

# What HR Professionals Need to Know About Budgets at UIC



**UIC** UNIVERSITY OF ILLINOIS  
AT CHICAGO

**HR Academy**

November 7, 2014

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Budget & Resource Planning

# Agenda

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- **Fund Accounting Overview**
- **State of Illinois Budget**
- **UIC Budget Model & Budget Process**
- **Student Success Initiative**

# Fund Accounting Primer

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Universities practice *fund accounting* in accordance with ***Governmental Accounting Standards Board (GASB)*** pronouncements / statements:

<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>

## **GASB**

- is the source of generally accepted accounting principles (GAAP) used by U.S. governments & public higher education.

# Fund Accounting Primer

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- **A fund is a fiscal entity with a self-balancing set of accounts**
  - Segregated / categorized for specific purposes
  - Helps to demonstrate or ensure compliance with legal or administrative requirements
  - Promotes consistency, accountability & comparability

# Fund Accounting Primer

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- **Funds are restricted or unrestricted**
  - *Restricted* - externally imposed use stipulations
    - *Sponsored Projects* – sponsor imposed (federal, state, local, private)
    - *Gift funds* - donor imposed
  - *Unrestricted* – no external stipulations, but the University may designate funds for specific purposes
- **The University of Illinois has fund accounting limitations prescribed in the Legislative Audit Guidelines for Higher Education:**

<http://www.ilga.gov/commission/lac/universityguidelines.pdf>

# UIC Fund Types

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- **State (1)**                      **Appropriations & Income Fund**  
*(Income fund = Tuition & certain fees)*
- **Institutional (2)**            **Indirect Cost Recovery (F&A)**  
**Administrative Allowances**  
**Royalties**
- **Self Support (3)**            **Chargeback, Recharge Centers**  
**Auxiliary Enterprises**  
**Sales & Services**  
**Student Fees**

# UIC Fund Types

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- **Grants & Contracts**      **Sponsored Projects & Grants**  
**4 = Federal**  
**5 = State, Local & Private**
  
- **Service Plans (6)**      **Medical, Dental, Nursing**
- **Gifts (6)**      **Distribution from Endowments**  
**Current fund gifts provided for operations**  
*Donor-stipulated use can be restricted or unrestricted, but fund group is restricted*
  
- **Agency**      **Student groups**
- **Plant**      **Non-operating / capitalized expenditures & construction**  
*Do not need to be closed at the end of each fiscal year; inception to project closure.*

# Budget Transfers

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- A budget transfer is a movement of revenue from one CFOAP to another
- Transfers within the same fund type (intra-fund) are coordinated through the OBFS Budget Office
  - Not all will be approved, e.g. if there are stipulations on a revenue source or other reasons
- Generally not allowed between Funds
  - Move expenses not revenues
- Transfers to Plant funds require identification of a specific project appropriate to the funding source
  - Coordinated through Budget & Program Analysis



