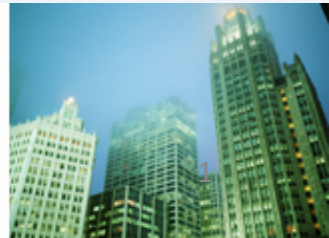


# FY 2015 UIC Budget Planning Process

**Janet Parker**

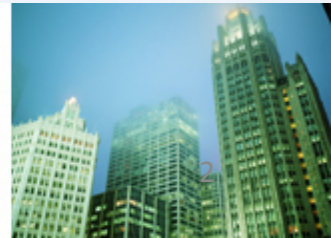
**Associate Chancellor and Vice Provost, Budget and Resource Planning**



# FY 2015 UIC Budget Planning Process

## AGENDA

- UIC Planning Environment
- UIC Budget Model
- Budget Development Process
- Three Year Planning Templates
- Funding Priorities
- Fund Balances
- Q&A

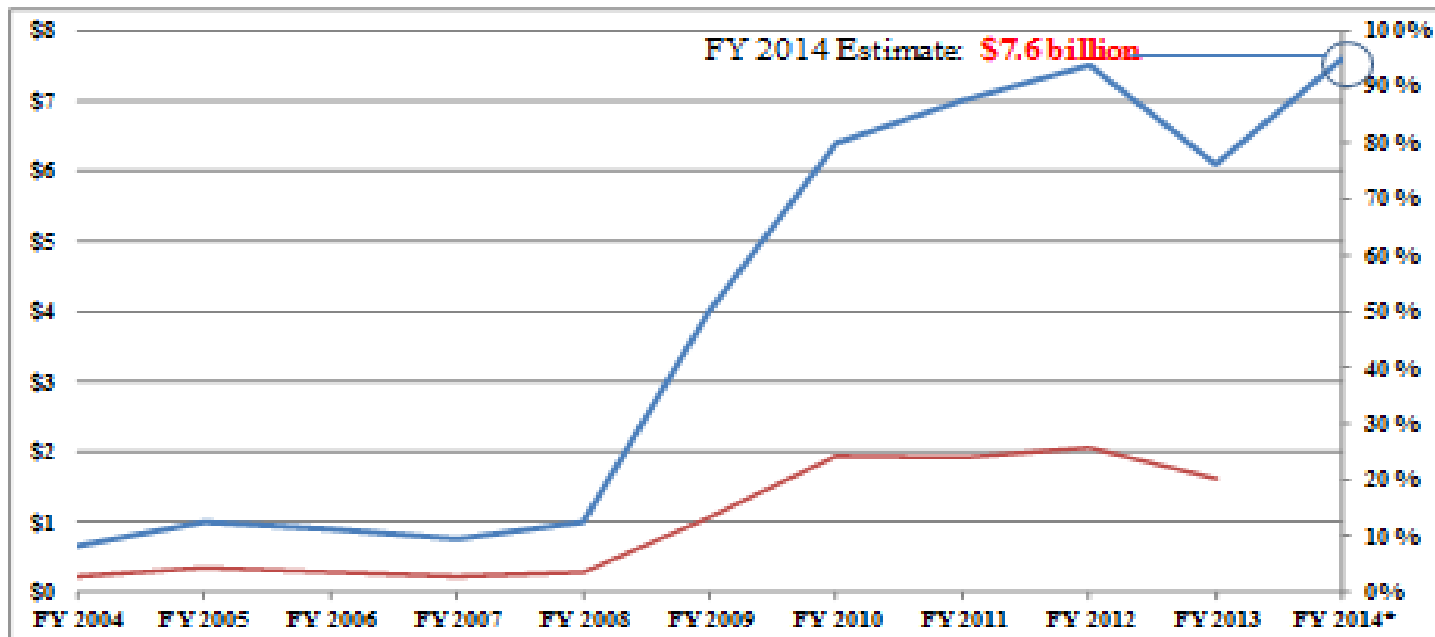


# State of the State

**Current receivable to UI = \$357M as of 2/24/14**

## State of Illinois – General Revenue Fund Estimated Accumulated Unpaid Vouchers and % of Appropriation TOTAL ACCOUNTS PAYABLE at FISCAL YEAR END

Dollars in Billions



\* Estimated.

Appropriations based on CGFA Budget Summaries.

