

UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN

Financial Status of the Urbana-Champaign Campus

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Five years ago, the Urbana-Champaign campus was on a path to bankruptcy

For five years in a row, we spent millions beyond our revenue

Costs were rapidly escalating and we had weak fiscal controls

The Higher Learning Commission twice cited our deteriorating finances



How Do We Measure our Current Financial Health?

- What are the best measures to use?
- 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 from \$65m to \$687m
- 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

State/institutional Funds	149.0
Self-Supporting	272.6
Quasi-Endowment	80.8
Plant (facility funds)	188.1
Adjustments	(3.3)
Total	\$687.2



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A system-wide total (UIC, UIS, UIUC & UA)—our share \$137m.

Much growth related to improving finances at hospital

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These funds are actually restricted



Unrestricted Balance from Annual Financial Statement

in millions of dollars

Truly unrestricted, but understated

State/institutional Funds	149.0
Self-Supporting	272.6
Quasi-Endowment	80.8
Plant (facility funds)	188.1
Adjustments	(3.3)
Total	\$687.2



Urbana-Champaign Share of Unrestricted Balance

in millions of dollars

Here is how our share
(\$137m) is broken out:

State/institutional Funds	(5.5)
Self-Supporting	50.1
Quasi-Endowment	-
Plant (facility funds)	92.9
Adjustments	-
Total	\$137.5

Includes \$117m in 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)

	FY03	FY13
State Appropriations	\$292,263	\$242,784
Tuition	197,875	631,512
Institutional Funds	121,438	158,164
Grants, Contracts, & Fed Appropriations	300,742	476,035
Gifts & Endowment Income	81,637	116,586
Departmental Activities	83,302	127,581
Auxiliary Enterprises	136,887	211,941
Total	\$ 1,214,144	\$ 1,964,603

*The first three funds are centrally allocated.
Including other funds in analysis is misleading.*



Restricted Funds

- Restrictions exist at many levels
 - Contractual
 - Legal
 - Fiduciary or moral responsibility
- Contractual and legal restrictions include gifts, grants and contracts
- Fiduciary considerations include the source and purpose of fund.



Even if legal, would it be appropriate to redirect dorm fees, Illini Union revenue, farm sales or Vet Hospital income to unrelated uses?

