How Do We Measure our Current Financial Health?

• What is the current financial status of the campus?

• What are appropriate cash balances?

• How are we using our cash balances?
Unrestricted Funds

These are the flexible funds used for our day-to-day operations.

- How do we measure these funds?

- How much should we have?
Unrestricted Balance from Annual Financial Statement

• It has been widely reported that our unrestricted balances grew to more than $1 billion

• Unfortunately, this metric is not helpful in analyzing the current financial condition of our campus
Unrestricted Balance from Annual Financial Statement

in millions of dollars

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State/institutional Funds</td>
<td>256.5</td>
</tr>
<tr>
<td>Self-Supporting</td>
<td>297.3</td>
</tr>
<tr>
<td>Quasi-Endowment</td>
<td>79.6</td>
</tr>
<tr>
<td>Plant (facility funds)</td>
<td>411.6</td>
</tr>
<tr>
<td>Adjustments</td>
<td>(4.1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,040.9</strong></td>
</tr>
</tbody>
</table>

A system-wide total (UIC, UIS, UIUC & UA)—our share $351m.
### Unrestricted Balance from Annual Financial Statement

in millions of dollars

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</tr>
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</table>

These funds are actually restricted.
Unrestricted Balance from Annual Financial Statement

in millions of dollars

**Truly unrestricted, but understated**

<table>
<thead>
<tr>
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<th>Amount</th>
</tr>
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<tr>
<td>Plant (facility funds)</td>
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<td>Adjustments</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,040.9</strong></td>
</tr>
</tbody>
</table>
Urbana-Champaign Share of Unrestricted Balance
in millions of dollars

Here is how our share ($351m) is broken out:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State/institutional Funds</td>
<td>68.2</td>
</tr>
<tr>
<td>Self-Supporting</td>
<td>65.5</td>
</tr>
<tr>
<td>Quasi-Endowment</td>
<td>-</td>
</tr>
<tr>
<td>Plant (facility funds)</td>
<td>217.7</td>
</tr>
<tr>
<td>Adjustments</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 351.4</strong></td>
</tr>
</tbody>
</table>

Includes accounting adjustments: accrued vacation & SL, pay accruals and others.
*Not a useful number!*
What Should We Look At?

The simplest measures are the budgets and unspent balances of our day-to-day operating funds:

• The budgets for truly unrestricted funds (state, tuition & ICR)

• The sum of all of these accounts at the end of the year—how much do we carry forward from one year to the next year?
UIUC Budget by Fund

(000)

<table>
<thead>
<tr>
<th>Fund</th>
<th>FY03</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>$292,263</td>
<td>$242,784</td>
</tr>
<tr>
<td>Tuition</td>
<td>197,875</td>
<td>631,512</td>
</tr>
<tr>
<td>Institutional Funds</td>
<td>121,438</td>
<td>158,164</td>
</tr>
<tr>
<td>Grants, Contracts, &amp; Fed Appropriations</td>
<td>300,742</td>
<td>476,035</td>
</tr>
<tr>
<td>Gifts &amp; Endowment Income</td>
<td>81,637</td>
<td>116,586</td>
</tr>
<tr>
<td>Departmental Activities</td>
<td>83,302</td>
<td>127,581</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>136,887</td>
<td>211,941</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,214,144</td>
<td>$1,964,603</td>
</tr>
</tbody>
</table>

The first three funds are centrally allocated. Including other funds in analysis is misleading.
However, Even Unrestricted Funds Have Restrictions

• The vast majority of funds reside in colleges and departments
• College and dept. funds often reflect faculty lines. Needed to fund new hires.
• Significant portion are “owned” by individual faculty: startups, Humanities and Art Research Funds, faculty share of ICR
Appropriate Balances are Necessary

- Balances should be sized to risk we face
- They should be sized to allow unit flexibility—15% to 35% carryover targets
- They allow us to invest in our future
State of Campus Financial Situation
Continuing our Emphasis on Stability

