

ROLL CALL

APPROVE OPERATING BUDGET FOR FISCAL YEAR 2021

Action: Approve Operating Budget for Fiscal Year 2021

Funding: All Sources of Funds

In accordance with policies established by the Board of Trustees and consistent with prudent financial management, the Executive Vice President/Vice President for Academic Affairs and the Chief Financial Officer seek approval of the University's operating budget for Fiscal Year 2021 (FY2021). The budget is based upon recommendations from Chancellors and Provosts following consultations with academic and administrative leaders across the system. This recommendation follows the Board's adoption of a preliminary FY2021 operating budget at its May 2020 meeting.

The FY2021 budget reflects the University's continued commitment to academic excellence and to maintain affordability for students despite the financial challenges caused by the COVID-19 pandemic. The budget ensures resources for academic priorities, including selective but appropriate programmatic enhancements. At the same time, it includes significant resources to maintain the health and safety of students, faculty, and staff and additional cost of operating during the COVID-19 pandemic. The recommended \$6.74 billion budget includes the value of benefit

payments made by the state on behalf of the University. The FY2021 budget represents a \$232.9 million, or -3.3 percent decrease compared to FY2020 including payments on behalf; and a \$76.6 million or 1.5 percent increase without payments on behalf.

The total operating budget comprises four major categories of funds:

- i. *General operating fund* supporting the academic enterprise of the university;
- ii. *Hospital fund* related to the hospital and clinics that are part of the University of Illinois Hospital and Health Sciences System;
- iii. *Restricted fund* encompassing operations of auxiliary units (such as housing, dining, and related services), sponsored research and federal appropriations, operations supported by gift and endowment income, and the medical service plan. The use of these funds is specified by contracts, granting agencies, donors, or legislative guidelines; and
- iv. *Payments on behalf* representing health and retirement benefits paid by the state on behalf of the University.

As shown below, the total budget is apportioned among the three universities, the system offices, and system-wide programs.

	Chicago	Springfield	Urbana	System Offices & System-Wide Programs	Total	Change from FY2020
General Operating Funds	\$873,377	\$52,351	\$1,242,755	\$195,892	\$2,364,375	0.9%
Hospital Funds	\$861,261				\$861,261	2.7%
Restricted Funds	\$959,769	\$40,208	\$1,090,830	\$14,570	\$2,105,377	1.6%
Payments on Behalf	\$760,503	\$31,597	\$564,510	\$49,390	\$1,406,000	-18.0%
Total	\$3,454,910	\$124,156	\$2,898,095	\$259,852	\$6,737,013	-3.3%
Change from FY2020	-1.9%	-5.7%	-5.5%	1.0%	-3.3%	

Due to significant additional costs incurred in combatting the COVID-19 pandemic, especially the cost of the extensive testing programs instituted at the three universities and revenue losses due to the pandemic, units anticipate having to use institutional reserve funds, totaling \$121.3 million, to augment their budget in FY21. The one-time addition of reserve funds will increase the annual budget to \$6.858 billion or by 1.8 percent. But, as shown in the table below, the budget will still remain 1.6 percent below the FY20 budget:

	Chicago	Springfield	Urbana	System Offices & System- Wide Programs	Total
Institutional Reserves	\$51,886	\$0	\$69,458	\$0	\$121,344
Total Including Institutional Reserves	\$3,506,796	\$124,156	\$2,967,553	\$259,852	\$6,858,357
Change from FY2020 After Reserves	-0.2%	-5.7%	-3.3%	1.0%	-1.6%

The attachment to this item, the *Budget Summary for Operations FY2021 (BSO)*, presents a summary of the systemwide budget, budgets for each university, and detailed college level budget schedules. The *BSO* is organized into five schedules:

Schedule A: Details university and system-level revenue by source and budgeted expenditures by function and type.

Schedule B: Provides budgeted expenditures and revenue sources by college-level organization.

Schedule C: Lists budgeted expenditures by college-level organization and function.

Schedule D: Summary detail of total permanent budget by college plus institutional reserves allocated to cover expenses above available revenue.

Schedule E: Provides department-level detail of state and institutional fund budgeted expenditures.

Schedule A, Schedule B, Schedule C, and Schedule D are university and system-level schedules (one for each university and the system) whereas Schedule E contains college-level schedules.

Subject to the foregoing and the Board's directives concerning establishment of University of Illinois budgets, authorization is also requested for the President to: (a) accept resignations; (b) make additional appointments that are necessary and approve the issuance of notices of non-reappointment, subject to all university policies, and policies and rules for Civil Service staff; (c) transfer, if necessary, funding from one object of expenditure to another, as long as total transfer does not exceed three percent of the total general fund budget; (d) make programmatic adjustments to the general fund budget in accordance with institutional priorities and needs, not exceeding three percent of the total general fund budget, exclusive of routine accounting transactions; (e) require changes to departmental allocations necessitated by any rescissions in state appropriation or shortfall in revenues; (f) allocate tuition waivers; (g) accept restricted fund revenues earned in excess of the approved budget and the corresponding expenditures; and (h) pursuant to the State Finance Act, transfer funds from the general operating budget to the restricted fund budget, if necessary.

The Board action recommended in this item complies in all material respects with applicable State and federal laws, legislative audit guidelines, terms and

conditions for use of funds, University of Illinois *Statutes, The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University endorses the budget and recommends approval.