It is important that these units be financially self-reliant



However, Even Unrestricted Funds Have Restrictions

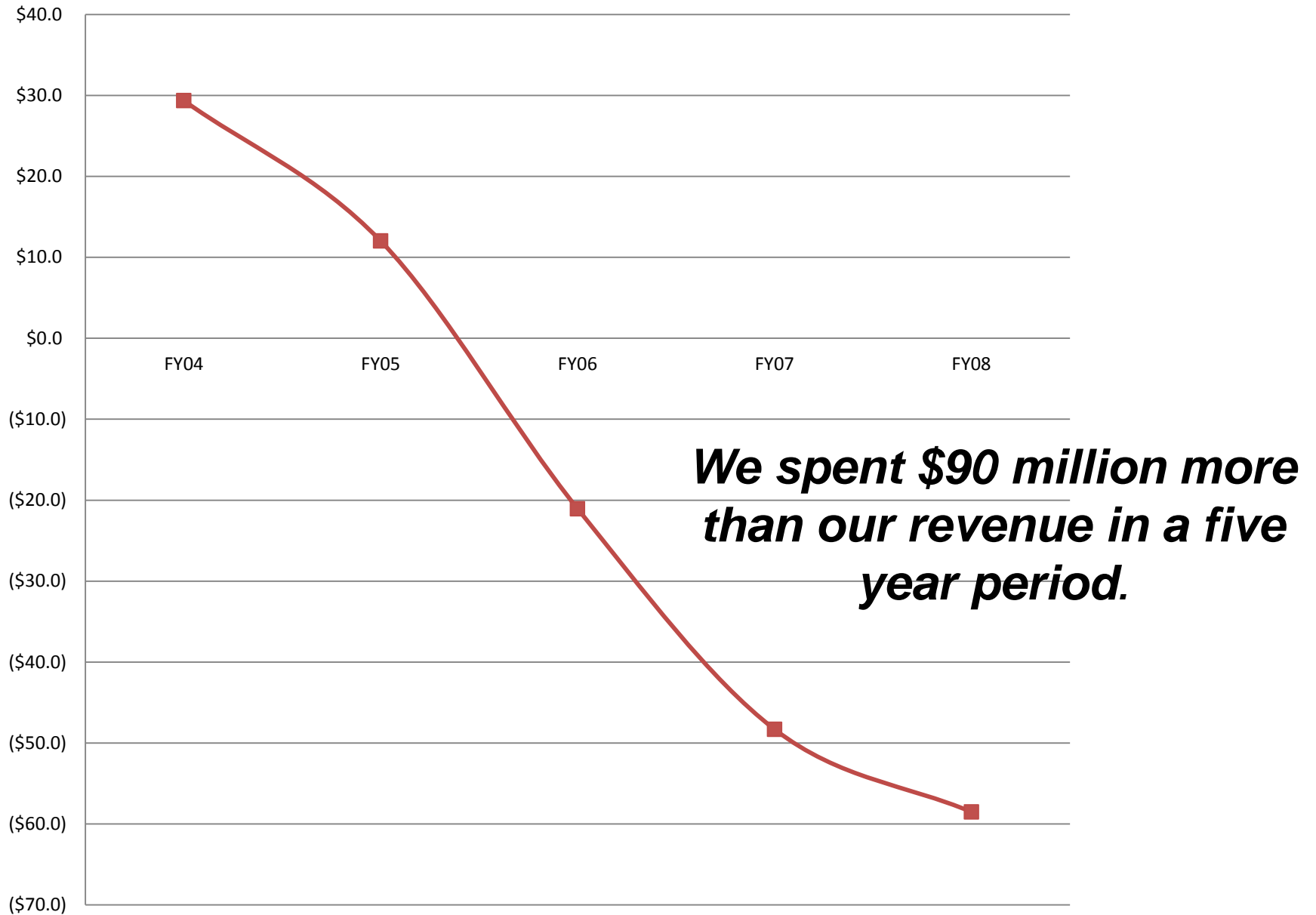
- The vast majority of funds reside in colleges and departments
- College and dept. funds often reflect faculty lines. Needed to fund new hires.
- Significant portion are “owned” by individual faculty: startups, Humanities and Art Research Funds, faculty share of ICR



***A look at our total unrestricted
balance through FY08***



UIUC Year-End Unrestricted Fund Balances (millions)



FY08 Deficit Totals

Amount	#	\$
> \$1M	20	188,827,010
\$500K to \$999K	8	5,522,526
\$100K to \$499K	64	14,570,387
<100K	201	6,624,026
	283	215,543,949

Spending Grew Faster than Revenue

- The CPI understates our cost of doing business
 - Utility costs tripled
 - National market for faculty (salaries, start-up and workload)
 - Financial aid
 - Facilities costs
 - Engineering & science heavy campus
 - More students. In particular, more grads



We Began a Concerted Effort to Strengthen our Finances

Through interconnected efforts to:

Ensure Financial Stability

**Reduce Central
Costs**

**Reduce College
Costs**

**Enhance Our
Revenue Base**



More than Cost Reduction Efforts:

We took action so that Illinois can thrive

- Protecting our ability to:
 - Hire & retain the best faculty—our reputation depends on it
 - Protect quality and access for our students
 - Provide a stable employment environment & protect our community

***Reducing Costs and Increasing
Effectiveness***



A Few Campus Efforts:

- **Some Stewarding Excellence Savings:**
 - Program and initiative eliminations and reductions: \$2.5m+
 - Eliminate VC Public Engagement, \$500k
 - Reduction in rental space, \$800k and growing
 - IT initiatives: unified communications, server room consolidation & others, \$7-11m
- **VSIP & VRP, \$19m**
- **Service centers, purchasing initiatives . . .**



