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

- State: 15.0% ($668.7)
- Tuition: 23.9% ($1,064.2)
- Inst. Funds: 7.5% ($331.6)
- Grants/Contracts: 17.4% ($772.8)
- Personal Services & Benefits: 24.7% ($1,100.6)
- Services: 13.3% ($592.7)
- Materials & Supplies: 5.4% ($239.1)
- Equipment: 1.2% ($54.0)
- All Other: 4.3% ($190.2)
- AFMFA: 0.8% ($35.9)
- All Other: 8.1% ($360.5)

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

Where Do the Dollars Go? FY 2014

- Hospital/ MSP: 17.1% ($759.0)
- AFMFA: 0.8% ($35.9)
- Gifts/Endow Inc.: 3.3% ($147.7)
- Inst. Funds: 7.5% ($331.6)
- Materials & Supplies: 6.6% ($291.8)
- Equipment: 1.0% ($42.6)
- All Other: 4.3% ($190.2)
- AFMFA: 0.8% ($35.9)
- All Other: 8.1% ($360.5)

Personal Services & Benefits: 28.9% ($1,285.2)
Services: 5.7% ($254.7)
Materials & Supplies: 6.6% ($291.8)
Equipment: 1.2% ($54.0)
Materials & Supplies: 5.4% ($239.1)
Equipment: 1.0% ($42.6)

Restricted: $2,382.8M
Unrestricted: $2,064.5M
Total: $4,447.3M
Payments on Behalf: $1,182.0M
Total Budget: $5,629.3M
Operating Budget Summary
excluding payments-on-behalf

<table>
<thead>
<tr>
<th></th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted Funds</td>
<td>1,774</td>
<td>1,849</td>
<td>1,959</td>
<td>2,021</td>
<td>2,065</td>
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<tr>
<td>Restricted Funds</td>
<td>2,130</td>
<td>2,189</td>
<td>2,258</td>
<td>2,374</td>
<td>2,383</td>
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</table>

Change from FY13:
- Unrestricted Funds: +2.2%
- Restricted Funds: +0.4%

$4.447 Billion
Unrestricted Revenue Components

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Appropriations</th>
<th>Income Fund</th>
<th>ICR/Admin Allow/Royalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010</td>
<td>747</td>
<td>288</td>
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<tr>
<td>FY 2011</td>
<td>700</td>
<td>306</td>
<td>+4.2%</td>
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<tr>
<td>FY 2012</td>
<td>693</td>
<td>327</td>
<td>+5.9%</td>
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<tr>
<td>FY 2013</td>
<td>667</td>
<td>342</td>
<td>+3.2%</td>
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<tr>
<td>FY 2014</td>
<td>669</td>
<td>332</td>
<td>+2.2%</td>
</tr>
</tbody>
</table>

$2.065 Billion

Change from FY13:
- 2.9%

5.2%

0.2%
Restricted Revenue Components excluding payments-on-behalf

$2.383 Billion

Change from FY13:

- 4.6%
- 5.8%
- 0.7%
- 5.0%

<table>
<thead>
<tr>
<th>Year</th>
<th>Sponsored Projects</th>
<th>MSP/Hospital</th>
<th>Aux &amp; Dept Activities</th>
<th>Gift/Endow Income/AFMFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010</td>
<td>721</td>
<td>618</td>
<td>601</td>
<td>190</td>
</tr>
<tr>
<td>FY 2011</td>
<td>725</td>
<td>685</td>
<td>599</td>
<td>179</td>
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<tr>
<td>FY 2012</td>
<td>764</td>
<td>692</td>
<td>618</td>
<td>185</td>
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<tr>
<td>FY 2013</td>
<td>813</td>
<td>754</td>
<td>631</td>
<td>176</td>
</tr>
<tr>
<td>FY 2014</td>
<td>773</td>
<td>759</td>
<td>667</td>
<td>184</td>
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</table>
# Unrestricted Revenue by Campus

