



ILLINOIS

MAXIMIZING MISSION

CONVERSATION WITH iCAP Working Group

Goals

Budget Situation

Budget Model Impact on Utilities

Strategic Investments

Address Questions





History and Financial Conditions

Three Black Swan events in 12 years



2008-2010

Great Recession

Leadership Transitions

State Budget Shortfalls

Stewarding Excellence Initiatives

Furloughs – Layoffs

Voluntary Retirement Programs



2015-2017

State of Illinois Budget Impasse

\$189 Million Shortfall

Budget reductions /

Cash rescissions

Budget Model Changes



2020-202X

Pandemic

\$241 Million +

Budget reductions /

Cash rescissions

Voluntary Retirement

Budget reductions /

Cash rescissions

Accelerate Operational Excellence

\$189 Million FY16 Shortfall

Exceeded

- Operating budgets of even our largest colleges
(LAS: \$163 million, Grainger Engineering: \$151 million)
- Annual income from gifts and endowments
(**\$169 million**)
- 2 x Financial Aid investments
(**\$75 million in FY16 x 2**)
- 2 x Cost of Campus Instructional Facility
(**\$80 million x 2**)
- 20% of estimated deferred maintenance in FY16
(**\$800 Million**)



Impacts of the budget impasse

- Reduced investments in deferred maintenance.
- Faculty and staff losses and negative impact on campus morale.
- Reduced cash available for startup packages for new faculty.
- Uncertainties and perceptions about state support of higher education impacted our ability to recruit faculty and students.
- Stalled strategic investments.



The Gap

COVID-19 Financial Impact

\$ 246.5 Million

**Fee Adjustments &
Refunds - Spring
\$ 36.8 Million**

- Housing
- Food Service
- Student Service Fees
- Parking fees
- 4H camps

**Additional Costs
\$ 88.9 Million**

- Hardware for students & staff
- Software for online delivery
- COVID-19 research costs
- Support for summer graduate fellowships
- Summer online teaching academy
- COVID-19 testing
- Student & Staff PPE
- Sanitizer, wipes, HVAC, office renovations

**Lost Revenue
\$ 120.8 Million**

- Summer, fall, winter, spring tuition & fees
- Housing, dining, & concessions
- Camps & conferences
- Parking
- Athletics
- Facility rentals
- Clinical revenues

Primary Vulnerabilities

Reduce Reliance on State of Illinois

\$240 Million State Appropriation

\$280 Million pension, health, life and dental payments made by the state on our behalf

\$46 Million MAP financial aid for UIUC students



Financial Planning Challenges

Depth and Breadth of Impacts

Critical Components –Single Year vs. Recurring

- Reopening costs and lost revenue
- Uncertain time horizon for snap back
- What will be the “new normal” or steady state?