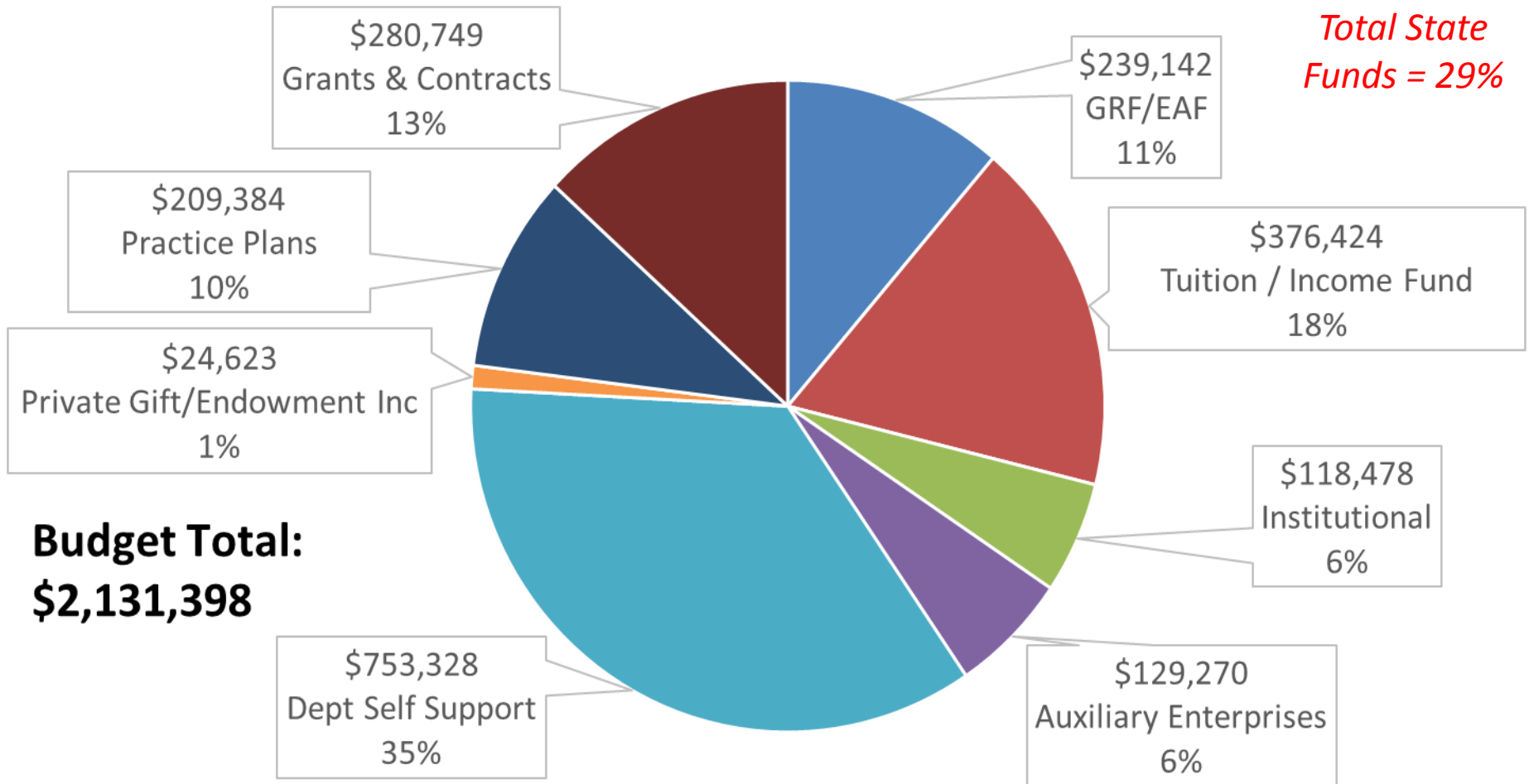
# Principles to Remember

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- Review your department's financial status monthly
  - *Address unusual or wrong transactions immediately*
- Avoid deficits and clear as soon as one is detected
  - *Do not wait until asked or at fiscal year end*
- Expenses must relate to the appropriate C-FOAP
  - *All salary expenses should be allocated to the appropriate C-FOAP based on the person's effort*
  - *Allocate salaries to grants as soon as the grants are received*
- Self-supporting billing rates should be cost based and charged consistently
  - *If subsidized, the subsidy should be consistently applied to all 'customers'*
- Units that generate revenue must regularly bill and collect for goods/services
  - *Follow best practices for cash-handling*

Dollars in  
\$1000's

# Overview of UIC FY 2015 Budget



# UIC State Budget Overview

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- From FY 2008 to FY 2015, UIC's direct state appropriation has been reduced by over 30%
- FY 2015 State budget was approved with a structural deficit
  - Spending plan offsets tax revenue hole with one-time measures

# State of Illinois Budget Overview

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- **Between FY2009 and 2013, Illinois's total expenditures increased by ~\$17.1B from \$49.3 to \$66.4 billion (+25.6%)**
  - **Outpaced the rate of inflation during the same period (Cumulative CPI = 9.06%)**
- **The State of Illinois pays for most of the employer-paid benefit & pension costs**
  - **Amount has steadily increased**
  - **Over 3.5 times during the past 14 years**

