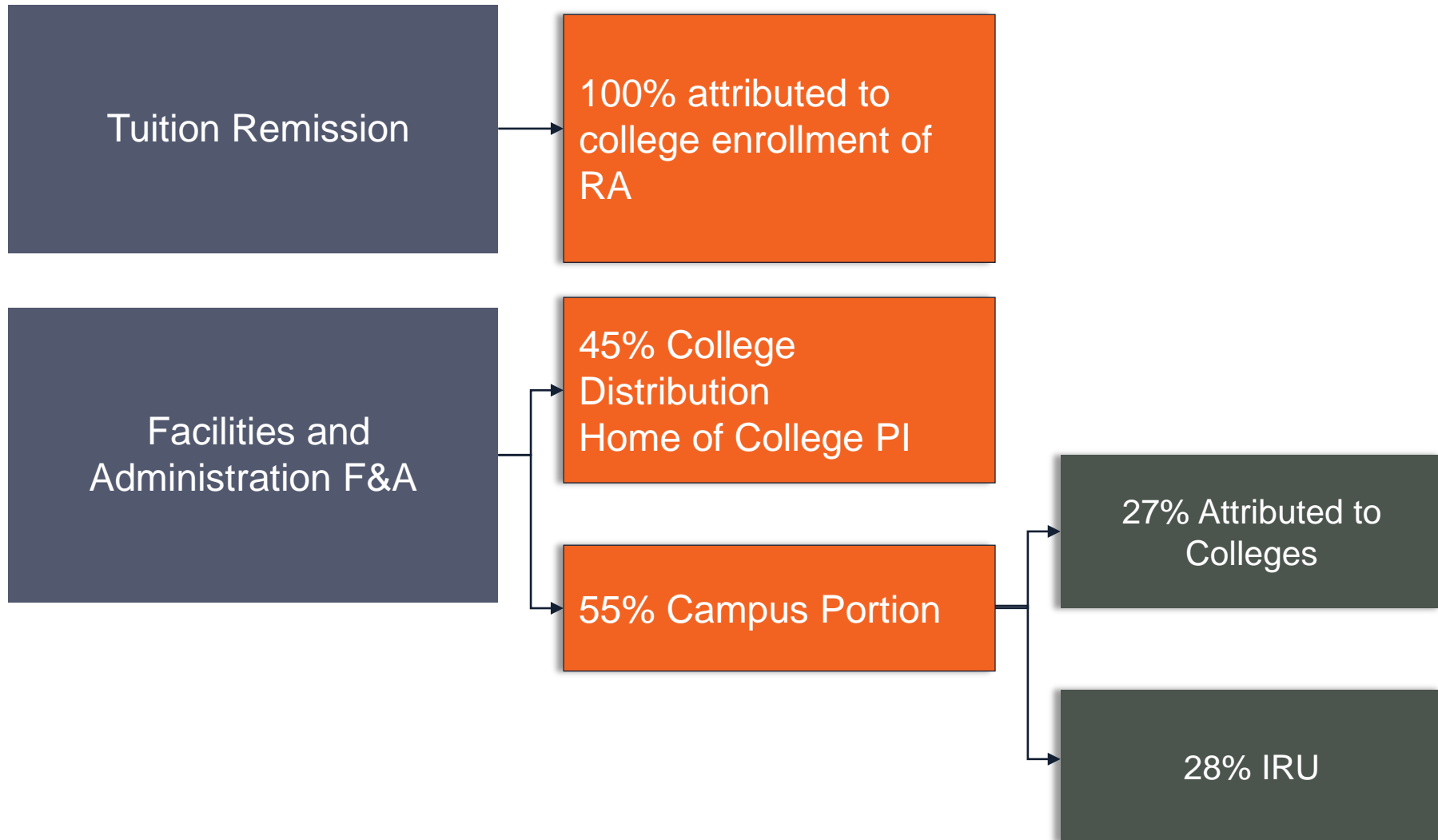
Note: Need adjustments for 2019 projections

All differentials return to college + 20% of nonresident tuition returns to college
Graduate and professional tuition return to college of enrollment

