



UNIVERSITY OF ILLINOIS

CHICAGO • SPRINGFIELD • URBANA-CHAMPAIGN

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

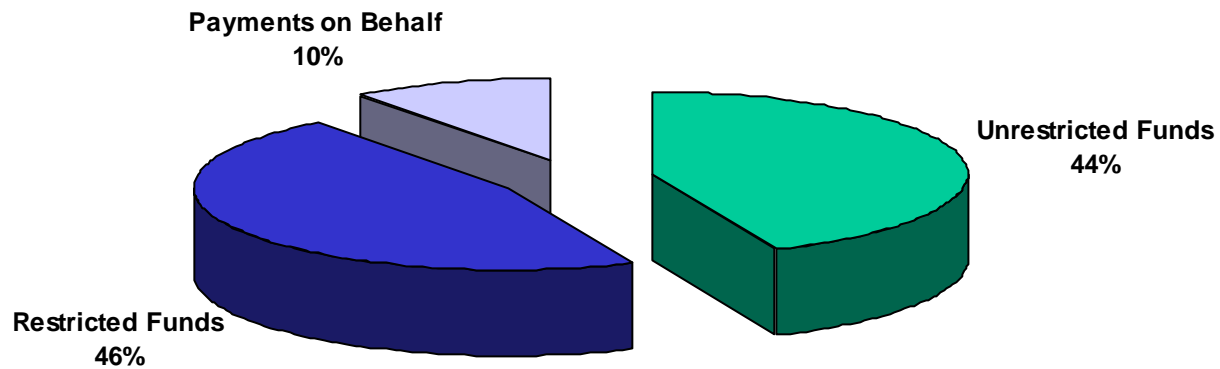
March 2003

- 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

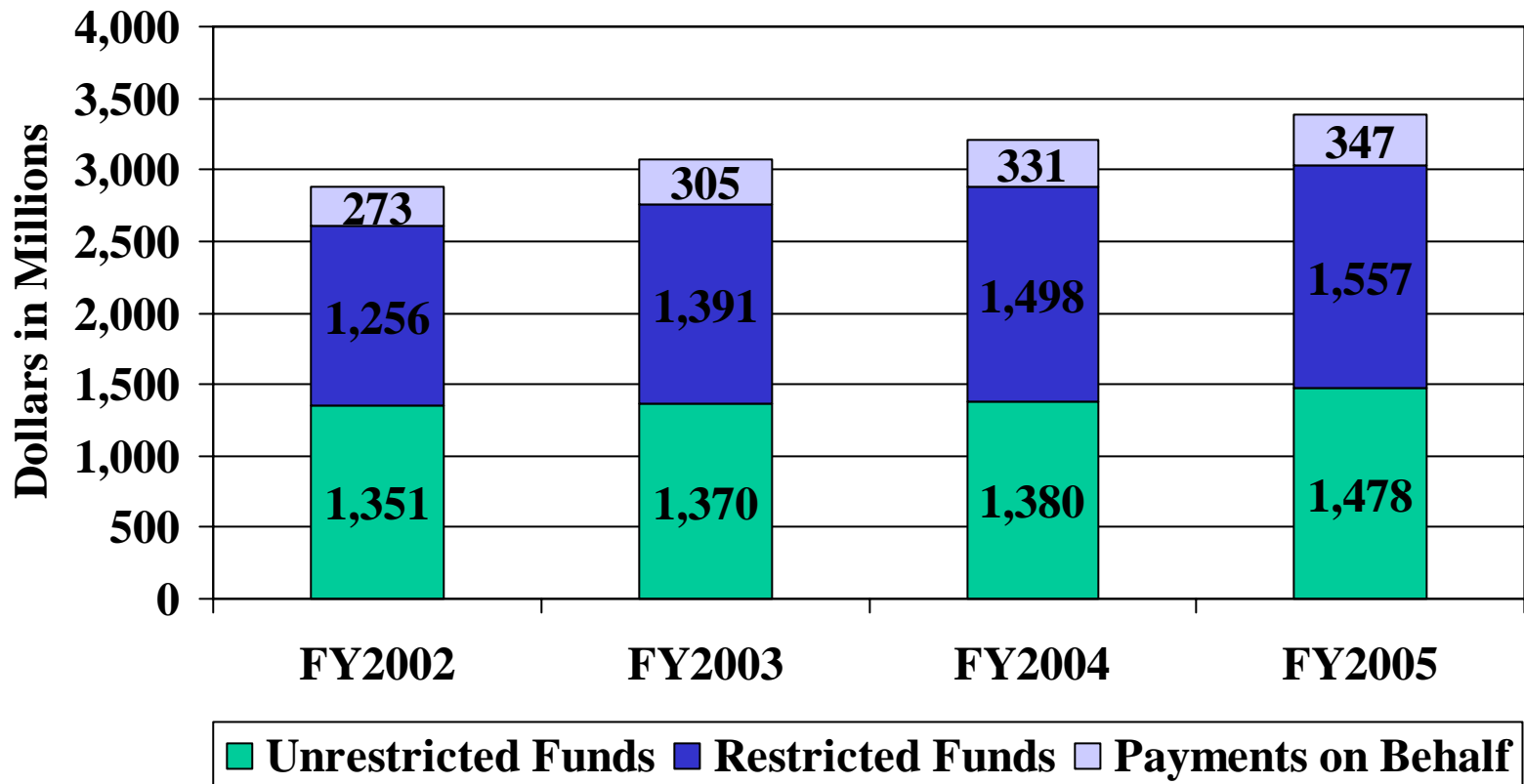
June 2003

- 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



Operating Budget Summary



