

Budget Summary for Operations FY 2014



UNIVERSITY OF ILLINOIS

URBANA-CHAMPAIGN • CHICAGO • SPRINGFIELD

**Prepared for Presentation to the
Board of Trustees**

September 12, 2013

Moving Into the New Year: FY 2014

U of I operating budget of \$4.45B up a modest 1.2%

Strengths

- Solid fiscal condition
- Continued high student enrollments and quality
- Meaningful salary program

Concerns

- Trend in state funding
- Tuition constraints
- Pension troubles
- Federal research funding

Key Budget Factors

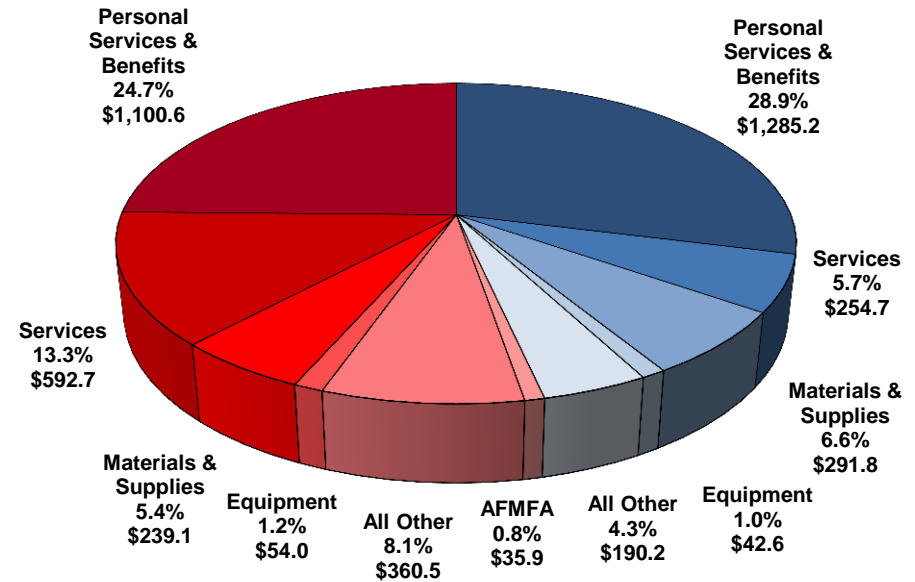
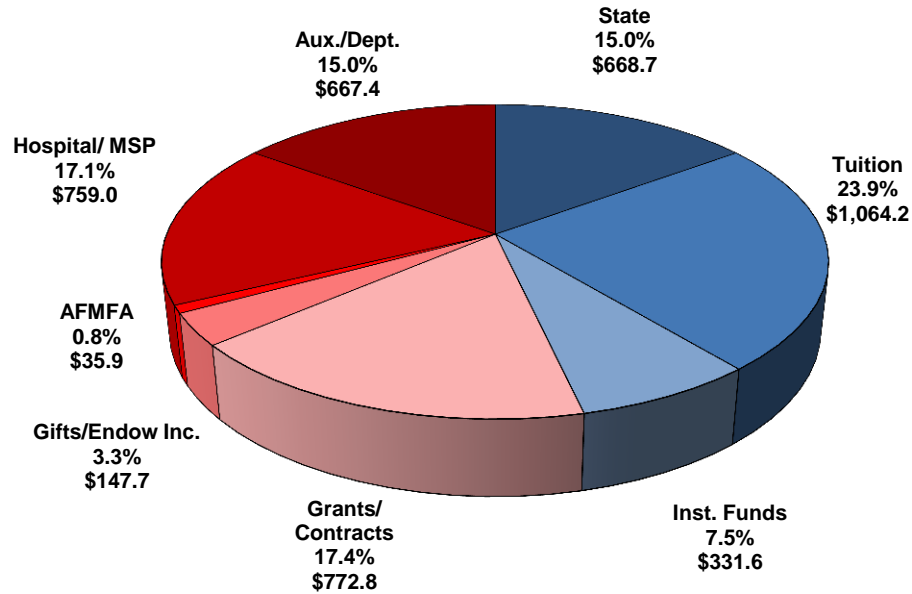
- General Fund appropriation increased slightly (\$1.2M or 0.2%) for FY 2014
 - Direct appropriation is below FY 1997 level, in nominal dollars
 - It is below 1966 when adjusted for inflation
- Undergraduate tuition increase of 1.7% approved in January for FY 2014
- Salary adjustment of 2.75%
- University has a total \$207M in unpaid State vouchers:
 - \$59M for FY 2013
 - \$148M for FY 2014
- Actions taken in response to significantly delayed State payments
- Pension issue remains unresolved