Indirect Cost Recovery: College Managed



Indirect Cost Recovery: IRU Managed



Uses of Funds

| | | |
|---|---|----------------------|
| Direct Cost Assessments | | |
| Facilities and Space | | |
| | Building and Space | \$ 624,365 |
| | Utilities & ESCO payments | 505,045 |
| | Capital Renewal / Deferred Maintenance | |
| | Total Facilities and Space Costs | \$ 1,129,410 |
| | Technology Services & Distributed IT | 507,231 |
| | Total Direct Cost Assessments | 1,636,641 |
| College Investments in Administration and University-Wide Excellence | | |
| | University System Office | 1,473,698 |
| | Research Admin. & Campus Interdisciplinary Research Units | 1,764,230 |
| | Administrative and Other Campus Units | 4,363,111 |
| | Investment for Growth | 612,553 |
| | University-wide Investments & Initiatives | 1,913,876 |
| | Contributions to University Risk Management | 978,220 |
| | Total College Investments in Administration and University-Wide Excellence | \$ 11,105,688 |
| | Total Direct Costs and Investments | \$ 12,742,329 |
| Budget Allocations | Attributed College Budget | 13,873,625 |
| | | |
| | Total Uses of Funds | \$ 26,615,954 |

DRAFT

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

\$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

<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
- ✓ 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

| College Investments in Administration and University-Wide Excellence | FY19 |
|--|-------|
| 1 USO Cost per adj expenditure | 0.064 |
| 2 Research Cost per research expenditure | 0.252 |
| 3 Research Cost per research adj expenditure | 0.022 |
| 4 Admin and other campus unit cost per adj expenditure | 0.189 |
| 5 Investment and initiatives per adj expenditure | 0.084 |
| 6 University Risk Management per adj expenditure | 0.043 |

Details

- 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)

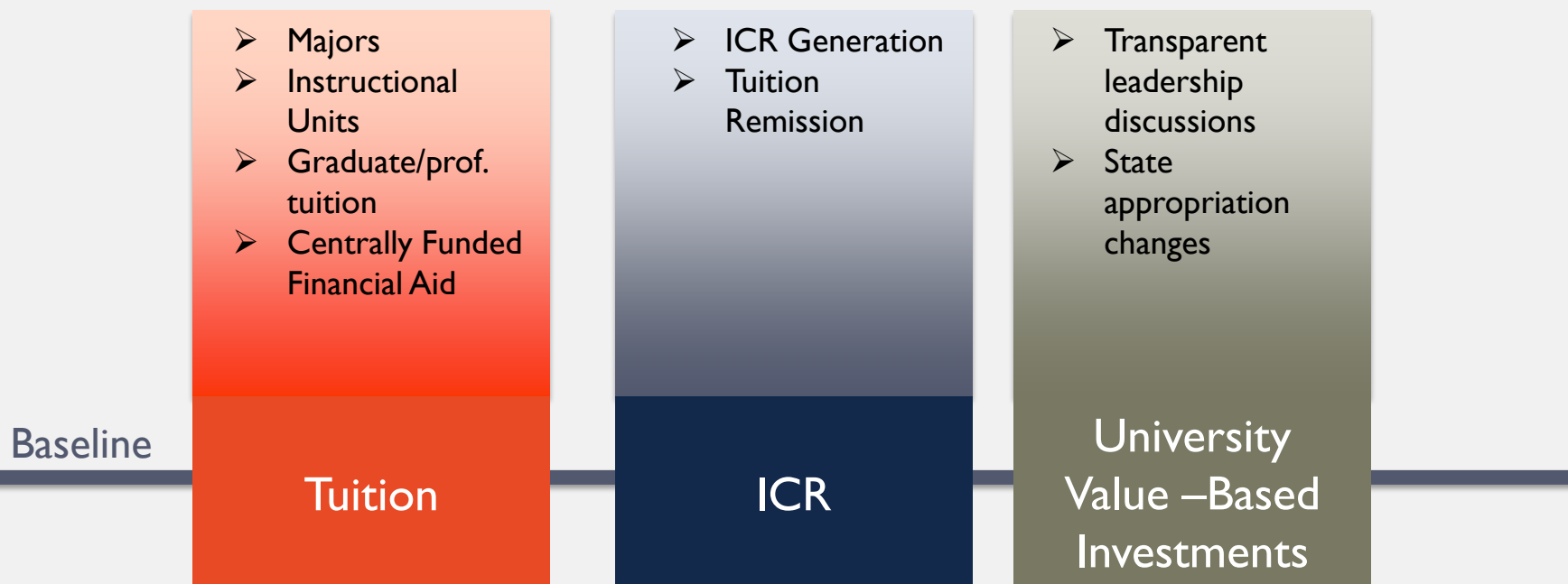
Fundamental Implementation Concepts

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



Sources of Funds

College Budget Year-to-Year Changes

Annual changes from baseline



Uses of Funds

A classical column with a fluted shaft and an ornate capital, set against a background of a building facade with a warm orange glow.

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

