FY 2005 Operating Budget

Presentation to the Board of Trustees
September 9, 2004

Stephen K. Rugg, Vice President for Administration, Comptroller
Douglas E. Beckmann, Senior Associate Vice President for Business and Finance
Context

• BOT desire to strengthen budget oversight and accountability, for both internal and external audiences

• Strong feeling from both UI administration and Board of Trustees that BOT is most appropriate locus for ensuring accountability and compliance

• OMB/IBHE require new formats for all higher education, modeled on UI

• State appropriations now come by object of expenditure
Context

• FY05 State legislative budget process unusually lengthy
• Higher education outcome uncertain until process concluded
• Internal budget development process accelerated as much as possible
• Normal learning curve issues with new budget and salary planning systems (overall went very well)
• Budget Summary for Operations approval in two stages
  – Overall budget/executive summary - September
  – Detailed BSO - November
Board Directives for Enhanced Accountability

September 2002
• New limit on presidential authority to reallocate within budget
• New reporting requirement for programmatic reallocations
• New reporting requirements for budget and expenditure data by campus

March 2003
• All unrestricted funds budgeted by object of expenditure at University level; reported by campus
• President must seek BOT approval for any transfer of funds out of Personal Services object
• President must seek BOT approval for transfers among other objects above 2% of unrestricted funds total

June 2003
• Estimated restricted funds budgeted by object of expenditure at University level
• Comptroller reports actual expenditures quarterly
FY 2005 $3.382 Billion
Revenue and Expenditure Budget

- Unrestricted Funds: 44%
- Restricted Funds: 46%
- Payments on Behalf: 10%
Operating Budget Summary
# Unrestricted Funds Summary

<table>
<thead>
<tr>
<th>Unrestricted Funds</th>
<th>FY04 ($ millions)</th>
<th>FY05 ($ millions)</th>
<th>Change $ ($ millions)</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Appropriation</td>
<td>699</td>
<td>700</td>
<td>1</td>
<td>0.1%</td>
</tr>
<tr>
<td>University Income Fund</td>
<td>381</td>
<td>454</td>
<td>73</td>
<td>19.2%</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>195</td>
<td>219</td>
<td>24</td>
<td>12.4%</td>
</tr>
<tr>
<td>Royalties</td>
<td>18</td>
<td>13</td>
<td>(5)</td>
<td>(30.0%)</td>
</tr>
<tr>
<td>Administrative Allowances</td>
<td>87</td>
<td>92</td>
<td>5</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>Total Unrestricted</strong></td>
<td><strong>1,380</strong></td>
<td><strong>1,478</strong></td>
<td><strong>97</strong></td>
<td><strong>7.1%</strong></td>
</tr>
</tbody>
</table>
Unrestricted Revenue Budget
$1.478 Billion

Tuition revenue increase 19% versus FY04
  – More students
  – Tuition guarantee
  – $1,000 surcharge for all students

• ICR increase 12%; Royalty decrease 30%
• Appropriation flat (a positive outcome)
• Campus budget outcomes not uniform
Unrestricted Revenue Components

![Bar chart showing unrestricted revenue components for FY2002 to FY2005.]

- **Dollars in Millions**
  - FY2002: 805 (Appropriation), 272 (Income Fund), 275 (ICR/Admin Allow/Royalties)
  - FY2003: 759 (Appropriation), 336 (Income Fund), 276 (ICR/Admin Allow/Royalties)
  - FY2004: 699 (Appropriation), 381 (Income Fund), 300 (ICR/Admin Allow/Royalties)
  - FY2005: 700 (Appropriation), 454 (Income Fund), 324 (ICR/Admin Allow/Royalties)
## Restricted Funds Summary