# Total State of Illinois Support to UIC

In \$ x \$1,000

*These costs are typically borne directly by the Institution*

Fiscal Year	Direct GRF/EAF	% of Total	Fringe Benefits	% of Total	Pensions	% of Total	Total
2000	\$314,273	75%	\$ 62,568	15%	\$ 44,547	11%	\$ 421,388
2001	\$332,292	74%	\$ 72,613	16%	\$ 44,327	10%	\$ 449,232
2002	\$343,702	74%	\$ 73,527	16%	\$ 46,364	10%	\$ 463,594
2003	\$310,371	70%	\$ 79,099	18%	\$ 52,826	12%	\$ 442,295
2004	\$284,186	64%	\$ 98,411	22%	\$ 60,908	14%	\$ 443,504
2005	\$280,978	64%	\$ 107,406	24%	\$ 52,690	12%	\$ 441,074
2006	\$276,172	64%	\$ 119,724	28%	\$ 32,766	8%	\$ 428,663
2007	\$279,633	62%	\$ 124,347	27%	\$ 49,976	11%	\$ 453,956
2008	\$283,123	58%	\$ 137,181	28%	\$ 66,845	14%	\$ 487,149
2009	\$287,312	55%	\$ 144,395	27%	\$ 93,941	18%	\$ 525,647
2010	\$288,103	48%	\$ 170,440	28%	\$ 143,199	24%	\$ 601,743
2011	\$265,994	43%	\$ 184,901	30%	\$ 162,034	26%	\$ 612,929
2012	\$260,737	38%	\$ 213,396	31%	\$ 204,334	30%	\$ 678,466
2013	\$241,508	30%	\$ 254,555	32%	\$ 296,935	37%	\$ 792,998
2014	\$240,210	29%	\$ 282,047	34%	\$ 319,500	38%	\$ 841,757
<b>14 Yr Chg</b>	\$ (74,063)		\$ 219,479		\$ 274,953		\$ 420,369
Total % Chg	-23.6%		350.8%		617.2%		99.8%
Avg Ann. Chg	-1.90%		11.36%		15.11%		5.07%

# State of Illinois Budget Outlook

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- **Change in Governor & State Legislature**
  - January income tax sunset (affects over 50% of state revenue sources)
- **Pension Ruling**
  - **Even if courts reject the revised pension rules, it is unlikely the state can fund the current plan**
  - **Shift pension costs to Universities?**
    - How quickly, what percentage & how will this impact our operating budgets?

# UIC Budget Decision Principles

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- **Ensure fiscal integrity**
- **Ensure good decision making**
- **Maximize financial, physical and human resources**
- **Balance priorities**
- **Enhance quality**

# Responsibility Centered Management Budgeting

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- **Financial management philosophy that focuses on operational decentralization**
- **Supports achievement of primary academic priorities**
- **Aligns authority with responsibility**
- **Over the last 15 years use of RCM budgeting has grown**
  - 21% of all public doctoral institutions report that they use the RCM model in 2011



# RCM AT UIC

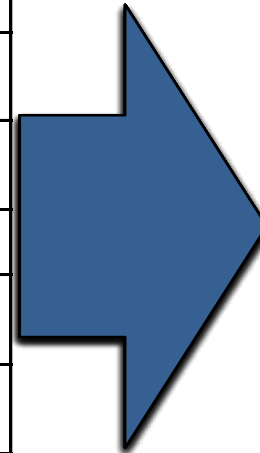
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## UIC uses a modified RCM model

- Tuition & ICR revenues are shared with Colleges
  - *Subject to administrative tax aka “hold-back”*
- Colleges do not bear the fully-allocated costs of all central services
  - *State appropriations were not reset/reallocated when we started the model*
- Annual reallocation funds strategic priorities
  - *Salary program percentages are set centrally; administrative units receive funding through reallocation, colleges fund their own costs.*

# Budget Planning Parameters FY 2003 – FY 2015

Fiscal Year	GRF Change	Base Tuition	Salary Program		Reallocation
			Merit	Equity	
● 2003	-10.35%	21.8% UG 20.0% Grad	0%	0%	Admin -10.9% Hospital -7.1% Colleges varied
2004	-11.13%	5.0%	1.5%	1.0%	-11.13%
2005	0%	16.0% UG 8.0% Grad	2.5%	unspecified	-1.3%
2006	0%	9.0% UG 7.0% Grad	2.5%	0.5%	-3.1%
2007	+1.4%	9.5% UG 9.0% Grad	2.5%	0.5%	-1.0%
2008	+1.9%	9.5%	2.5%	0.5%	-1.5%
2009	+1.3%	9.5%	1.5%	0.5%	Colleges -3.0% Admin -2.5%
2010	0%	2.6% UG 4.0% Grad	0%	0%	-0.75%
2011	-6.2%	9.5%	0%	0%	-5.6%
2012	-1.15%	6.9%	3.0%	0%	-4.7%
2013	-6.17%	4.8%	2.0%	0.5%	-7%
2014	0.00%	1.7%	2.75%	0.5%	-1%
2015	-0.20%	1.7%	2.50%	1.0%	-2.5%



# Reallocation of 2.5%

## SOURCES

State Appropriation	<\$493,200>
Net Tuition	<\$1,074,000>
<u>Reallocation</u>	<u>\$12,445,322</u>
<b>Total Sources</b>	<b>\$10,878,122</b>

