

UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN SENATE

Committee on the Budget
(Final; Information)

BG.12.01 2011-2012 Annual Report

At the first meeting of the semester, the Senate Budget Committee discussed possible tasks we might accomplish in an effort to better educate the campus academic senate about budget matters. In the end, a decision was made to draft and answer a list of frequently asked questions that could be used to quickly educate new senators (as well as the general academic staff) about the campus and university budget processes. The majority of the rest of the year was spent reviewing the list of possible questions, focusing and refining the list of questions, and researching and developing the answers to the selected questions. In the end, thirteen questions were selected and answered. The budget FAQ ends with a list of web-accessible resources that the committee found useful in understanding the campus and university budget process.

The final FAQ was submitted to the senate leadership for dissemination to the senate, and is appended to this report. It is our hope that the budget FAQ will prove helpful to future senators, and we expect that this project will be maintained and extended by future budget committees.

Respectfully submitted,
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University of Illinois Budget Frequently Asked Questions

1. What resources are available to understand the University and campus budgets?

The primary source for current and past budget information is the orange book, which presents the University of Illinois budget for operations. The orange book for the current year (and past years) is available at the [OBFS web site](#). This book provides information for the entire university system, and specifically includes a section for the Urbana campus. The revenue and expenditures are first presented at an overview level in Schedule A. The budgeted expenditures are then broken down by source in Schedule B and by function in Schedule C. Finally, in Schedule D the budgeted expenditures are detailed by organization. In addition to providing the same information for the Chicago and Springfield campuses, the orange book also includes this information for University Programs and University Administration. In addition, the orange book also includes a list of critical dates for the construction of the University budget in Appendix A and concludes with a glossary of terms.

On the other hand, information about proposed budgets are presented in the Budget Request for Operating and Capital Funds document, which can be accessed from the website for the [University Office for Planning and Budgeting](#). This document outlines the University's budget plans going forward. Additional information on the University budget is available at the [University of Illinois Budget site](#), specifically near the bottom of the main page.

On the campus level, specific guidance about the campus budget is available in Provost Communication #1: [Budgetary Principles and Practice](#). This document is a must read, and answers many budget related questions, including several within this document.

Finally, the campus division of management information collects and publishes a wealth of information on the number and types of employees, broken down by job categories and units. This is known as the campus profile and is publicly available at their [website](#). This unit also collects and publishes information that is restricted in nature, some of which is accessible by UIUC employees. Given the wealth of data available at this site, newcomers can be overwhelmed by all of the details. Fortunately the website has help functions to guide users through the data and the website also includes [presentations](#) produced and delivered in the past by the DMI team. The DMI staff are also an excellent resource and can be relied on to help understand the data in greater detail.

2. How can faculty or staff give suggestions for the budget process?

There are a number of ways in which faculty and staff can provide input and become involved in the budget process. At the campus level, there is the Senate Budget Committee (SBC). The SBC studies the University and campus budgets, the criteria used to determine allocation of resources on our campus, and the educational policy implications of budgetary decision-making. The Committee also makes

recommendations on proposed budgetary increases and other related matters. The committee consists of five faculty members, one academic professional member, two student members, and the Provost or the Provost's designee (*ex officio*). SBC members who are faculty and academic professionals are elected for two-year terms, with about half being elected each year. Student and other members are elected for one-year terms. The Senate's Committee on Committees nominates individuals to serve on SBC. Nominees do not necessarily need to be Senators. However, nominees do need to be approved by the Senate. The [annual reports of the senate committees are published](#), including those for the Senate Budget Committee.

There is also the Campus Budget Oversight Committee (CBOC), whose role is outlined in Section III.A of [Provost Communication No. 1: Budgeting Principles and Practices](#). The CBOC assists the Provost in reviewing the budgets of the academic units. The CBOC is comprised of up to 15 members. Twelve members are drawn from six general disciplinary areas with two members selected from each area. In addition, one member is selected to serve from the Senate Budget Committee (SBC). The other two members are appointed from campus administration. The six disciplinary areas include: 1. basic and applied life sciences; 2. behavioral and social sciences; 3. engineering; 4. humanities and creative arts; 5. physical and mathematical sciences; 6. professional programs and the University library. For the disciplinary areas, nominations are made by the deans. The Provost's Office reviews the nominations with the Chair of the Senate Executive Committee (SEC). In the end, new committee members are appointed by the Provost. During the selection process, every effort is made to ensure that members represent the gender, racial and ethnic diversity of the faculty body as a whole. CBOC members serve three-year terms, and membership can be extended for up to three years beyond the initial appointment.

In addition to SBC and CBOC, there are other ways in which faculty and staff can provide input into the budget process at the campus level. For example, individuals serving on the Campus Research Board have an opportunity to provide direct input into how research funds are allocated on campus. Similar opportunities exist for individuals to contribute to the budget process by becoming active participants on campus advisory boards, committees, programs, and other initiatives. The key is to get involved!

