

Board Meeting
September 8, 2005

ROLL CALL

OPERATING BUDGET FOR FISCAL YEAR 2006

Action: Approve Fiscal Year 2006 Operating Budget

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

The Vice President for Administration recommends approval of the University's Fiscal Year 2006 operating budget, covering the allocation of estimated operating income from all sources. This recommendation follows the board's adoption of a preliminary FY 2006 operating budget at the May, 2005 meeting. The recommended \$3.52 billion operating budget represents a \$38.1 million (2.6 percent) increase in unrestricted funds, a \$69.6 million (3.6 percent) increase in restricted funds, and a \$107.7 million (3.2 percent) increase in all operating funds from FY 2005. The priorities reflected in the proposed final budget are identical to those adopted in the preliminary operating budget, and the revenues in each area of direct support to the University are virtually identical to those approved in May. The final budget recommendation reflects a decrease of \$70 million (17.5 percent) in the "payments on behalf" category following completion of the State of Illinois' annual budget.

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 2006 (the BSO, or "Orange Book"), and presents all University-level budget amounts by source of funds and object of expenditure customarily contained in the BSO document.

The BSO executive summary is divided into two major sections. The section titled "University Revenue Budget FY 2006" defines the sources of University operating revenue for FY 2006, details the budget by those revenue sources, and analyzes the change in revenue from FY 2005 to FY 2006. The section titled "University Expense Budget FY 2006" defines and details the budget by object of expenditure category. In an appendix immediately following the campus budget tables is a section titled "Board of Trustees Budgetary Oversight and Accountability" which specifies 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.

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.