FY 2014 Operating Budget Summary

- Total budget increase of \$52.3M (1.2%), exclusive of payments-on-behalf
 - Unrestricted \$43.5M (2.2%)
 - Restricted \$8.8M (0.4%)
- Tuition funds main driver of unrestricted revenue growth
 - Tuition revenue increased \$52.2M
 - Institutional funds decreased \$9.9M
 - General revenue fund appropriation increased \$1.2M
- Restricted revenue growths in Hospital/MSP and Auxiliaries offset by reduction in Sponsored Projects
 - Sponsored research decreased \$39.8M
 - Hospital and MSP increased \$4.9M
 - Auxiliaries & Departmental Operations increased \$36.8M
- Payments-on-Behalf increased \$161.1M (15.8%)

Where Does the Money Come From? FY 2014

Where Do the Dollars Go? FY 2014



Restricted

\$2,382.8M

53.6%

Unrestricted

\$2,064.5M

46.4%

Total

\$4,447.3M

100%

Payments on Behalf

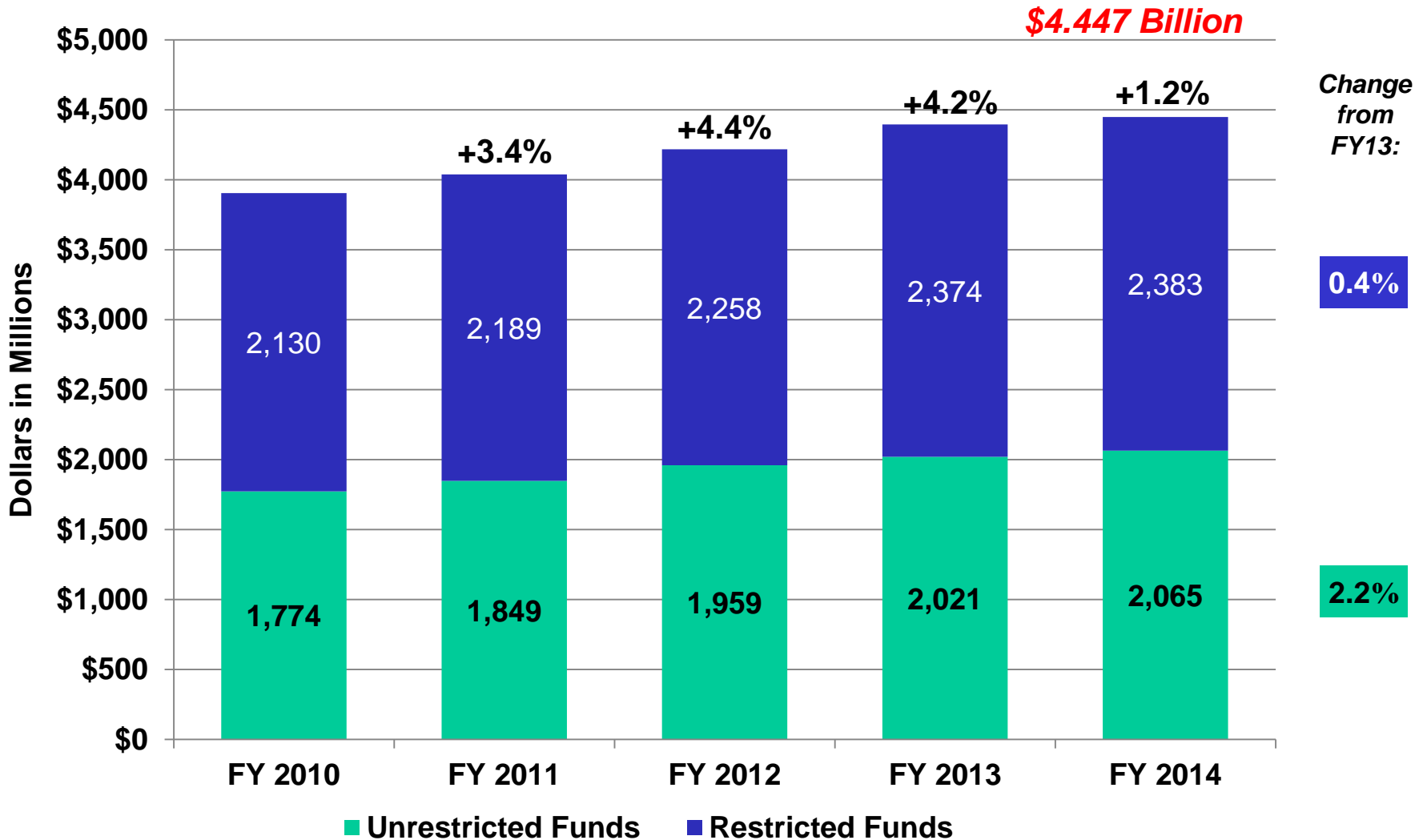
\$1,182.0M

Total Budget