Unrestricted Funds Summary

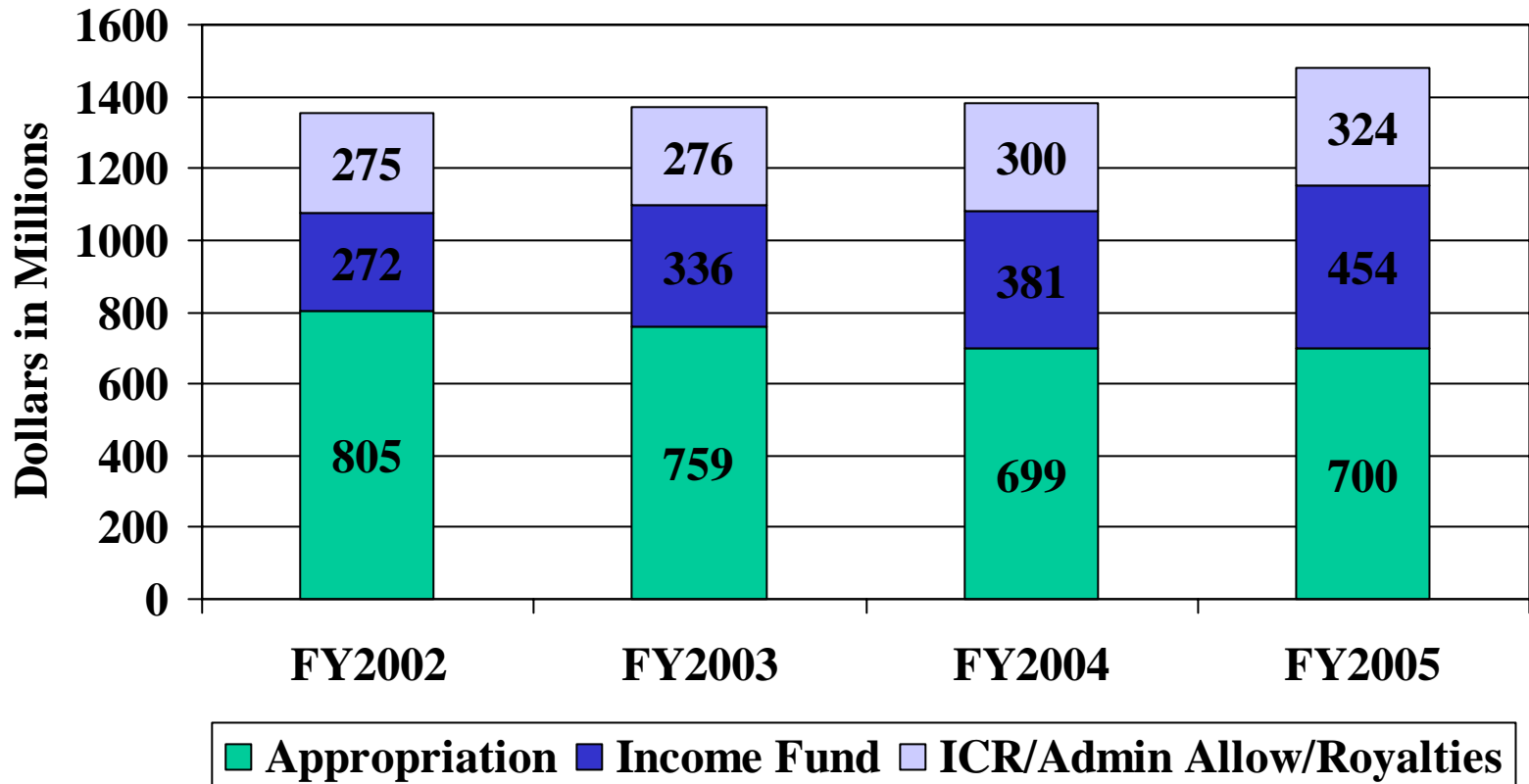
Unrestricted Funds	FY04 (\$ millions)	FY05 (\$ millions)	Change \$ (\$ millions)	Change %
Direct Appropriation	699	700	1	.1%
University Income Fund	381	454	73	19.2%
Indirect Cost Recovery	195	219	24	12.4%
Royalties	18	13	(5)	(30.0%)
Administrative Allowances	87	92	5	5.6%
Total Unrestricted	1,380	1,478	97	7.1%