At the college level, there are the College Executive Committees, which are comprised of the unit director and elected or appointed members from various departments within the unit. One of the key duties of an Executive Committee is to advise the unit director, typically the dean, on budgetary matters. How can faculty and staff become more involved at the local level within their individual units and departments? The budget process varies considerably across units and departments. For this reason, faculty and staff are encouraged to contact their unit directors for more information. Individuals may also want to contact their Business Managers, as they are actively involved in each unit's budget planning process. The [Business Managers' Group \(BMG\)](#) is a special interest group for business professionals on campus. BMG meets monthly to discuss

and exchange ideas related to efficient and effective business policy and procedures at the University. This includes issues directly related to the budget.

3. How is the campus budget developed?

This is a hard question as the overall budget process can be lengthy and involve considerable deliberation at multiple levels. However, the following text from Section 1.A Allocation Procedures for State Funds and Tuition Revenue in Provost Communication #1: [Budgetary Principles and Practice](#) provides a concise overview:

“A campus budget is far more than a set of formulas and decisions that result in the assignment of funds to units. An institution’s budget is one embodiment of its values. The budget is the means by which an institution furthers its academic mission. It reflects the campus’s balance between central control and unit initiative. In an era of high costs and limited resources, the budget process is the mechanism for a campus to focus resources and to make difficult decisions.

For the Urbana-Champaign campus, the budget process is an ongoing effort, led by the Chancellor and Provost. It starts with the campus strategic plan and detailed, multi-year analysis of revenues and costs. Through conversations with campus and system leadership, deans, faculty advisory groups and others, the campus plan develops and takes form towards the end of the calendar year. Using guidelines developed in this process, colleges develop their budget plans. In spring, the Provost leads a group of faculty and administrators in the annual review of each college. A separate group, representing the interests of colleges, reviews the budget of administrative units. The efforts of these groups results in guidance to the campus and allocations to individual units, which are then made in late spring or early summer.

A significant portion of our budget is activity based—that is, a college receives funds as a result of instruction (tuition) and externally funded research (ICR or the overheads recovered from grants and contracts). In 1998, Illinois adopted a Responsibility Center Management (RCM) approach to budgeting. In its purest form, RCM budgeting assigns all revenue to the academic units generating tuition and research funding. Overhead costs, such as campus administration, computing services and facilities are paid for through use-based assessments on the revenue generating academic units. Over the years, our budgeting procedures have softened the initial RCM practices. Our most recent modifications are intended to provide greater clarity and a more appropriate level of financial feedback to units.”

4. How far in advance is a budget developed?

The simple answer is that the development of the University budget is an ongoing effort to allocate its limited resources based on campus needs and priorities. The more complex answer is that it starts with long-term strategic planning that takes place years in advance. This planning results in detailed, multi-year analysis of revenues and costs. Based on this analysis, the campus works on a rolling 5-year planning cycle that takes into consideration campus' actual and anticipated resources. The campus also has an annual budget process. At the end of each calendar year, the Chancellor and Provost seek input from campus and system leadership, deans, faculty advisory groups and others to develop a campus plan for the coming year. Using guidelines developed during this process, colleges and administrative units are then asked to develop budget plans, which include hiring needs for the coming year. Then, at the beginning of the

calendar year, the Provost works with a group of faculty and administrators to conduct an annual budget review of each college. Administrative units are also reviewed, but by a separate group which represents the interests of the various colleges. These reviews determine the overall campus budget and the allocations made to individual units. The allocations are made in late spring or early summer. Modifications to annual and long-run budgets are made on a continual basis, usually in response to new information and developments related to state budget allocations.

5. What are different revenue sources?

As outlined in the Table in Section 1.A in Provost Communication #1: [Budgetary Principles and Practice](#) there are three main revenue sources at the campus level: State Appropriations, Tuition Revenue, Institutional Funds, Gift Income, Grants and Contracts, Departmental Activities, and Auxiliary Operations. All of these are broken down in the aforementioned table. Several of these are fairly self explanatory, such as State Appropriations, Tuition Revenue, Gift Income, and Grants and Contracts. Of the others, Institutional Funds includes ICR, Tuition Remission, Royalties from intellectual property created by members of the University community, and allowances, which primarily result from overheads paid by auxiliary units or charges paid for the management of certain programs. Department Activities include funds from the sales and services of a unit. Finally, Auxiliary Operations includes funds generated by units such as housing or the Illini Union.

6. What proportion of the overall university and campus budgets are devoted to faculty salaries and instructional expenses?

The budgets expenditures for the Urbana campus (as well as the Chicago and Springfield campuses) are broken down by function in Schedule C of the Orange Book (note that the orange book is divided into separate sections for each campus). For FY12, the instructional expenditures are indicated as a function of organization in Schedule C on page 10 of the Orange Book. In order to break this down further, you will need to use data available in the campus profile as published by DMI.