• Action taken to avoid lurching from crisis-to-crisis
  – Multi-year planning process
  – Annual hiring plans
  – Multi-year utility purchases & budgeting
  – Encouragement to avoid long-term commitments, where possible
  – Retaining capacity to invest, even in unpredictable times
## FY12 Deficit Totals

<table>
<thead>
<tr>
<th>Amount</th>
<th>#</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;$1M</td>
<td>8</td>
<td>$80,870,347</td>
</tr>
<tr>
<td>$500K to $999K</td>
<td>6</td>
<td>4,119,482</td>
</tr>
<tr>
<td>$100K to $499K</td>
<td>23</td>
<td>6,082,281</td>
</tr>
<tr>
<td>&lt;$100K</td>
<td>76</td>
<td>2,468,742</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>113</strong></td>
<td><strong>$93,540,852</strong></td>
</tr>
</tbody>
</table>

A $122m improvement!
Major Financial Challenges

• State of Illinois
  – Cash flow issues
  – Pension shortfall
• Federal Funding
• Access and Affordability
• Maintaining & Improving Facilities
• Transforming UG Education
State of Illinois – General Revenue Fund
Estimated Accumulated Unpaid Vouchers and % of Appropriation

TOTAL ACCOUNTS PAYABLE at FISCAL YEAR END

FY 2012: Nearly $8.0 billion
(CGFA est.)

Dollars in Billions

$9
$8
$7
$6
$5
$4
$3
$2
$1
$0


Appropriations based on CGFA Budget Summaries.
UI Month End GRF Receivable & Percent of State Budget
Fiscal Year 2007 through Fiscal Year 2013
As of March 11, 2013

Dollars in Millions

Receivables as of June 30th for each of the following fiscal years were: 2009 ($125.9M), 2010 ($278.5M), 2011 ($312.7M), 2012 ($206.7M).
GRF Appropriations to the University of Illinois
FY 2002 – FY 2013
(Dollars in Millions)

- Total Enrollment FY 2002 over 67,000
- Total Enrollment FY 2012 over 77,600

In Constant FY 2012 Dollars (CPI)

FY 2009 – FY 2013 Do Not include the transfer of the State Scientific Surveys.
Payments on Behalf
FY 2002 – FY 2013
(Dollars in Millions)

Retirement $281M $307M $365M $372M $353M $420M $466M $511M $660M $708M $843M
Health Insurance Transfer $190M
Prior Underfunding
Approx. Full Normal Cost $1,046M

* Retirement based on estimated historical share of SURS funding and fringe benefits based on 5 year average increase.
2011 US Federal Outlays by Source

Total = $3.603 Trillion

2011 US Federal Outlays by Function

Total = $3.603 Trillion

Social Security, Medicare, & Income Security 50.3%
Defense 19.6%
Health, Education, & Veterans Affairs 16.7%
Interest 6.4%
Other 7.0%

$1.8T $706B $601B 230B 253B

State, Tuition and Institutional Funds
in millions of dollars with projections for FY14 through FY18
We will face diminishing capacity to fund normal cost increases and new initiatives.
How are we using our cash?
Improving our Financial Position

• Resolving long-term financial challenges
  – Eliminating deficits
  – Improving unit financial positions

• Funding start-up costs

• Paying off long-term debt

• Investing in development activities

These steps will leave us less vulnerable to future funding challenges
Improving our Facilities

- $70m classroom improvement initiative will modernize 110 classrooms across campus
- $64m Lincoln Hall now complete
- New Electrical Engineering facility underway
- $70m renovation of Natural History Building underway shortly
Protecting the Student Experience

• Protecting access—redirecting cost savings to financial aid. $20m over two years

• Transforming UG education
  – Small class initiative
  – Expansion of classroom tech
  – Established the Office of UG Research
  – Funding innovation
All of public higher education is entering uncharted territory.

However, our efforts in recent years will provide support for Illinois as we move forward.