# State of the State

- Increase in the state individual income tax from 3% to 5% is set to partially sunset January 1, 2015:
  - House Revenue Committee estimates \$1.6B hole in GRF
    - **4.4% of general fund**
- Without action from Governor & legislature, tax rate will decrease to 3.75% in 2015; 3.25% in 2025.
- Corporate income tax increased from 4.8% to 7%; will decrease to 5.25% in 2015 & 4.8% in 2025.

# State of the State

- If the tax revenue reductions remain intact, how will the legislature cut the budget?
- Governor's FY15 budget will be delayed until March 26<sup>th</sup> – will it incorporate the projected revenue loss?
  - **Budgets must be balanced, so will higher education see a reduction in GRF?**
- Will the legislature repeal/Governor veto the tax sunset & when?
  - **Will the problem get pushed into FY16?**
  - **An election year – new lawmakers and the next governor will be sworn in days after the tax hike expires.**
  - **Candidates are not talking about their budget plans**

# Academic Year 2014-15

## Approved Base Tuition Rates

- **1.7 %** increase to base tuition will apply only to incoming undergraduate students and all graduate students
  - *Equivalent to 2013 consumer price index*
  - *Modest increase to maintain affordable tuition*
- Majority of tuition revenues are used for the instructional program
- Non-Academic costs include
  - Campus safety and security
  - Student services
  - Plant operations and maintenance
  - Financial aid



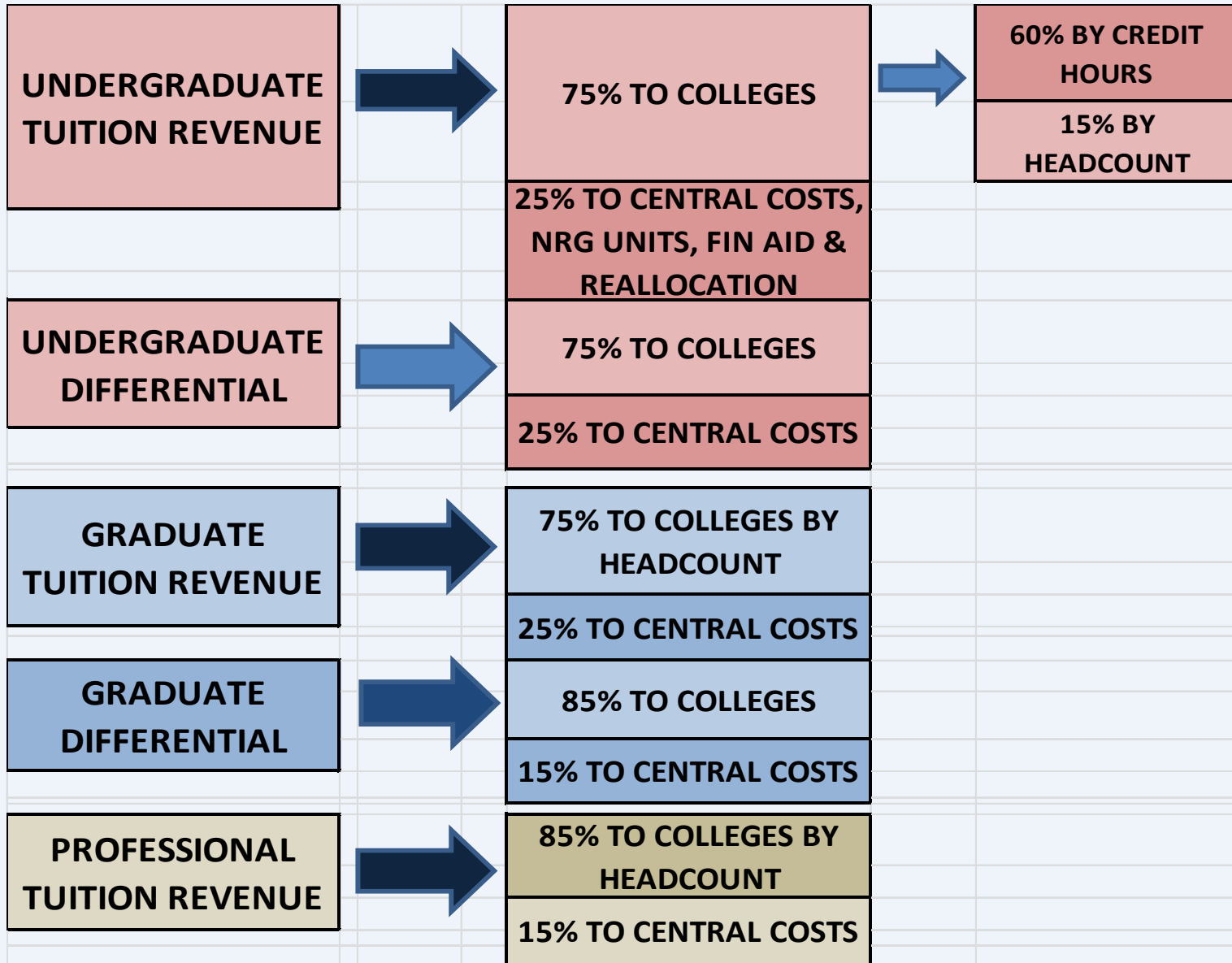
# AY 2013-14 Guaranteed Tuition & Fees New Undergraduate Students (Illinois Residents)