Fiscal challenges of families

Fiscal challenges of Fed and State

International demand

Impacts of online delivery

Recession impacts on program demands



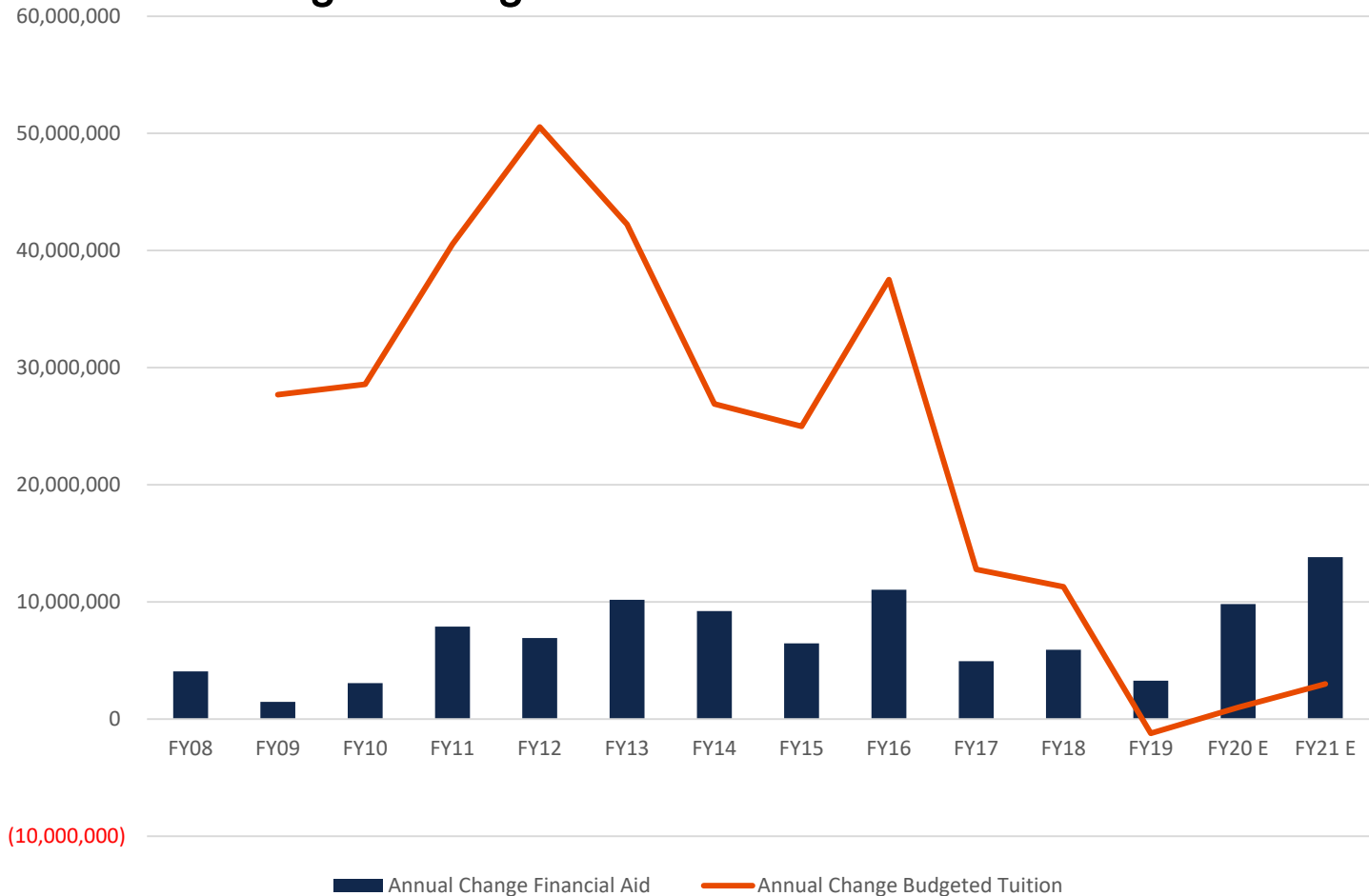
One time
Impact



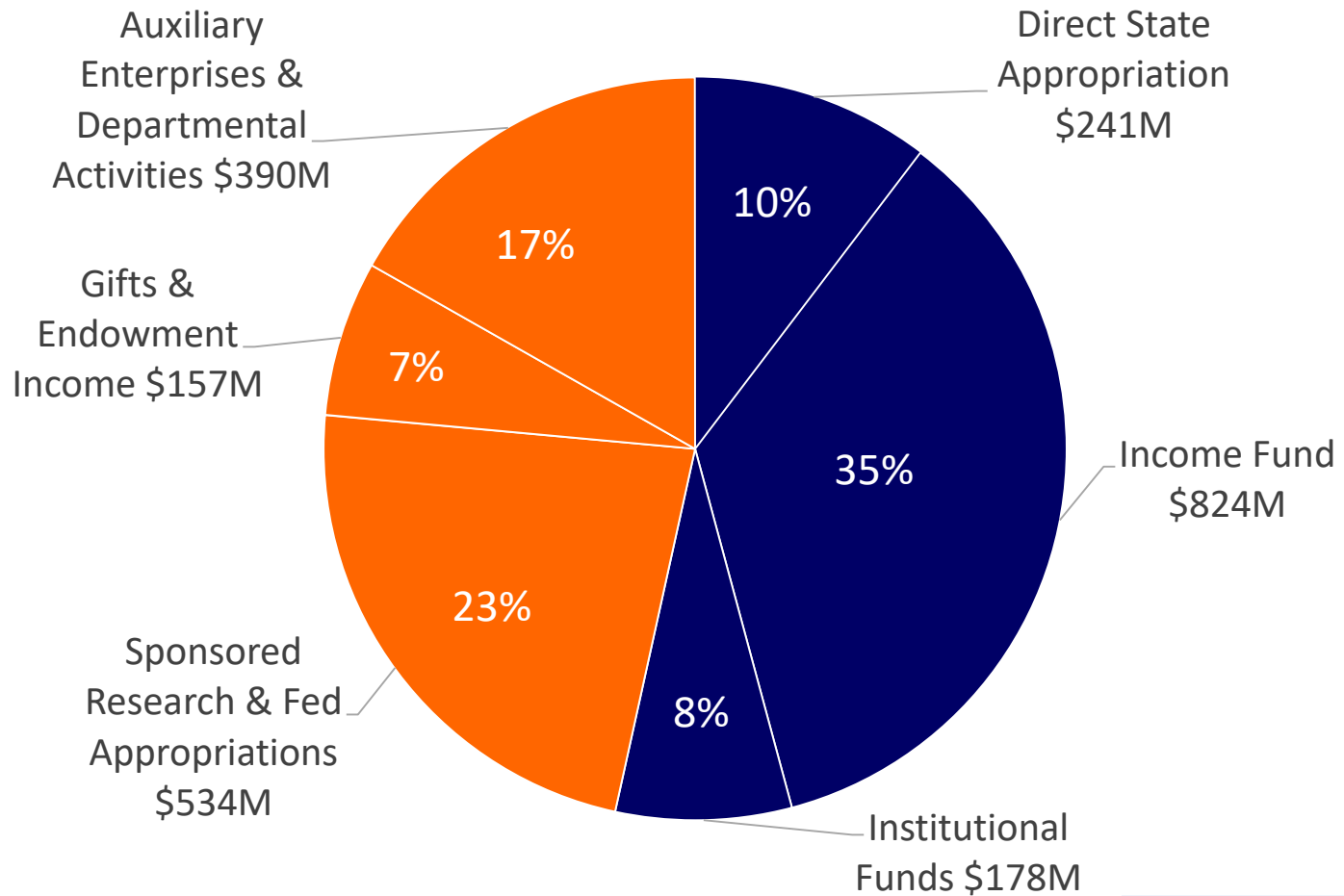
Recurring
Impacts

Steadfast Commitment to Accessibility

Incremental Change Undergraduate Tuition vs. Financial Aid



FY21 Budget Sources