Emphasis on Stability

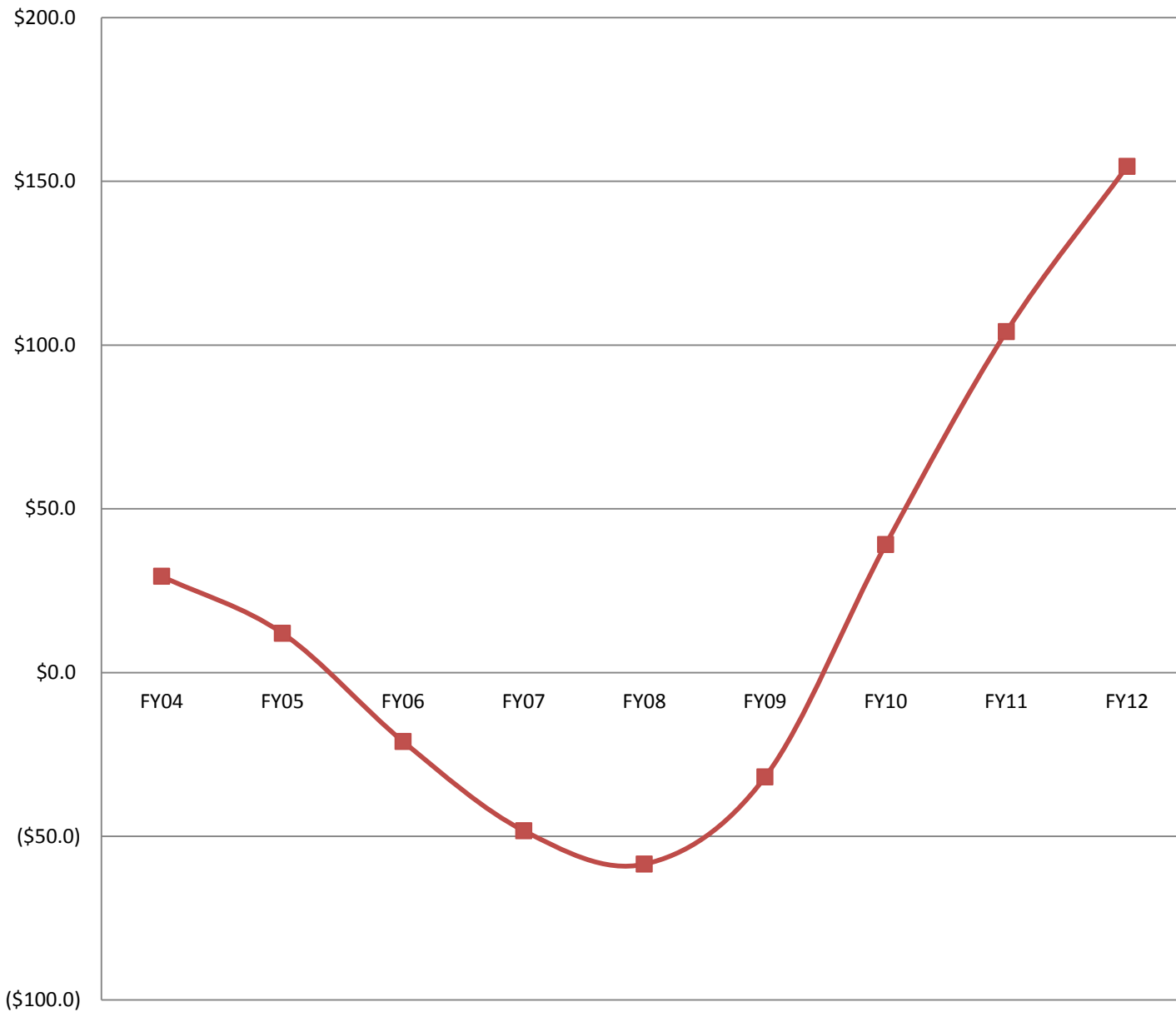
- Action taken to avoid lurching from crisis-to-crisis
 - Multi-year planning process
 - Annual hiring plans
 - Multi-year utility purchases & budgeting
 - Encouragement to avoid long-term commitments, where possible
 - Retaining capacity to invest, even in unpredictable times



***Our collective efforts were
remarkably effective!***



UIUC Year-End Unrestricted Fund Balances (millions)



FY12 Deficit Totals

Amount	#	\$
>\$1M	8	\$80,870,347
\$500K to \$999K	6	4,119,482
\$100K to \$499K	23	6,082,281
<\$100K	76	2,468,742
	113	\$93,540,852