<table>
<thead>
<tr>
<th>Campus</th>
<th>2013 Budget</th>
<th>2014 Budget</th>
<th>% Change</th>
<th>% of Univ Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urbana</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRF</td>
<td>$242,784</td>
<td>$242,340</td>
<td>-0.2%</td>
<td><strong>36.2%</strong></td>
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<tr>
<td>Income Fund</td>
<td>$631,512</td>
<td>$658,955</td>
<td>4.3%</td>
<td><strong>61.9%</strong></td>
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<tr>
<td>Institutional Funds</td>
<td>$158,164</td>
<td>$155,229</td>
<td>-1.9%</td>
<td><strong>46.8%</strong></td>
</tr>
<tr>
<td><strong>Chicago</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRF</td>
<td>$242,016</td>
<td>$240,719</td>
<td>-0.5%</td>
<td><strong>36.0%</strong></td>
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<tr>
<td>Income Fund</td>
<td>$344,794</td>
<td>$368,384</td>
<td>6.8%</td>
<td><strong>34.6%</strong></td>
</tr>
<tr>
<td>Institutional Funds</td>
<td>$122,760</td>
<td>$116,197</td>
<td>-5.3%</td>
<td><strong>35.0%</strong></td>
</tr>
<tr>
<td><strong>Springfield</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRF</td>
<td>$18,548</td>
<td>$18,744</td>
<td>1.1%</td>
<td><strong>2.8%</strong></td>
</tr>
<tr>
<td>Income Fund</td>
<td>$31,482</td>
<td>$32,618</td>
<td>3.6%</td>
<td><strong>3.1%</strong></td>
</tr>
<tr>
<td>Institutional Funds</td>
<td>$346</td>
<td>$333</td>
<td>-3.8%</td>
<td><strong>0.1%</strong></td>
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<tr>
<td><strong>University Administration &amp; Programs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRF</td>
<td>$164,097</td>
<td>$166,859</td>
<td>1.7%</td>
<td><strong>25.0%</strong></td>
</tr>
<tr>
<td>Income Fund</td>
<td>$4,275</td>
<td>$4,275</td>
<td>0.0%</td>
<td><strong>0.4%</strong></td>
</tr>
<tr>
<td>Institutional Funds</td>
<td>$60,274</td>
<td>$59,856</td>
<td>-0.7%</td>
<td><strong>18.0%</strong></td>
</tr>
</tbody>
</table>

(dollars in thousands)
Restricted Revenue by Campus

<table>
<thead>
<tr>
<th>Campus</th>
<th>2013 Budget</th>
<th>2014 Budget</th>
<th>% Change</th>
<th>% of Univ Total</th>
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</thead>
<tbody>
<tr>
<td>Urbana</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>$ 211,941</td>
<td>$ 221,878</td>
<td>4.7%</td>
<td>60.7%</td>
</tr>
<tr>
<td>Departmental Services</td>
<td>$ 127,581</td>
<td>$ 134,125</td>
<td>5.1%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Private Gifts/Endowment Income</td>
<td>$ 116,586</td>
<td>$ 120,621</td>
<td>3.5%</td>
<td>81.7%</td>
</tr>
<tr>
<td>Grants &amp; Contracts</td>
<td>$ 476,035</td>
<td>$ 465,355</td>
<td>-2.2%</td>
<td>60.2%</td>
</tr>
<tr>
<td>Chicago</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>$ 123,005</td>
<td>$ 127,613</td>
<td>3.7%</td>
<td>34.9%</td>
</tr>
<tr>
<td>Departmental Services</td>
<td>$ 712,739</td>
<td>$ 722,169</td>
<td>1.3%</td>
<td>83.4%</td>
</tr>
<tr>
<td>Private Gifts/Endowment Income</td>
<td>$ 20,379</td>
<td>$ 22,960</td>
<td>12.7%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Health Service Plans</td>
<td>$ 181,616</td>
<td>$ 194,494</td>
<td>7.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Grants &amp; Contracts</td>
<td>$ 317,435</td>
<td>$ 286,774</td>
<td>-9.7%</td>
<td>37.1%</td>
</tr>
<tr>
<td>Springfield</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>$ 15,708</td>
<td>$ 14,725</td>
<td>-6.3%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Departmental Services</td>
<td>$ 4,312</td>
<td>$ 3,671</td>
<td>-14.9%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Private Gifts/Endowment Income</td>
<td>$ 1,862</td>
<td>$ 1,923</td>
<td>3.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Grants &amp; Contracts</td>
<td>$ 12,556</td>
<td>$ 12,857</td>
<td>2.4%</td>
<td>1.7%</td>
</tr>
<tr>
<td>University Administration &amp; Programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>$ 1,335</td>
<td>$ 1,378</td>
<td>3.2%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Departmental Services</td>
<td>$ 6,483</td>
<td>$ 6,368</td>
<td>-1.8%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Private Gifts/Endowment Income</td>
<td>$ 1,371</td>
<td>$ 2,212</td>
<td>61.3%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Grants &amp; Contracts</td>
<td>$ 7,728</td>
<td>$ 7,835</td>
<td>1.4%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

(dollars in thousands)
University of Illinois State Tax Appropriation
Per Student FTE

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)

* 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