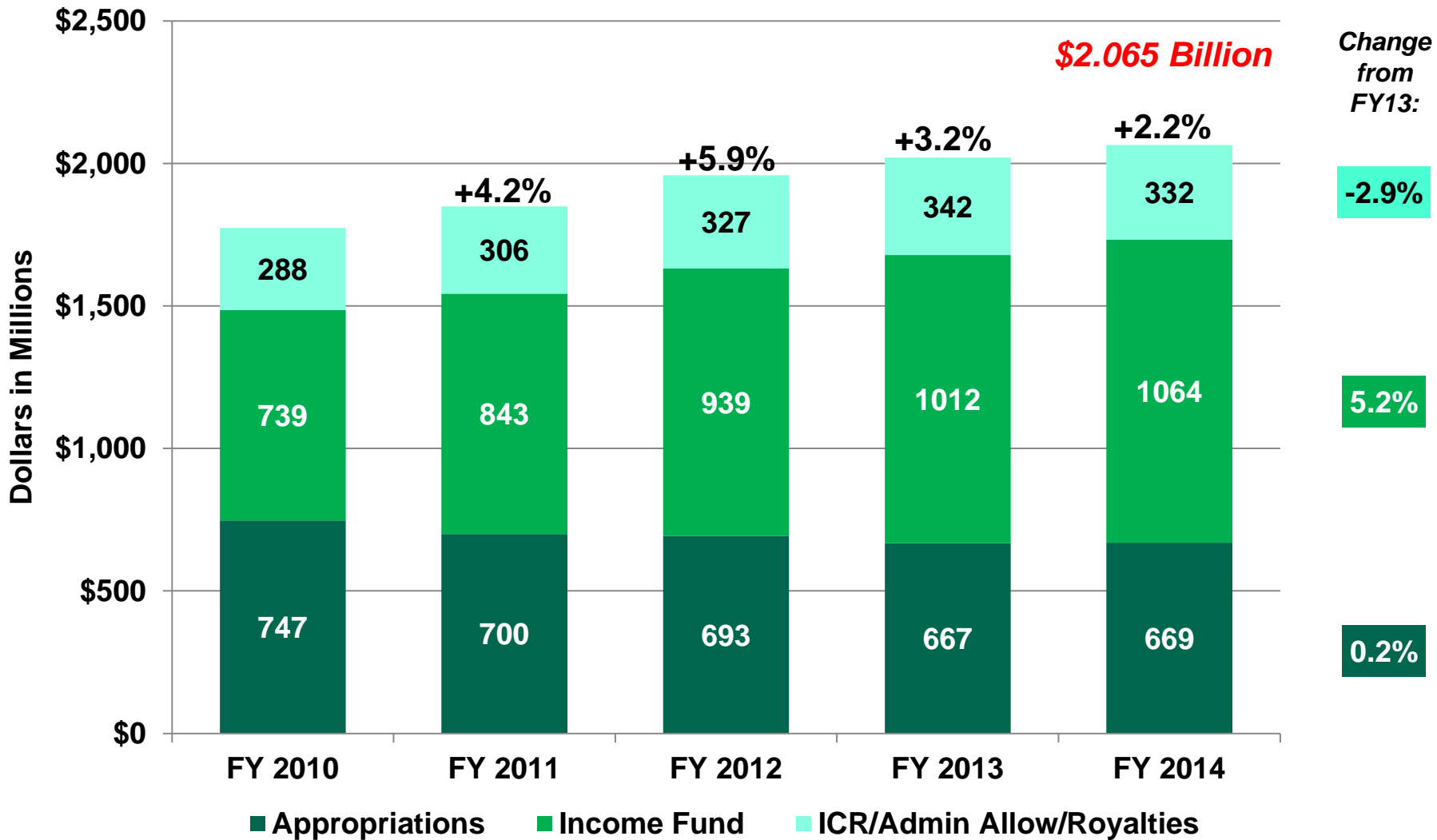
\$5,629.3M

Operating Budget Summary

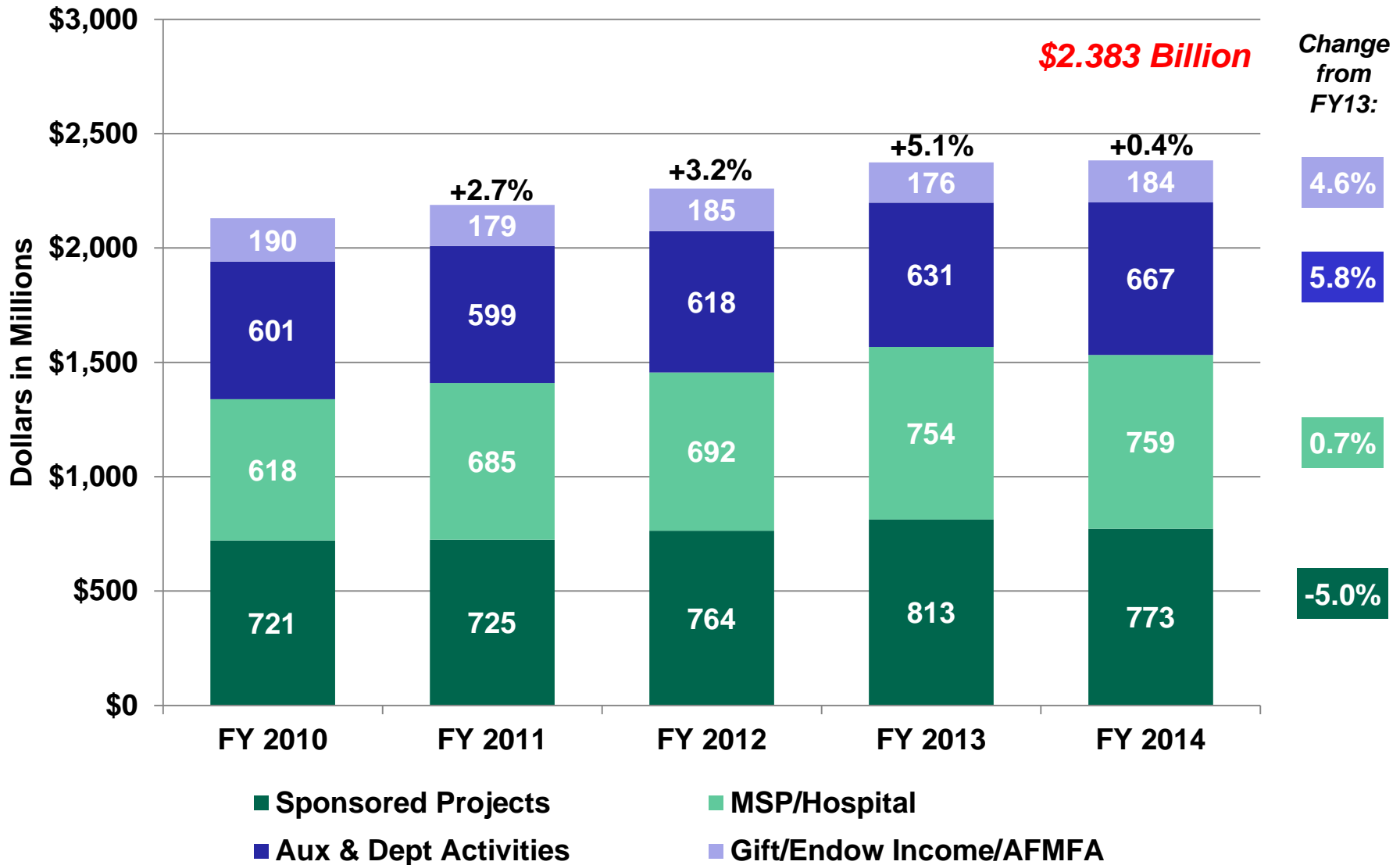
excluding payments-on-behalf



Unrestricted Revenue Components



Restricted Revenue Components excluding payments-on-behalf



Unrestricted Revenue by Campus

Urbana	2013 Budget	2014 Budget	% Change	% of Univ Total
GRF	\$ 242,784	\$ 242,340	-0.2%	36.2%
Income Fund	\$ 631,512	\$ 658,955	4.3%	61.9%
Institutional Funds	\$ 158,164	\$ 155,229	-1.9%	46.8%

