Approved by the Board of Trustees

September 19, 2024

**07**

 Board Meeting

 September 19, 2024

ROLL CALL

# APPROVE OPERATING BUDGET FOR FISCAL YEAR 2025

**Action:** Approve Operating Budget for Fiscal Year 2025

**Funding:** All Sources of Funds

 In accordance with policies established by the Board of Trustees and consistent with prudent financial management, the vice president/chief financial officer and comptroller and the executive vice president and vice president for academic affairs seek approval of the University of Illinois System’s operating budget for the Fiscal Year 2025 (FY2025). The budget is based upon recommendations from the president, chancellors/vice presidents, and provosts following consultations with academic and administrative leaders across the System. This recommendation follows the Board’s adoption of a preliminary FY2025 operating budget at its May 2024 meeting.

 The FY2025 budget reflects the University’s continued commitment to invest in academic excellence and maintaining student affordability. The budget supports funding for academic and mission-driven priorities, including targeted programmatic enhancements. The recommended $8.3 billion budget includes an estimate for fringe benefits incurred by the State on behalf of the System. The FY2025 budget represents a $485.3 million, or 6.2 percent increase, compared to FY2024, when including the estimated state fringe benefits and a $434.0 million, or 6.7 percent increase, excluding the estimated state fringe benefits. The increase in state appropriations, modest increases in tuition and fees, and revenues from housing, dining, and other student services are the major components of the overall increase when excluding estimated state fringe benefits. Other significant contributors include projected growth in hospital operations, service plans, and gifts and endowment income.

 The total operating budget comprises four major categories of funds:

1. *General operating funds* supporting the academic enterprise of the University;
2. *Hospital funds* related to the hospital and clinics that are part of the University of Illinois Hospital and Health Sciences System;
3. *Restricted funds* encompassing operations of auxiliary units (such as housing, dining, and related services), sponsored research and federal appropriations, operations supported by gift and endowment income, and the medical service plan. The use of these funds is specified by contracts, granting agencies, donors, or legislative guidelines; and
4. *State fringe benefits* incurred on behalf of the System represent the estimated expenses incurred by the State for the employer’s share of the cost of pension and health insurance benefits for current employees. This does not include health insurance benefits incurred by the State for current retirees, referred to as other post-employment benefits or OPEB.

The total budget is apportioned among the three universities and the System Offices and System-wide programs.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Chicago | Springfield | Urbana | System Offices & System-WidePrograms | Total | Change from FY2024 |
| General Operating Funds | $935,979 | $61,761 | $1,548,744 | $263,421 | $2,809,905 | 4.1% |
| Hospital Funds | $1,271,921 |  |  |  | $1,271,921 | 9.1% |
| Restricted Funds | $1,225,434 | $45,772 | $1,528,844 | $41,247 | $2,841,297 | 8.3% |
| State Fringe Benefits | $749,653 | $29,100 | $539,470 | $49,316 | $1,367,539 | 3.9% |
| Total | $4,182,987 | $136,633 | $3,617,058 | $353,984 | $8,290,662 | 6.2% |
| Change from FY2024 | 5.2% | 0.8% | 7.7% | 6.0% | 6.2 % |  |

\*Dollars in thousands

 Attached to this item is the *Budget Summary for Operations FY2025* (BSO), which summarizes the System-wide budget, budgets for each university, and detailed college-level budget schedules. The BSOis organized into four schedules:

Schedule A: Details university and System-level revenue by source and budgeted expenditures by function and type.

Schedule B: Provides budgeted expenditures and revenue sources by college-level organization.

Schedule C: Lists budgeted expenditures by college-level organization and function.

Schedule D: Provides department-level detail of State and institutional fund budgeted expenditures.

Schedule A, Schedule B, and Schedule C are university and System-level schedules (one for each university and the System), whereas Schedule D contains college-level schedules.

Subject to the above and the Board’s directives regarding the establishment of University of Illinois budgets, authorization is requested for the president to:

1. Accept resignations.
2. Make necessary additional appointments and approve notices of non-reappointment in compliance with University policies and rules for civil service staff.
3. Transfer funds between budget categories, provided the total transfer does not exceed 3 percent of the general fund budget.
4. Make programmatic adjustments to the general fund budget based on institutional priorities within a 3 percent limit, exclusive of routine accounting transactions.
5. Adjust departmental allocations as needed due to state appropriation rescissions or revenue shortfalls.
6. Allocate tuition waivers.
7. Accept revenues exceeding the approved budget and approve the related expenditures.
8. Transfer funds from the general operating budget to the restricted fund budget as permitted by the State Finance Act, if necessary.

 The Board action recommended in this item complies in all material respects with applicable State and federal laws, legislative audit guidelines, terms and conditions for the use of funds, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

 The president of the University of Illinois System recommends approval.