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

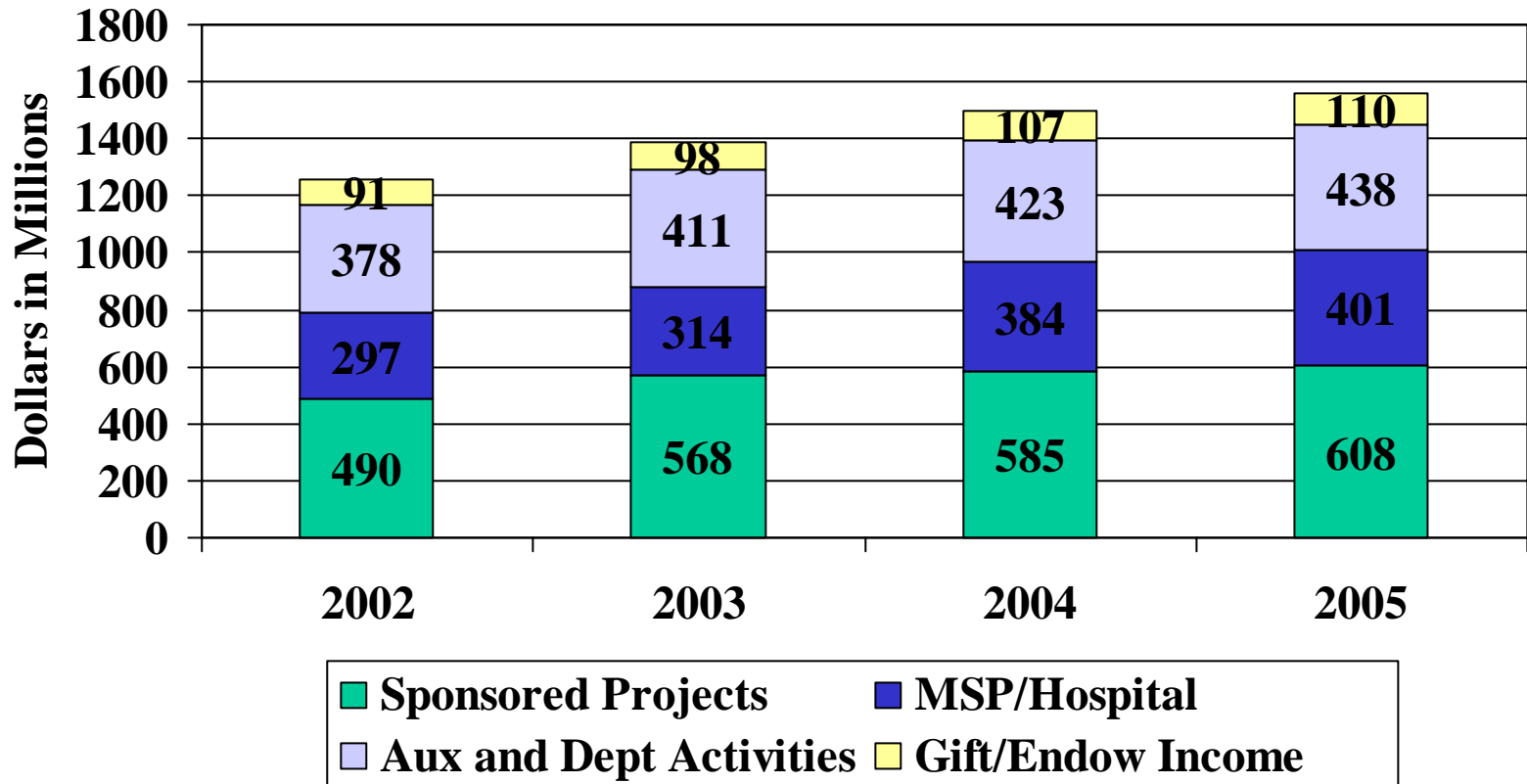
Unrestricted Revenue Components



Restricted Funds Summary

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

Restricted Revenue Components



Expense Budget Summary

Unrestricted & Restricted Funds	FY04 (\$ millions)	FY05 (\$ millions)	Change \$ (\$ millions)	Change %
Personal Services	1,665	1,763	98	5.9%
Contractual Services	642	674	32	5.0%
Commodities Equip/Tel	348	367	19	5.3%
Awards and Grants	98	107	9	9.1%
Payments on Behalf	331	347	17	5.0%
Total Expense Budget	3,209	3,382	173	5.4%

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.