Chicago	2013 Budget	2014 Budget	% Change	% of Univ Total
GRF	\$ 242,016	\$ 240,719	-0.5%	36.0%
Income Fund	\$ 344,794	\$ 368,384	6.8%	34.6%
Institutional Funds	\$ 122,760	\$ 116,197	-5.3%	35.0%

Springfield	2013 Budget	2014 Budget	% Change	% of Univ Total
GRF	\$ 18,548	\$ 18,744	1.1%	2.8%
Income Fund	\$ 31,482	\$ 32,618	3.6%	3.1%
Institutional Funds	\$ 346	\$ 333	-3.8%	0.1%

University Administration & Programs	2013 Budget	2014 Budget	% Change	% of Univ Total
GRF	\$ 164,097	\$ 166,859	1.7%	25.0%
Income Fund	\$ 4,275	\$ 4,275	0.0%	0.4%
Institutional Funds	\$ 60,274	\$ 59,856	-0.7%	18.0%

(dollars in thousands)

Restricted Revenue by Campus

Urbana	2013 Budget	2014 Budget	% Change	% of Univ Total
Auxiliary Enterprises	\$ 211,941	\$ 221,878	4.7%	60.7%
Departmental Services	\$ 127,581	\$ 134,125	5.1%	15.5%
Private Gifts/Endowment Income	\$ 116,586	\$ 120,621	3.5%	81.7%
Grants & Contracts	\$ 476,035	\$ 465,355	-2.2%	60.2%

Chicago	2013 Budget	2014 Budget	% Change	% of Univ Total
Auxiliary Enterprises	\$ 123,005	\$ 127,613	3.7%	34.9%
Departmental Services	\$ 712,739	\$ 722,169	1.3%	83.4%
Private Gifts/Endowment Income	\$ 20,379	\$ 22,960	12.7%	15.5%
Health Service Plans	\$ 181,616	\$ 194,494	7.1%	100.0%
Grants & Contracts	\$ 317,435	\$ 286,774	-9.7%	37.1%