Well Positioned for Challenging Times

- Solid financial position
- Major facilities projects
- Over 300 faculty searches in three years
- Strategic Excellence Hiring Program
- Small class initiative—major expansion of small classes in areas that matter
- Major financial aid initiative



However, challenges remain

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



Major Financial Challenges

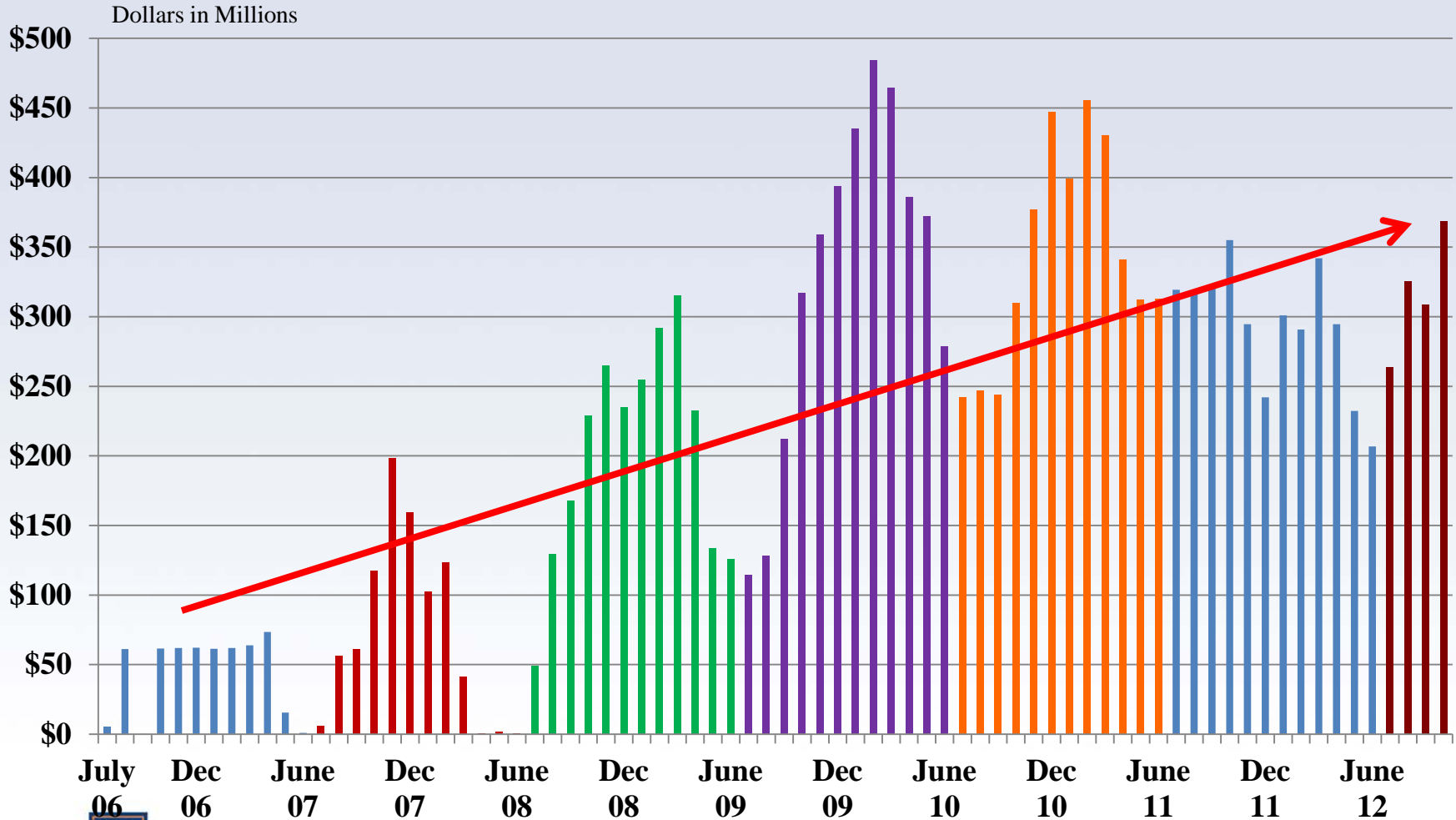
- State of Illinois
 - Cash flow issues
 - Pension shortfall
 - State competitiveness
- Access and Affordability
- Maintaining & Improving Facilities
- Transforming UG Education



