Approved by the Board of Trustees

September 21, 2023

**06**

 Board Meeting

 September 21, 2023

ROLL CALL

# APPROVE OPERATING BUDGET FOR FISCAL YEAR 2024

**Action:** Approve Operating Budget for Fiscal Year 2024

**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 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 2024 (FY2024). The budget is based upon recommendations from 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 FY2024 operating budget at its May 2023 meeting.

 The FY2024 budget reflects the University’s continued commitment to invest in academic excellence and maintaining student affordability. The budget ensures resources for academic priorities, including selective but appropriate programmatic enhancements. The recommended $7.8 billion budget includes an estimate for fringe benefits incurred by the State on behalf of the System. The FY2024 budget represents a $151.0 million, or 2.0 percent increase, compared to FY2023, when including the estimated state fringe benefits and a $278.3 million, or 4.5 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 represents 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.

As shown below, the total budget is apportioned among the three universities, the System Offices, and System-wide programs.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Chicago | Springfield | Urbana | System Offices & System-WidePrograms | Total | Change from FY2023 |
| General Operating Funds | $932,824 | $61,087 | $1,461,429 | $245,027 | $2,700,367 | 2.7% |
| Hospital Funds | $1,166,290 |  |  |  | $1,166,290 | 11.4% |
| Restricted Funds | $1,154,393 | $46,272 | $1,379,495 | $42,298 | $2,622,458 | 3.4% |
| State Fringe Benefits | $723,665 | $28,128 | $517,809 | $46,624 | $1,316,226 | -8.8% |
| Total | $3,977,172 | $135,487 | $3,358,733 | $333,949 | $7,805,341 | 2.0% |
| Change from FY2023 | 2.0% | 2.4% | 2.2% | -0.7% | 2.0 % |  |

\*Dollars in thousands

 Attached to this item is the Budget Summary for Operations FY2024 (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 foregoing and the Board’s directives concerning establishment of University of Illinois budgets, authorization is also requested for the president to: (a) accept resignations; (b) make additional appointments that are necessary and approve the issuance of notices of non-reappointment, subject to all University policies, and policies and rules for civil service staff; (c) transfer, if necessary, funding from one object of expenditure to another, as long as total transfer does not exceed 3 percent of the total general fund budget; (d) make programmatic adjustments to the general fund budget in accordance with institutional priorities and needs, not exceeding 3 percent of the total general fund budget, exclusive of routine accounting transactions; (e) require changes to departmental allocations necessitated by any rescissions in state appropriation or shortfall in revenues; (f) allocate tuition waivers; (g) accept revenues earned in excess of the approved budget and the corresponding expenditures; and (h) pursuant to the State Finance Act, transfer funds from the general operating budget to the restricted fund budget, 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.