## USES

UA Salary Program	\$ 965,400
Medicare, Liability Ins, WC	\$ 522,200
UIC Salary Program / Fac Promotions	\$ 2,594,614
Hold Harmless Units	\$ 1,895,908
Utility Costs	\$ 1,000,000
<u>Strategic Priorities</u>	<u>\$ 3,900,000</u>
<b>Total Uses</b>	<b>\$ 10,878,122</b>

Strategic Priorities include 20% of total Development Roadmap funding, financial aid revenue source adjustment, Hull House support, IT network improvements, Clinical Trials Office, TA Instructional program, Career Services, new Dean offers

# Tuition Revenue Sharing

**UNDERGRADUATE  
TUITION REVENUE**



**75% TO COLLEGES**

**25% TO CENTRAL COSTS,  
NRG UNITS, FIN AID &  
REALLOCATION**



**60% BY CREDIT  
HOURS**

**15% BY  
HEADCOUNT**

**UNDERGRADUATE  
DIFFERENTIAL**



**75% TO COLLEGES**

**25% TO CENTRAL COSTS**

**GRADUATE  
TUITION REVENUE**



**75% TO COLLEGES BY  
HEADCOUNT**

**25% TO CENTRAL COSTS**

**GRADUATE  
DIFFERENTIAL**



**85% TO COLLEGES**

**15% TO CENTRAL COSTS**

**PROFESSIONAL  
TUITION REVENUE**



**85% TO COLLEGES BY  
HEADCOUNT**

**15% TO CENTRAL COSTS**

# Undergraduate Tuition Revenue Sharing

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- **Summer Session revenue and Non-resident tuition premiums are taken off the top**
- **Computation of the base Undergraduate Tuition per Credit hour and headcount values**
  - Net of revenue 'unpaid' due to mandatory & discretionary tuition waivers
  - FY15      \$191.50 / credit hour and \$1,332 / headcount
  - Projected revenue distribution is based on a 3 Year rolling average of credit hour and headcount
  - Reconciliation of budget to actual at the end of the fiscal year

# Undergraduate Non-Resident Tuition Premiums

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## Non Resident Students Admitted prior to FY 2014

- Premium Sharing - \$8,000 per enrolled student

## Non Resident Students Admitted in FY 2015 (Chicago Grant Recipients)

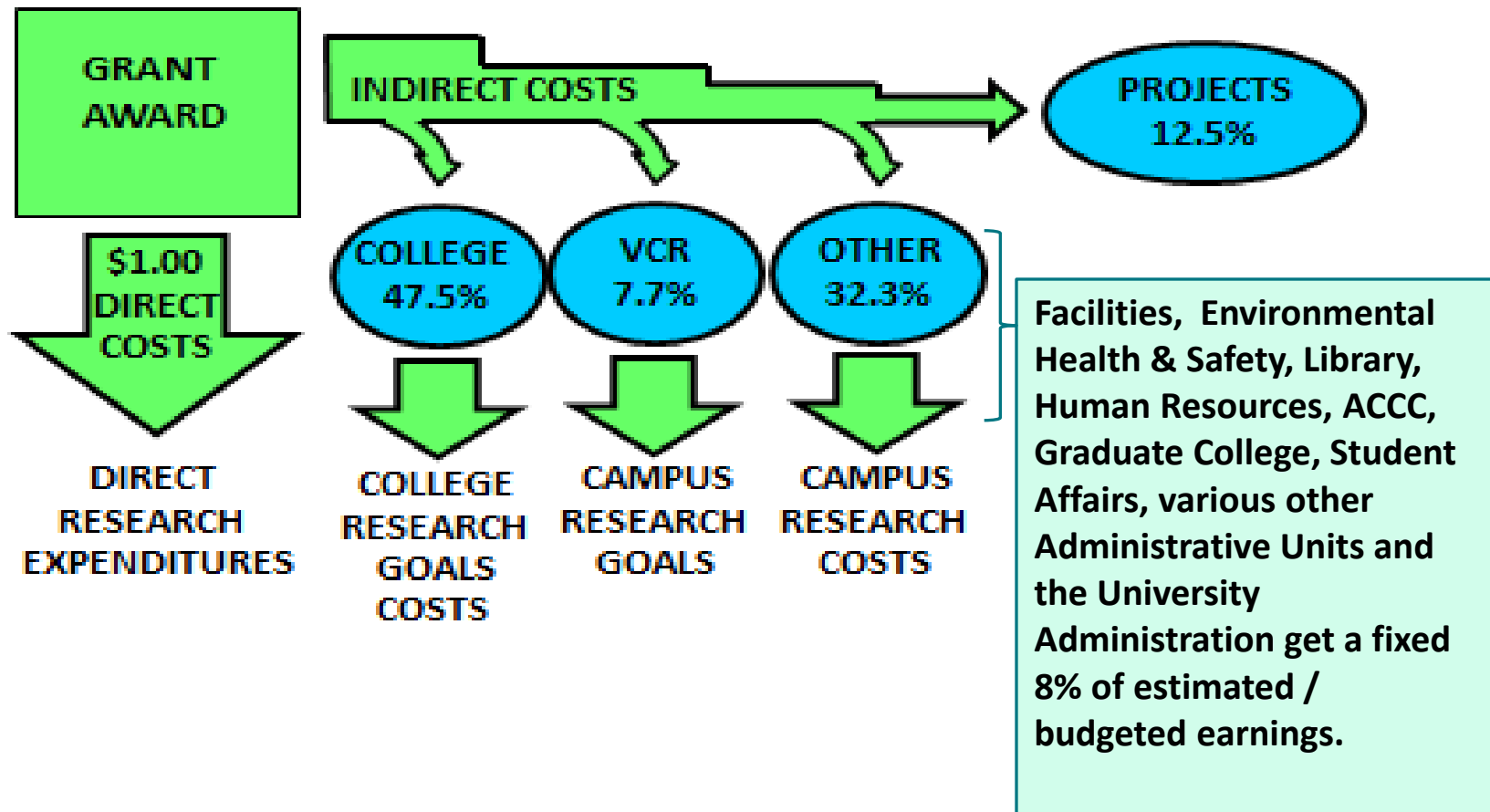
- Premium Sharing - \$4,050 per enrolled student