UI Month End GRF Receivable

Fiscal Year 2007 through Fiscal Year 2013

As of October 30, 2012



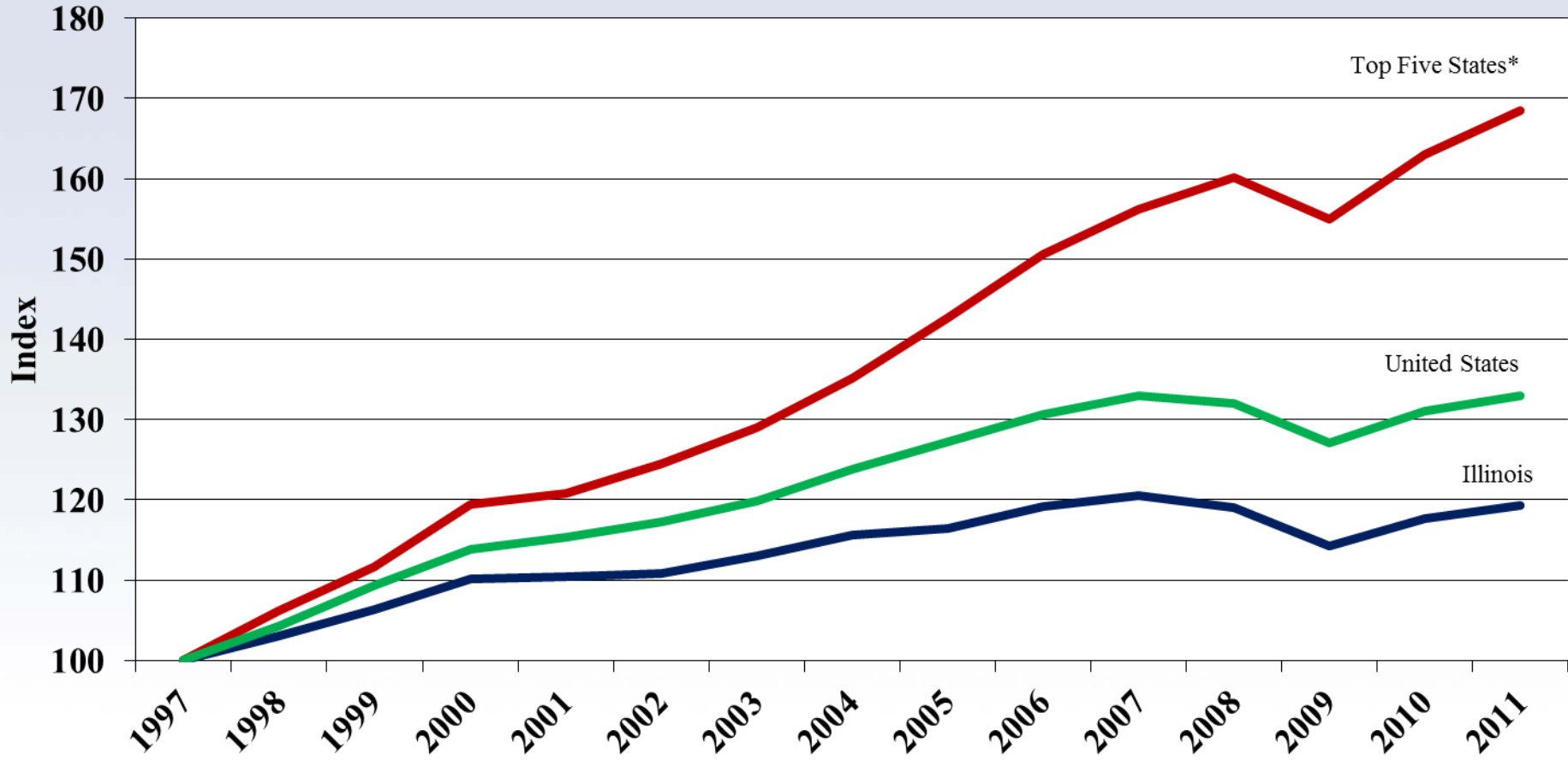
Receivables as of June 30th for each of the following fiscal years were: 2009 (\$125.9M), 2010 (\$278.5M), 2011 (\$312.7M), 2012 (\$206.7M).

