

Office of the Vice Provost for Resource
Planning and Management (MC 103)
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Date: June 26, 2015

To: Vice Chancellors
Deans
Vice Provosts

Thru: Michael D. Amiridis, Chancellor
University of Illinois at Chicago



Fr: Janet A. Parker
Associate Chancellor for Budget & Resource Planning



RE: Deficit Reduction Plans

I recently learned that the UIC deficit reduction plan process that was set in place several years ago does not apply to state funds. This was because at the end of each fiscal year, the Budget office would swap institutional funds for state funds, including rolling deficits to a different fund source. Two years ago, the state fund swapping practice ended and units/colleges are now able to carryforward state funds.

The current campus policy that codifies these practices has never been updated to reflect changes in practice. That will be rectified by drafting a series of financial and space related procedural guidelines that apply to UIC. Given the end of the fiscal year is upon us, it is important to communicate the deficit reduction plan procedure and changes regarding the applicability to state funds, monitoring requirements and usage charges.

Each unit head has an express fiduciary responsibility and accountability for the sound financial management of their unit. This is specifically outlined in the [Fiscal Control and Internal Auditing Act \(FCIAA\)](#).¹ Deficit spending must be avoided. To detect when a budget problem may exist, reports are sent to unit heads and fiscal officers at the end of the 2nd and 3rd quarters and the month of May. It is your responsibility to initiate actions to address any potential reportable deficits and bring those to the attention of myself and Vanessa Peoples, Interim Assistant Vice President for Business and Finance.

¹ <https://www.obfs.uillinois.edu/accounting-financial-reporting/fciao/fiscal-control-internal-auditing-act-certification/>



Beginning with FY 2015, the Campus will require a deficit reduction plan for an overall state fund deficit at the VC/College level. This will be calculated using Budget Balance Available or Unencumbered Budget Balance. Specific requirements for those organizations that end the year in deficit will be communicated to those VC/College level units after the fiscal year has closed.

Effective FY 2016, the following changes will take affect:

Deficit Reduction Guidelines - Effective FY 2016 year-end close

When the fiscal year closes with an overall deficit at the department level²:

- The Budget office will work with any unit that wants to swap funds to relieve a deficit prior to the final year-end close, to the extent the Campus has capacity to do so in the requested fund group. This is the most appropriate resolution.
- If a deficit remains at the end of the fiscal year, a deficit reduction plan must be submitted as follows³:
 - Deficits between \$10,000 and \$149,999 will require completion of a form outlining the cause and planned resolution of the deficit and timeline.
 - Deficits between \$150,000 and \$499,999 will require completion of a three year action plan for resolution of the deficit.
 - Deficits \$500,000 or greater require completion of a five year plan and a meeting to discuss the proposed plan.
- All plans will be reviewed, approved and consequently monitored for progress by the Associate Chancellor for Budget and Resource Planning, in conjunction with the Office of Business and Financial Services (OBFS). State fund plans will be monitored by the Campus; all other funds will be monitored by OBFS and the Campus.
 - Failure to make progress as outlined in the written plan will elevate the concern to the Chancellor, Provost or Vice Chancellor for Health Affairs (based on the reporting line of the unit.)
 - Usage charges will no longer be assessed, however, the Chancellor, Provost or Vice Chancellor for Health Affairs will require evidence of how the budget will be cut to assure the structural deficit is addressed.

If you have any questions regarding this memo, please contact myself or Jim Bono, Budget and Program Analysis.

c: Vanessa Peoples, Jim Bono, Michael Moss, Unit and College Fiscal Officers

² Deficits for Institutional funds are identified using the aggregated unencumbered budget balance available at the department level; all deficits other than State/Institutional are identified using fund balance on a fund-by-fund basis.

³ These thresholds remain unchanged.