## FY 15 Enrollment Projections

- Chicago Grant            155 *First time non-resident UIC students*
  - Non Resident            206 *Prior enrolled non-resident UIC students*
  - International            318
- 679 (+69, 11% over projected)**

# Indirect Cost Recovery Revenue Sharing

## Funds flow diagram: ICR



# Towards a Sustainable Budget Model

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## Future & Ongoing Initiatives

- FY 2016 Budget Planning: 3 Year Budget templates & revised parameters
- Review of Fund Balances & Usage, including furlough (returned dollars)
- RCM Model Evaluation & Funds Flow; opportunities for GRF Reallocation & efficacy of the Space Economy
- Central Reserves Analysis
- Administrative Cost Savings Opportunities
- Enhancement of Summer Session
- Increase numbers of international & non-resident students  
– Chicago Grant impacts



# UIC Calendar for FY16 Budget Development

January	State Legislature convenes; budget bill is introduced towards the end of the month. Board of Trustees approve tuition & fee rates. 3 Year Budget template & related instructions sent to VC's/Deans.
February - April	UIC Budget Meetings with VC's/Deans
February	Governor's Budget released on 3 <sup>rd</sup> Wednesday of the month
February - May	Legislative review of the governor's budget; House & Senate appropriation committee hearings
April - June	Sources & Uses recommendation based on expected changes in UIC's revenue & new costs; UI President announces salary program.
End of May	Legislative approval of the budget. Constitution requires a simple majority vote of the General Assembly for a bill passed on or before May 31 to take effect immediately. On or after June 1, a 3/5ths super majority (General Assembly) vote is required for a bill to take effect for the upcoming fiscal year.
June – July	The Governor must sign appropriations bills & has line-item veto authority. Budget must be balanced by law. <i>The General Assembly may return an item to the enacted level by simple majority vote in both chambers in the case of a reduction veto &amp; by 3/5ths super majority vote for line item vetoes.</i>

# UIC Calendar for FY16 Budget Development

July	Allocations sent to VC's/Deans with Budget & Salary Guidelines and Budget Principles letter <a href="http://tigger.uic.edu/depts/oaa/bpa/budget/fy15budget.html">http://tigger.uic.edu/depts/oaa/bpa/budget/fy15budget.html</a> Budgeting & Program Analysis (BPA) works with Units to project Institutional fund budgets.
June - July	Units complete update of Budget Development worksheets to reflect FY16 approved budget: Salary Planner files available for entry. <a href="https://www.obfs.uillinois.edu/UserFiles/Servers/Server_77092/Media/Training-Center/Lectora/fnbd102/index.htm">https://www.obfs.uillinois.edu/UserFiles/Servers/Server_77092/Media/Training-Center/Lectora/fnbd102/index.htm</a>
September	Board of Trustees approve the University's Operating budget: <a href="https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=99447">https://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=99447</a>
October	Provost/Chancellor send out Budget letters to each unit/college.
November	Tuition and fee proposal due to University Administration