Figure 2

Real Gross Domestic Product by State

1997 – 2011

(Chained 2005 Dollars)



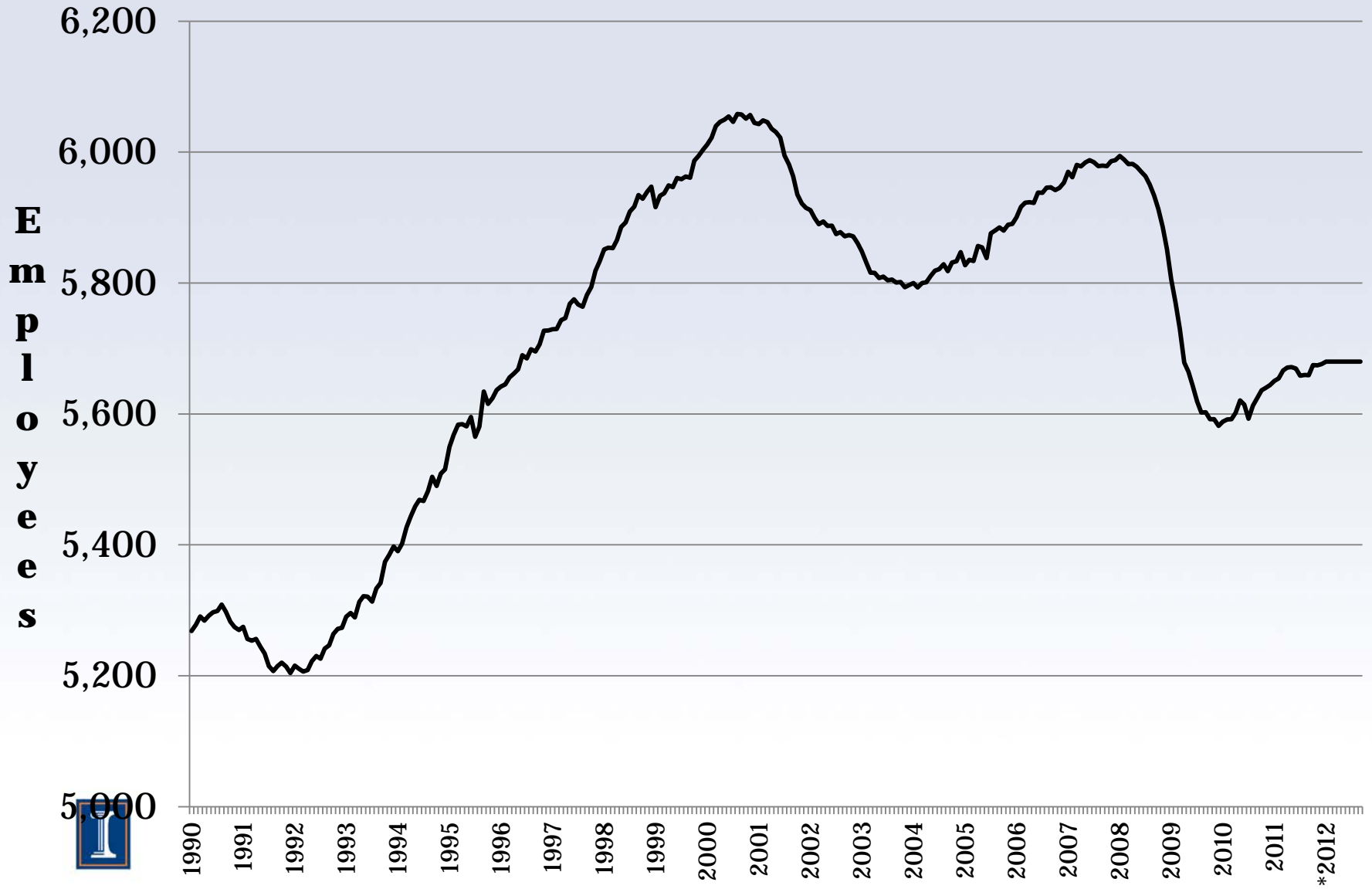
*Average of top five performing states.