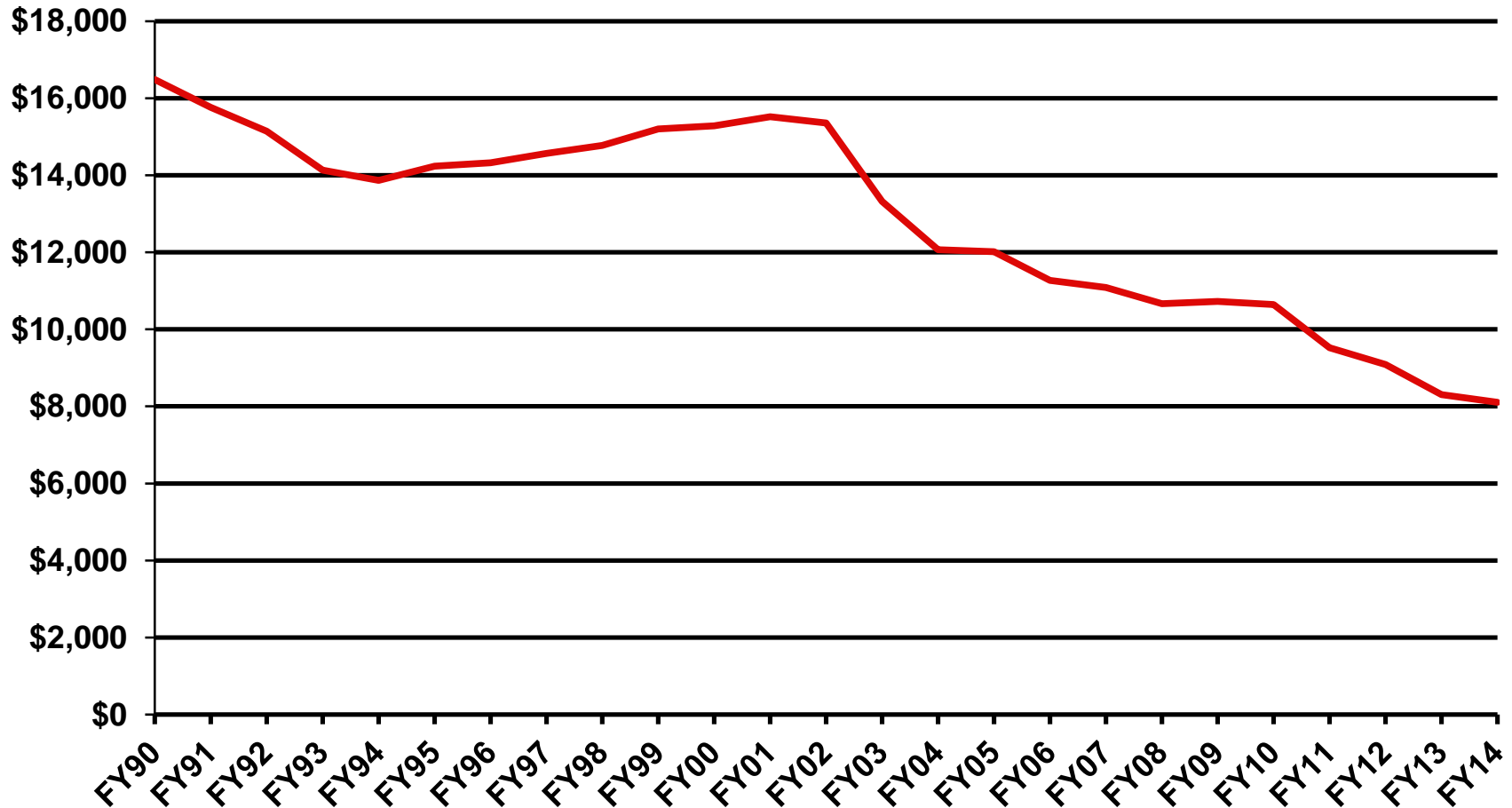
Springfield	2013 Budget	2014 Budget	% Change	% of Univ Total
Auxiliary Enterprises	\$ 15,708	\$ 14,725	-6.3%	4.0%
Departmental Services	\$ 4,312	\$ 3,671	-14.9%	0.4%
Private Gifts/Endowment Income	\$ 1,862	\$ 1,923	3.3%	1.3%
Grants & Contracts	\$ 12,556	\$ 12,857	2.4%	1.7%

University Administration & Programs	2013 Budget	2014 Budget	% Change	% of Univ Total
Auxiliary Enterprises	\$ 1,335	\$ 1,378	3.2%	0.4%
Departmental Services	\$ 6,483	\$ 6,368	-1.8%	0.7%
Private Gifts/Endowment Income	\$ 1,371	\$ 2,212	61.3%	0.4%
Grants & Contracts	\$ 7,728	\$ 7,835	1.4%	1.0%

(dollars in thousands)