*(one-time 1.7% increase equivalent to 0.425% annual increase)*

Semester Rates	AY13-14	AY 14-15	Dollar Change	%
<b>Tuition</b>	\$5,203	\$5,292	\$89	1.7%
<b>Fees</b>	\$1,505	\$1,531	\$26	1.7%
<b>Total</b>	\$6,708	\$6,823	\$115	1.7%

Fees include refundable fees. Transportation at UIC and health insurance at all campuses are included at AY13-14 rates until new rates are available.

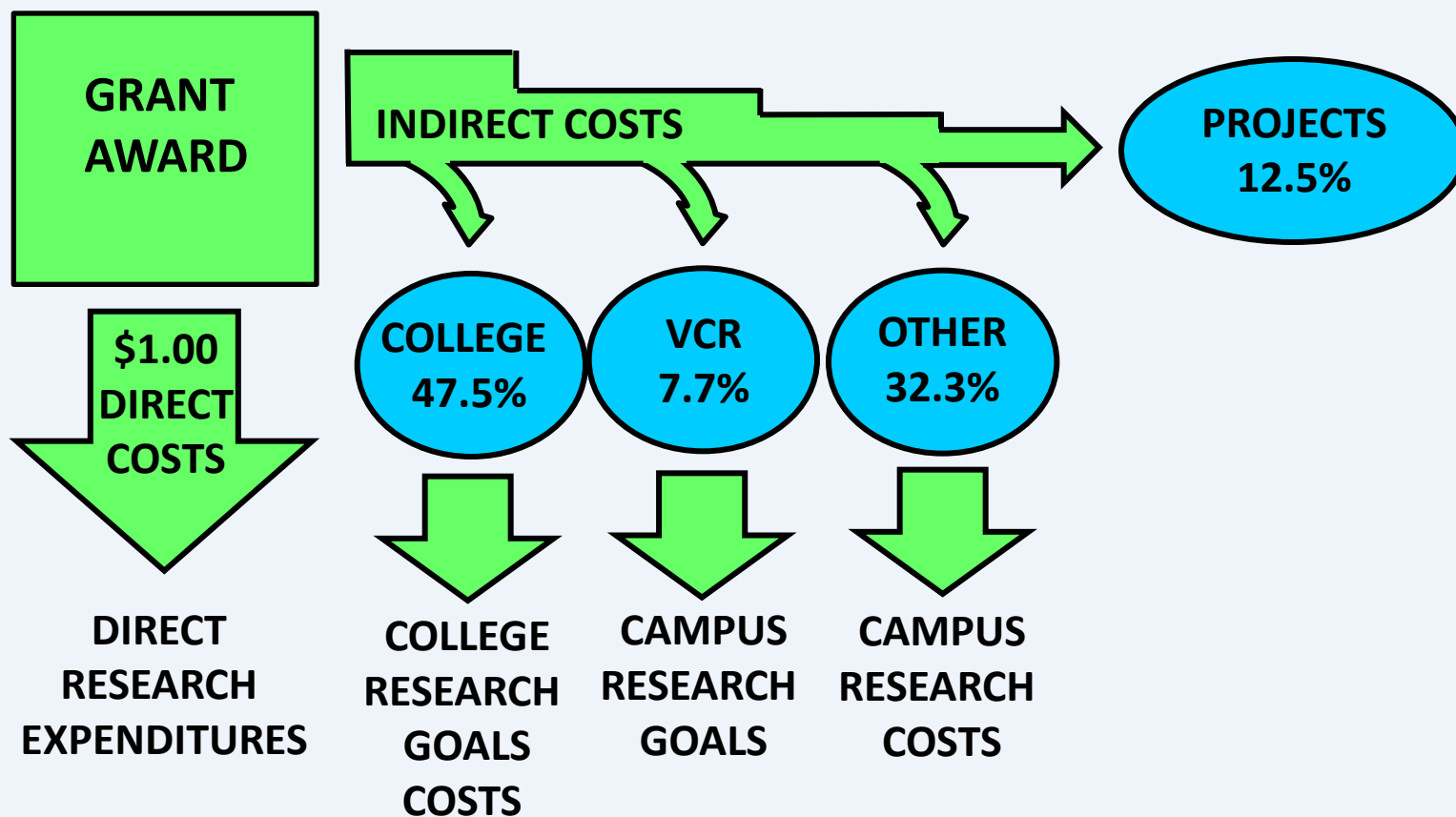
# Funds flow diagram: Tuition







# Funds flow diagram: ICR

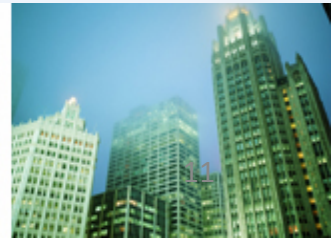


# Indirect Cost Recovery

UIC ICR (F&A Revenue) Analysis						
	Budget	YE Actual	Budget to Actual Variance		Actual Variance (Yr to Yr)	
<b>FY 2009</b>	\$ 63,230,500	\$ 64,221,182	\$ 990,682	1.6%		
<b>FY 2010</b>	\$ 64,221,200	\$ 73,525,157	\$ 9,303,957	14.5%	\$ 9,303,975	14.5%
Budget Growth	\$ 990,700					
Chg from PY	1.6%					
<b>FY 2011</b>	\$ 73,525,157	\$ 79,292,364	\$ 5,767,207	7.8%	\$ 5,767,207	7.8%
Budget Growth	\$ 9,303,957					
Chg from PY	14.5%					
<b>FY 2012</b>	\$ 79,261,527	\$ 76,028,507	\$ (3,233,020)	-4.1%	\$ (3,263,857)	-4.1%
Budget Growth	\$ 5,736,370					
Chg from PY	7.8%					
<b>FY 2013</b>	\$ 76,018,700	\$ 70,673,025	\$ (5,345,675)	-7.0%	\$ (5,355,482)	-7.0%
Budget Growth	\$ (3,242,827)					