7. How does the capital budget process work?

The [Budget Request and Capital Budget](#) contains a section detailing the capital budget request for the entire university, broken down by campus. Each campus prioritizes capital requests and the university integrates the three campus' requests into a single university request to the general assembly. On the Urbana campus, Facilities and Services works with college representatives and the Office of the Provost to develop a capital priority list.

8. How do Instructional Units (IU's) impact a College or Departmental budget?

Colleges (not Departments) receive funding based on the *change* in IUs and the *change* in number of majors. This year, the value of an IU is \$85 and the value of a major is \$2500 (Provost Communication No. 1):

“\$2,500 per change in number of majors is assigned to college of enrollment. For FY12, \$85 per change in number of instructional units is assigned to the college paying the course instructor as recorded in the DMI Course Information System. Rate will increase to \$90 per incremental IU in FY13 and \$110 per incremental IU in FY14.”

For summer semesters, however, the college offering the course receives 95% of the base tuition.

9. How does the budget for auxiliary units work i.e. parking, athletics, etc?

Auxiliary units such as parking and athletics are not subsidized and must generate sufficient revenue to meet planned expenses. For the Urbana campus this currently consists of \$205 million or 11% of the campus budget. Campus does charge these units for administrative support. See the last row in the Table on page 3 of Provost Communication #1: [Budgetary Principles and Practice](#) for more information.

10. How are student fee's allocated to various units?

Information about student fees can be found from the office of the Vice-Chancellor for Student Affairs. Specifically, at [the Student Fee Webpage](#). Many of the fees charged to students are self-explanatory. The services and general fee, however, have names that are more ambiguous. From this web page, the current charge for the general fee is \$259/semester while the service fee is \$275/semester. These fees essentially cover student services not directly related to instruction including the Assembly Hall, the campus recreation facilities, the counseling center, the Illini Union, and several other facilities. Of these two fees, the service fee is used for operating costs for these auxiliary units and the general fee is used for capital costs, which includes charges like debt service for the initial construction and repair and replacement charges.

11. How does differential tuition distribution model work?

Colleges get the differential tuition, minus a 15% tax for need-based aid, and minus a 2% contingency reserve (Provost Communication No. 1):

“The only campus deduction to incremental revenue is to fund need-based financial aid (approximately 15% of incremental tuition revenue). Projected revenue (less a 2% contingency reserve) is assigned to each college in the budget process. In the end of the spring semester, that allocation is reconciled against actual income and adjustments are made as necessary.”

12. What is the distribution model for ICR?

The current distribution model for ICR is outlined in Section II.P of Provost Communication #1: [Budgetary Principles and Practice](#). The current model, unless a different distribution formula has been approved for a given unit is that 25% of the funds are returned to the unit, 5% is returned to the College, and 70% is held by the campus. The ICR and tuition remission policies are reviewed annually.

13. Where do campus ICR funds go?

Institutional Cost Recover or ICR funds are intended to cover facility costs (maintenance, utilities, depreciation and the library) and unit, campus and system level

administration (grants management, accounting, purchasing and other overhead units). The campus distributes ICR funds to ensure the support of units and activities that are a part of the ICR overhead analysis.

The orange Book provides a breakdown of expenditures by source of funds in Schedule D. This Schedule is actually down to the level of a department and is quite detailed. ICR funds are contained within the Institutional Funds column of this Schedule, along with columns for State & Tuition, Self-Supporting, and Gifts, Grants, & Contract along with an indication of the change between the current and previous fiscal years. For example, the breakdown of expenditures by source for the College of Liberal Arts & Sciences is contained on pages 19-20, while the breakdown for campus facilities is provided on page 42. Overall this schedule runs from page 11 to page 46.

Online University of Illinois Budget Related Information

University of Illinois Budget Site:

<http://www.uillinois.edu/our/news/budget/budgetupdate.cfm>

University of Illinois Budget Book

<http://www.pb.uillinois.edu/dr/budgetbook.cfm>

University of Illinois Budget Summary for Operations (Orange Book)

<http://www.obfs.uillinois.edu/about-obfs/budget-summary-operations/>

Provost Communication #1: Budgetary Principles and Practice:

<http://www.provost.illinois.edu/communication/01/index.html>

University of Illinois at Urbana-Champaign , Division of Management Information

<http://www.dmi.illinois.edu/>

The Senate at the University of Illinois, Urbana-Champaign Committee Reports:

http://www.senate.illinois.edu/cmt_e_biz_nonjs.asp

University of Illinois Business Managers Groups:

<http://www.obfs.uillinois.edu/bmg>

Vice Chancellor for Student Affairs, Student Fee Webpage:

<http://studentaffairs.illinois.edu/students411/studentfees.html>