University of Illinois State Tax Appropriation Per Student FTE

In constant FY13 CPI dollars

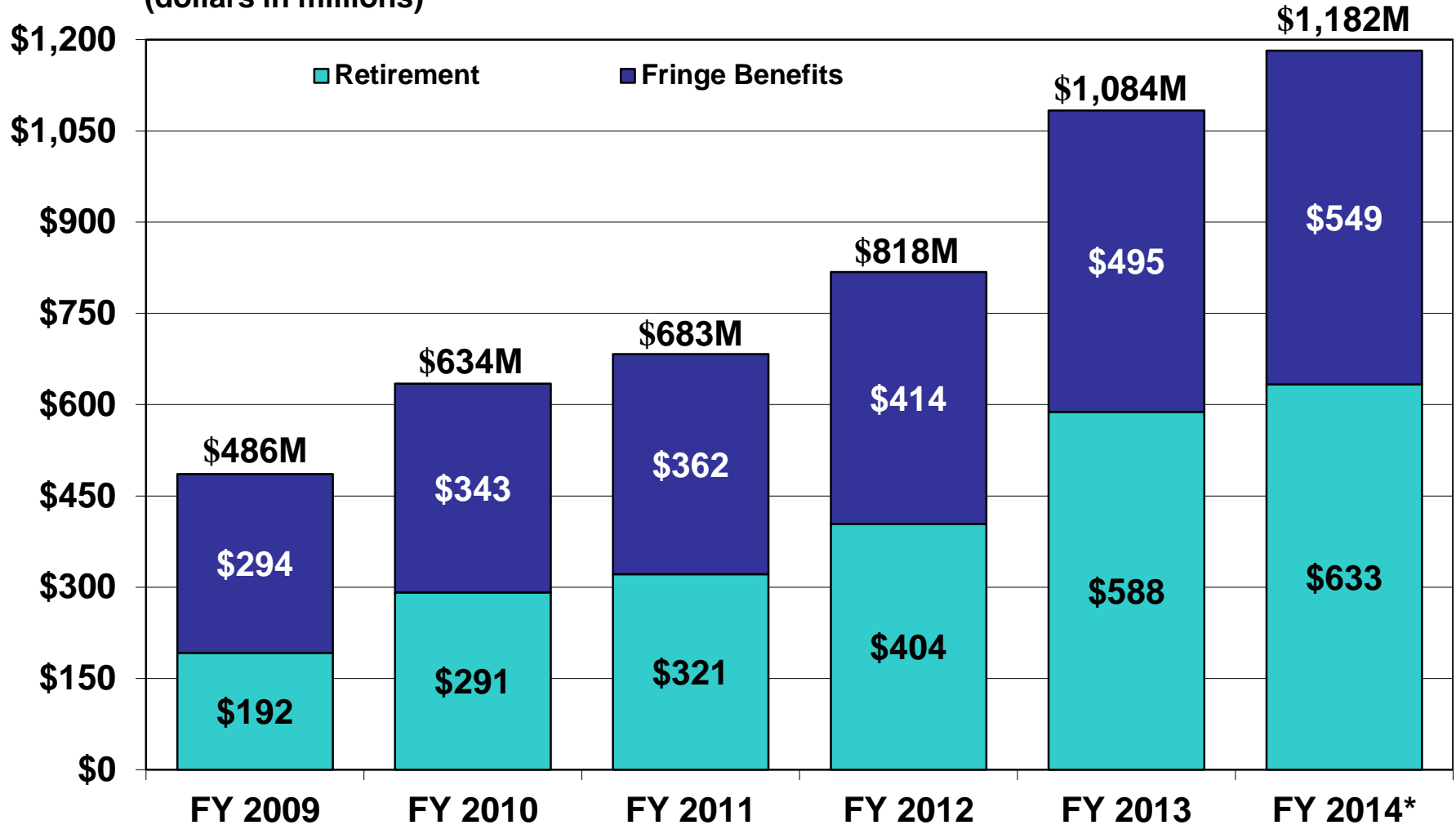


Spending Authority: FY02 – FY14 adjusted for Health Insurance obligation of \$24.9 million and cash rescissions.
FY09 – FY14 **does not** include transfer for the State Surveys.
FY90-FY95 adjusted to include UIS.

Payments on Behalf

FY 2009 – FY 2014

(dollars in millions)



FY 2009 – FY 2013 reflect actual Payments-on-Behalf.

* Retirement based on estimated historical share of SURS funding and fringe benefits based on 5 year average increase.

Facing the Future: *Going into FY14*

- Strong financial condition for operations (prudent spending, tuition revenues)
- Need to rebuild faculty strength
- Shift of funding from GRF to tuition puts pressure on non-tuition programs
- Vulnerable through hospital costs
- State financial condition a liability
- Deferred maintenance and capital needs
- Need sustainable funding plan for economic development programming

Facing the Future: *Looking Further*

- GRF on long downward trend
- Tuition growth constrained
- Pension reform will have University costs
- Federal research funds in decline
- Reallocation the financial driver for new initiatives
- Competition from other state & private universities intensifying
- Long-term planning essential to sustain physical environment

Facing the Future: *What's Being Done*

- UA's revised campus budget process
- Campus strategic plans
- Review of University Administration units
 - UA Budget Review process
 - UA strategic plan
- Campus-based program reviews
- Reallocation programs on all three campuses
- Academic unit at-a-glance assessments (UA led)
- Campus assessment of external service programs
- Board of Trustees retreat on the Clinical Medical Enterprise (July 2013)

Facing the Future: *Principles and Guidelines*

- Must preserve and strengthen core educational, research and service missions
- New initiatives must be funded from reallocation
- Stringent review processes must identify areas of potential savings (administrative and academic)
- Reviews must account for quality, costs, relation to core missions, pertinence to emerging priorities
- Must recognize and respect campus distinctiveness
- May involve consolidation, or even program elimination, but only after very careful assessment
- For academic units, decisions about reductions must center on actions of deans responsive to faculty and working closely with provost