Chg from PY	-4.1%					
<b>FY14/Per</b>	\$ 68,298,818	\$ 64,203,516	\$ (4,095,302)	-6.0%	\$ (6,469,510)	-9.2%
Budget Growth	\$ (7,719,882)					
Chg from PY	-10.2%					
Shaded # are projected.			Last Updated: 2/26/14			

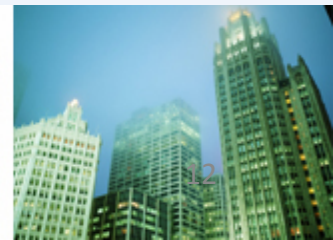
# UIC Budget Principles

- **Ensure fiscal integrity** – decentralized responsibility and decentralized accountability
- **Ensure good decision making** – assign decision making authority to appropriate entity
- **Maximize use of resources** – include financial, physical and human resources
- **Balance priorities** – balance support for instructional, research, patient care, economic development and service missions of the Campus
- **Maintain quality** – reduce and redirect budgets in a manner that best preserves quality



# UIC Budget Goals

- **Ensure the quality of academic programs** – provide faculty and physical resources appropriate for high quality academic programs
- **Grow the research enterprise** – in a cost effective manner
- **Support diversity** – build it into the decision process
- **Ensure integrity of the physical infrastructure** – coordinate infrastructure renewal and replacement with institutional priorities
- **Support access** - income and its correlates, race/ethnic



