

Board Meeting
September 7, 2006

ROLL CALL

OPERATING BUDGET FOR FISCAL YEAR 2007

Action: Approve Fiscal Year 2007 Operating Budget

Funding: All Sources (State, Auxiliary, Federal, etc.)

The Vice President for Administration recommends approval of the University's Fiscal Year 2007 operating budget, covering the allocation of estimated operating income from all sources. This recommendation follows the Board's adoption of a preliminary Fiscal Year 2007 operating budget at the June 2006 meeting. The recommended \$3.68 billion operating budget represents a \$55.0 million (3.6 percent) increase in unrestricted funds, a \$152.6 million (7.8 percent) increase in restricted funds, and a \$207.6 million (6.0 percent) increase in all operating funds from FY 2006. The priorities reflected in the proposed final budget are identical to those adopted in the preliminary operating budget. The total amount in the proposed final budget is \$15.6 million below that anticipated in the preliminary budget, following refinements of forecasts for hospital, royalty, sponsored program and indirect cost resources. Attachment A illustrates all changes from preliminary to final budget amounts.

Consistent with Board of Trustees' directives on the configuration of the internal operating budget adopted by the Board at the March 13 and June 27, 2003,

meetings, the Vice President for Academic Affairs and the Vice President for Administration prepared the budget based upon: (1) the policies and institutional priorities established by the Board of Trustees in consultation with senior academic leaders; (2) recommendations of the chancellors, after consultation with deans, directors, and other University officers on the methods and means of best executing the Board's policies and institutional priorities; and (3) recommendations from the president. The allocation of restricted funds is in accord with the terms and conditions of the restrictions, and the allocation of unrestricted funds follows the Board's policies and institutional priorities.

The attachment to this item is the *Budget Summary for Operations* for Fiscal Year 2007 (the BSO, or "Orange Book"), and presents all University-level budget amounts by source of funds and object of expenditure.

The BSO executive summary is divided into two major sections. The section titled "University Revenue Budget FY 2007" defines the sources of University operating revenue for FY 2007, details the budget by those revenue sources, and analyzes the change in revenue from FY 2006 to FY 2007. The section titled "University Expense Budget FY 2007" defines and details the budget by object of expenditure category. Three appendices follow the campus budget tables; the first provides critical dates in the budget process; the second provides a summary of the Board of Trustees requirement for prior Board approval of specified budgetary transactions, the delegation of authority for specified budgetary transactions, and the required Board reporting of budgetary activities; and the third provides a glossary of terms.

The board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University concurs.

	FY07 Prelim	FY07	Change	
	Operating Revenue	Operating Revenue	Prelim - Final Amount	Percent
Revenue Budget				
Unrestricted Funds				
Direct Appropriation ¹	713.0	713.0	-	0.0%
University Income Fund	539.8	539.8	-	0.0%
ICR	216.4	199.3	(17.1)	-7.9%
Royalties	9.9	13.1	3.2	32.1%
Administrative Allowances	100.8	101.9	1.1	1.1%
Subtotal Unrestricted Funds	\$ 1,579.8	\$ 1,567.1	\$ (12.8)	-0.8%
Estimated Restricted Funds				
Sponsored Projects	614.4	592.5	(21.9)	-3.6%
Federal Appropriations	16.9	16.9	-	0.0%
Gift & Endowment Inc.	136.5	137.2	0.7	0.5%
Medical Service Plans	125.2	123.5	(1.7)	-1.4%
Hospital	346.4	366.6	20.2	5.8%
Auxiliaries & Dept. Operations	475.8	475.8	-	0.0%
AFMFA	7.4	7.4	-	n/a
Payments on Behalf	388.6	388.6	-	0.0%
Subtotal Restricted Funds	\$ 2,111.2	\$ 2,108.5	\$ (2.8)	-0.1%
Total Revenue Budget	\$ 3,691.0	\$ 3,675.5	\$ (15.6)	-0.4%
Expense Budget				
	FY07 Prelim	FY07	Change	
	Operating Revenue	Operating Revenue	Prelim - Final Amount	Percent
Unrestricted Funds				
Personal Services & Benefits	1,141.2	1,137.4	(3.8)	-0.3%
Contractual Services	242.3	237.8	(4.5)	-1.9%
Travel & Automotive Equipment	11.8	11.7	(0.1)	-0.9%
Commodities	28.9	27.8	(1.1)	-3.8%
Equipment	58.5	55.6	(2.9)	-4.9%
Telecommunications	14.2	13.8	(0.4)	-2.7%
Permanent Improvements	8.1	7.9	(0.2)	-2.4%
Awards and Grants	40.0	39.1	(0.9)	-2.1%
Medical Devices (DSCC)	5.3	5.3	-	0.0%
Special Appropriations	4.7	5.7	1.0	22.0%
Health Insurance	24.9	24.9	(0.0)	0.0%
Subtotal	\$ 1,579.9	\$ 1,567.1	\$ (12.8)	-0.8%
Restricted Funds				
Personal Services & Benefits	789.8	788.5	(1.3)	-0.2%
Contractual Services	482.0	481.3	(0.7)	-0.2%
Travel & Automotive Equipment	25.9	25.9	(0.0)	-0.1%
Commodities	201.0	200.6	(0.4)	-0.2%
Equipment	63.0	62.9	(0.1)	-0.2%
Telecommunications	15.7	15.6	(0.1)	-0.3%
Permanent Improvements	5.1	5.1	(0.0)	-0.3%
Awards and Grants	86.4	86.2	(0.2)	-0.2%
Mandatory Transfers	46.4	46.3	(0.1)	-0.1%
Payments on Behalf	388.6	388.6	-	0.0%
AFMFA	7.4	7.4	-	n/a
Subtotal	\$ 2,111.3	\$ 2,108.5	\$ (2.8)	-0.1%
Total Expense Budget	\$ 3,691.2	\$ 3,675.5	\$ (15.6)	-0.4%