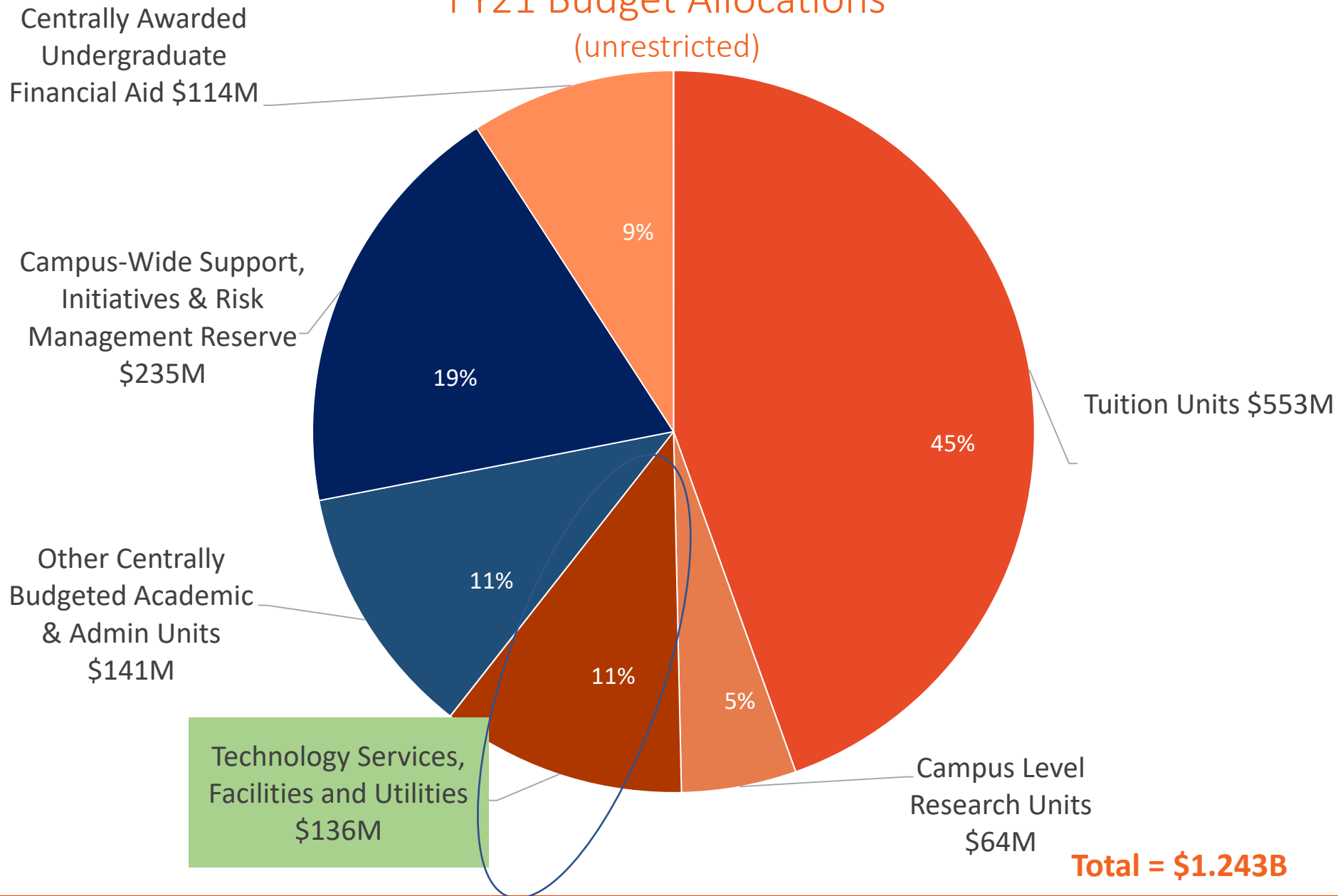
FY21 Total = \$2.324B =

\$1.243B Unrestricted

+

\$1.081B Restricted

FY21 Budget Allocations (unrestricted)





Budget Model

This model is a **tool** to make
our decisions
about revenue, spending and transfers
more transparent.

The main difference from the past models
is that
these transfers will now be
intentional and transparent.

Criteria for Model Components



Resource Allocation System

Campus Leadership

- Establishes **strategic** and **investment** priorities
- Determines **investment levels**: academic and admin. units
- Assures **accountability**

Budget Model

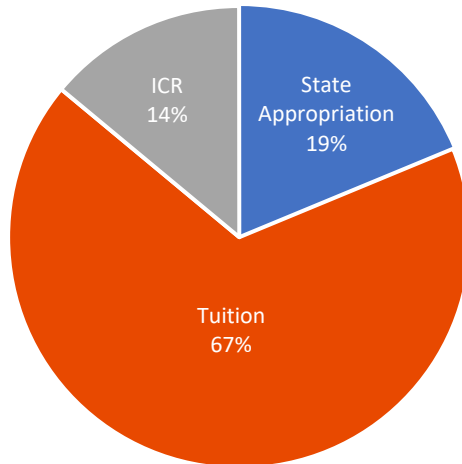
- **Tool** that **informs** decision makers
- Establishes and documents **transparent** processes
- Provides appropriate **incentives**