# FY 2015 Budget Planning Meetings

- Two meetings:
  - 1<sup>st</sup> with Unit Head, AFO, BPA Staff, VPBRP
    - February – March 2014
  - 2<sup>nd</sup> with Chancellor/Provost, Unit Head, AFO, BPA Staff, VPBRP
    - March – April 2014
  
- Meeting Preparation
  - Complete 3 Year Budget Planning Template
  - Other Discussion Topics
  - Unit Issues

# Budget Meeting Agenda /Documents

- Review 3 Year Budget Plan
- Faculty Hiring Plans by Discipline
  - *Recruitments begun in FY14 and planned for FY15*
- Identification of new income streams
- Strategic investments
- Unit Specific Issues
- Development Investment

# 3 Year Budget Planning Template

- Objective:
  - Tool to identify structural budget issues so plans may be made to mitigate
  - Describe funding needs for strategic initiatives
- Planning Assumptions: Reallocation of 5% (*Must include all new costs net of new central revenue, including any state budget cut*)
  - FY15 – use projections from budget office
  - Future years, assume tuition revenue increase of 2%
  - Enrollment Changes – each college will determine
  - Salary Program at 2.0% Merit + 0.5% equity

# University Funding Priorities

## UI Supplemental Pension

3 Steps Proposed:

**Step A.** 2% across the board for all benefit eligible employees

**Step B.** Up to 2% match of EE's contribution to IRS maximum

**Step C.** Up to 6% of the amount above IL Pension law cap for SURS fixed contribution participants



# Timeline / Next Steps

- Feb/Apr Phase 1 and Phase 2 Budget Meetings  
Campus Budget Planning  
(Sources & Uses / Review Impacts to Units)
- Mar (26<sup>th</sup>) Governor's budget recommendations
- Apr/May Campus Funding Priorities Approved
- May/June Budget Bill is approved
- June/July Governor signs Budget Bill (has 30 days)
- June – Aug Allocation process / Salary program award decisions
- Sept BOT approves FY15 budget



## What are Financial Reserves?

- **Fiscally sound institutions maintain appropriate levels of reserves (cash balances) for:**
  - **Unanticipated or uninsured catastrophic events**
  - **Temporary revenue shortfalls or expenditure gaps**
  - **Unforeseen legal obligations and costs**
  - **Failures in central infrastructure**
  - **Failures of major business systems**



## What are Financial Reserves?

- Maintaining adequate cash reserves is essential to establishing a university's or college / unit's financial stability.
- A commonly used basis for determining an adequate level is the *Primary Reserve Ratio*
  - # of months the campus could operate if it brought in no additional revenue but maintained its expenses by using expendable reserves to pay its bills.
- Some universities have policies requiring **unrestricted operating reserves** of 25% of operating disbursements, or 3 months.
- The level of unpredictability imposed by the State of Illinois's fiscal crisis requires UIC to be as prepared to maintain critical academic and research operations.
  - Without cash on hand, the university would not have sufficient money to make its payroll and pay its vendors.
-



## Challenges & Issues

- How to address criticism for ‘hoarding funds’
- Setting expectations & criteria for how and when these funds should be used
- Cultivating a culture of long-term sustainability
- Determining the appropriate amount of reserves & rationale
- Cash fund balances are not intended to be used for permanent costs, such as salary increases.
- Committing one-time money for permanent, ongoing costs could create a serious structural budget deficit.



- At the end of FY 2013, UIC had \$516.8 million in cash balances:
  - Hospital & Healthcare system entities = \$173.8 million (33.6%).
  - Remaining \$343 million spread throughout the campus:
    - Cash has been accumulating at the college/department level over several years; a portion due to attrition and hiring delays
    - Rainy day mentality or safety net to protect programs against future state budget cuts and less indirect cost recovery
    - Some balances have already been expended during the first half of the current fiscal year or are held for FY 13 faculty salary increases (based on salary program %'s), startup costs & facility renovations
  - Of the remainder:
    - \$197 million (38%) is held by the Colleges of Medicine, Dentistry and Pharmacy.
    - \$124.6 million (24%) is held by Colleges with represented faculty
    - \$21.4 (4%) million is held by administrative units.



- **Scottish universities have 'record cash reserves', EIS union research suggests** (4 Feb 2014)
  - A Universities Scotland spokesman said reserves were "not cash" and could not "be easily used to fund pay".

<http://www.bbc.com/news/uk-scotland-26035516>