<table>
<thead>
<tr>
<th>Restricted Funds</th>
<th>FY04 ($ millions)</th>
<th>FY05 ($ millions)</th>
<th>Change $ ($ millions)</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsored Projects and Fed Approp.</td>
<td>585</td>
<td>608</td>
<td>23</td>
<td>3.9%</td>
</tr>
<tr>
<td>Gifts/Endowment Income</td>
<td>107</td>
<td>110</td>
<td>3</td>
<td>3.1%</td>
</tr>
<tr>
<td>MSP and Hospital</td>
<td>384</td>
<td>401</td>
<td>17</td>
<td>4.4%</td>
</tr>
<tr>
<td>Auxiliaries and Dept. Operations</td>
<td>423</td>
<td>438</td>
<td>15</td>
<td>3.5%</td>
</tr>
<tr>
<td>Payments on Behalf</td>
<td>331</td>
<td>347</td>
<td>17</td>
<td>5.0%</td>
</tr>
<tr>
<td>Total Restricted</td>
<td>1,829</td>
<td>1,904</td>
<td>75</td>
<td>4.1%</td>
</tr>
</tbody>
</table>
Restricted Revenue Components

Dollars in Millions

- **Sponsored Projects**
- **MSP/Hospital**
- **Aux and Dept Activities**
- **Gift/Endow Income**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sponsored Projects</th>
<th>MSP/Hospital</th>
<th>Aux and Dept Activities</th>
<th>Gift/Endow Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>490</td>
<td>297</td>
<td>91</td>
<td>91</td>
</tr>
<tr>
<td>2003</td>
<td>568</td>
<td>314</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>2004</td>
<td>585</td>
<td>384</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>2005</td>
<td>608</td>
<td>401</td>
<td>110</td>
<td>110</td>
</tr>
</tbody>
</table>
## Expense Budget Summary

<table>
<thead>
<tr>
<th>Unrestricted &amp; Restricted Funds</th>
<th>FY04 ($ millions)</th>
<th>FY05 ($ millions)</th>
<th>Change ($ millions)</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>1,665</td>
<td>1,763</td>
<td>98</td>
<td>5.9%</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>642</td>
<td>674</td>
<td>32</td>
<td>5.0%</td>
</tr>
<tr>
<td>Commodities Equip/Tel</td>
<td>348</td>
<td>367</td>
<td>19</td>
<td>5.3%</td>
</tr>
<tr>
<td>Awards and Grants</td>
<td>98</td>
<td>107</td>
<td>9</td>
<td>9.1%</td>
</tr>
<tr>
<td>Payments on Behalf</td>
<td>331</td>
<td>347</td>
<td>17</td>
<td>5.0%</td>
</tr>
<tr>
<td>Total Expense Budget</td>
<td>3,209</td>
<td>3,382</td>
<td>173</td>
<td>5.4%</td>
</tr>
</tbody>
</table>
Prior Board of Trustees approval is required to authorize:

• The transfer of any unrestricted funding from the Personal Services and Benefits object of expenditure to any other object of expenditure.

• The transfer of any unrestricted funding from an object of expenditure that will cause the total transfers to exceed two percent of the total unrestricted funds budget.

• Individual unrestricted programmatic budget adjustments greater than $2.0M, exclusive of routine accounting transactions.

• The allocation or expenditure of a supplemental state appropriation, additional University Income Fund revenue, and additional Institutional Fund revenue.
The Board of Trustees delegates to the President authority for:

- The transfer of any unrestricted funding from an object of expenditure, not including Personal Services and Benefits object of expenditure, that will not cause the total transfers to exceed two percent of the total unrestricted funds budget.

- An individual programmatic budget adjustment of up to $2.0 million in accordance with the University’s needs, the policies and institutional priorities established by the Board of Trustees, and within total income as it accrues exclusive of routine accounting transactions. Individual programmatic budget adjustments greater than $1.0 million and less than $2.0 million, exclusive of routine accounting transactions, will be included in quarterly reports to the Board of Trustees.
The Board of Trustees delegates to the President authority for:

- The reduction of departmental allocations necessitated by a decrease in the state appropriation, University Income Fund revenue, or Institutional Fund revenue.
- The oversight of the restricted funds revenue realized for the restricted purpose that is specified for the use of such funds.
The Board of Trustees requires quarterly reporting as follows:

• Comparison of unrestricted fund budgets and projected expenditures by object of expenditure category.
• Unrestricted fund expenditures by campus and object of expenditure category.
• Restricted fund expenditures by campus and object of expenditure category.
• Comparison of University Income Fund revenue to budget.
• Comparison of ICR fund budget and projected expenditures.
• Comparison of ICR fund revenue to budget.
• Programmatic budget transfers, exclusive of routine accounting transactions, in excess of $1M but not greater than $2M.