Levels

Weights

Sources:

Campus Unrestricted Sources



\$1.2 billion

CATEGORY	LINE # ITEM	FY19	FY20	CHANGE
Tuition Revenue				
	1 Undergraduate Base-Rate Tuition	\$ 29,551,449	\$ 30,418,231	\$ 866,782
	2 Undergrad Non-resident Tuition	10,166,808	10,410,664	243,856
	3 Undergrad Program Differential	14,495,658	14,546,617	50,959
	4 Undergrad International Base	310,744	306,420	(4,324)
	5 Undergrad International Differential	392,301	879,060	486,759
	6 Less: Centrally-Funded Financial Aid	(5,558,745)	(5,818,264)	(259,519)
	7 Less: Centrally-Assigned Tuition Waivers	(1,588,894)	(1,768,079)	(179,185)
	8 Less: College-Assigned Tuition Waivers	\$ -	\$ -	\$ -
	9 Subtotal: Undergraduate Tuition Revenue	\$ 47,769,321	\$ 48,974,649	\$ 1,205,328
	10 Net tuition: Graduate & Professional	34,571,972	34,473,802	(98,170)
	11 Net tuition: per credit hour / CITL (all levels)	4,308	-	(4,308)
	12 Coursera and Other Revenue	9,064,670	15,872,168	6,807,498
	13 Subtotal: Graduate and Other Tuition Revenue	\$ 43,640,950	\$ 50,345,970	\$ 6,705,020
	14 Total Tuition Revenue Generated	\$ 91,410,271	\$ 99,320,619	\$ 7,910,348
Institutional Fund Revenue				
	15 Graduate Student Tuition Remission	\$ 19,910	\$ 50,726	\$ 30,816
<i>College Mana</i>	16 Facilities & Admin. Cost: Distributed	44,957	20,635	(24,322)
	17 Campus Portion Facilities & Admin. Cost: Attributed	25,939	12,381	(13,558)
<i>IRUs & Other</i>	18 Facilities & Admin. Cost: Distributed	-	-	-
	19 Campus Portion Facilities & Admin. Cost: Attributed	\$ -	\$ -	\$ -
	20 Total Indirect Cost Recoveries Generated	\$ 90,806	\$ 83,742	\$ (7,064)
Cost of Education Allowance:				
	21 Cost of Education Generated	-	-	-
	22 Total Institutional Fund Revenue Generated	\$ 90,806	\$ 83,742	\$ (7,064)
	23 Total Revenue Generated (line 14 + line 22)	\$ 91,501,077	\$ 99,404,361	\$ 7,903,284
University Value-Based Investments & Transfers				
	24 University Value-Based Investment	\$ 4,922,817	\$ 4,922,817	\$ -
	25 FY19 Permanent Budget Transfers		\$ 314,498	314,498
	26 Prior Year Allocation Statement Changes	\$ -	\$ -	-
	27 Subtotal	\$ 4,922,817	\$ 5,237,315	\$ 314,498
	28 College Target Level			
	29 Total Sources of Funds (line 23 + line 27)	\$ 96,423,894	\$ 104,641,676	\$ 8,217,782

Uses:

CATEGORY	LINE # ITEM	FY19	FY20	CHANGE
Direct Cost Assessments				
	30 Facilities and Space			
	31 Building and Space	\$ 656,606	\$ 656,606	\$ -
	32 Utilities & ESCO payments	526,699	545,915	19,216
	33 Capital Renewal / Deferred Maintenance			
	34 Total Facilities and Space Costs	\$ 1,183,305	\$ 1,202,521	\$ 19,216
	35 Technology Services & Distributed IT	971,277	1,031,842	60,565
	36 Total Direct Cost Assessments	\$ 2,154,582	\$ 2,234,363	\$ 79,781
College Investments in Administration and University-Wide Excellence				
	37 University System Office	\$ 3,452,175	\$ 3,452,175	\$ -
	38 Research Admin. & Campus Interdisciplinary Research Units	1,128,829	1,167,515	38,686
	39 Administrative and Other Campus Units (variable)	10,439,219	10,801,793	362,574
	40 Administrative and Other Campus Units (fixed)	1,555,627	1,594,517	38,891
	41 Investment for Growth	1,503,903	2,005,204	501,301
	42 University-wide Investments & Initiatives	4,697,718	4,859,287	161,569
	43 Contributions to University Risk Management & Model Adj.	\$ 2,867,061	\$ 2,966,639	\$ 99,578
	44 Total Investments in Admin & University-Wide Excellence	\$ 25,644,532	\$ 26,847,130	\$ 1,202,598
	45 Total Direct Costs and Investments (line 36 + line 44)	\$ 27,799,114	\$ 29,081,493	\$ 1,282,379
College Budget				
	46 IVCB State Budget	\$ 68,564,891	\$ 75,504,120	\$ 6,939,229
	47 Earned ICR	59,889	56,063	(3,826)
	48 Earned Education Allowance	\$ -	\$ -	\$ -
	49 IVCB Base Budget (Line 29 - line 45)	\$ 68,624,780	\$ 75,560,183	\$ 6,935,403
	50 Total Uses of Funds (line 45 + line 49)	\$ 96,423,894	\$ 104,641,676	\$ 8,217,782



Utility Components

Direct Cost Assessments

Building
&
Space

F&S Building & Space Costs to Allocate

- ✓ Centrally-held budget accounting for direct-billed services
- ✓ Includes centrally-funded leases
- ✓ Adjusted for direct billing by F&S for services
- ✓ Centrally-budgeted costs added to cost of the F&S

Cost Estimates (FY17) :

Total centrally-held budget	\$42M
Directly allocated to tuition units	\$28M

Allocation of Costs

Tuition Units

By Space Type Office (DMI)

- Lab 100%
- Office 52%
- Classroom 47%
- Study 40%
- Special 40%
- General 40%
- Support 40%
- Health Care 100%
- Residential 100%

- ✓ Based on:
CBRE Group, Inc. (formerly
Whitestone Research
Corporation)
- ✓ Updated from white paper
- ✓ Adjusted for college-funded space
costs: Division of Responsibility
- ✓ General classrooms allocated to
campus
- ✓ College controlled classrooms
allocated to colleges

Utility Costs

Utilities

Utilities Costs to Allocate

- ✓ Direct usage costs
- ✓ Indirect utility costs: energy administration and overhead
- ✓ Indirect costs allocated in similar proportions to direct cost
- ✓ Utility costs for centrally-budgeted units get added to centrally-budgeted unit cost

Baseline Cost estimates (FY17):

Total campus utilities	\$71M
Direct usage all units	\$51M
Direct usage by tuition units	\$34M

Utilities & ESCO Adjustment (Line 32)

Utility costs charged to central Utility cfop

i.e., excludes utility charges paid directly from unit operation funds

Two-year average one year in arrears

Energy Service Company (ESCO) adjustment

- Impacts only selected units¹
- Utility savings needed to pay debt service
- Built in now to allow college to see full savings in future

¹ ESCO projects in LAS, Engineering and VCR-Institutes

ESCO Adjustment ¹

In FY2013 the campus set aside funds internal funds to be used in ESCO Projects.

Rather than contracting with outside entities, we will be repaying this \$40M loan based on the contracted/projected Savings.

As of Fall 2018 two ESCO projects sourced from these funds that need to be repaid.

- EPC03 is nearly complete and we initiated making payments in Spring 2019.
- We do not anticipate repayment related to EPC05 until August 2022.

¹ ESCO projects in LAS, Engineering and VCR-Institutes



Utility Capital Investments

Discussion