Source: U.S. Bureau of Economic Analysis

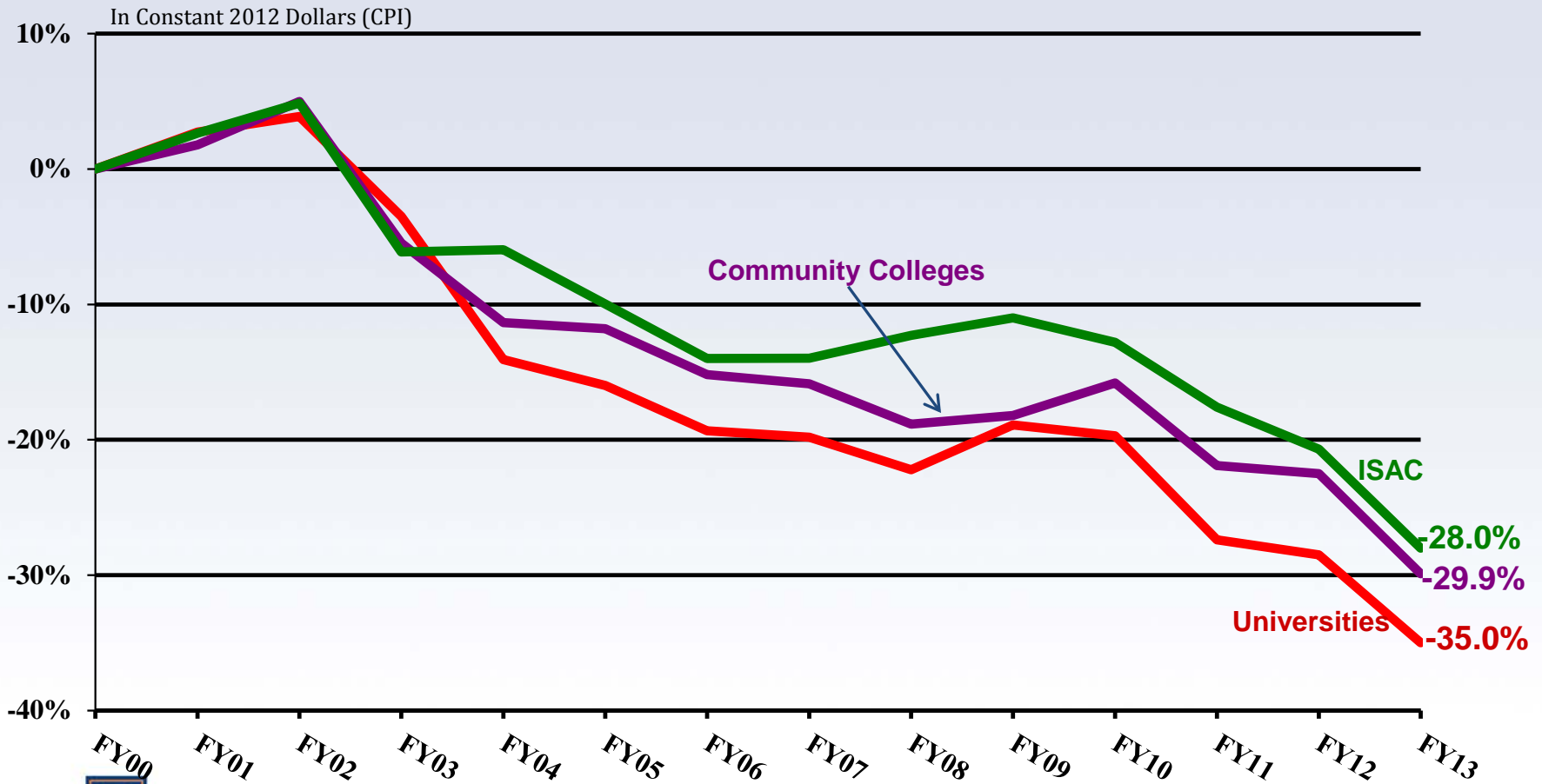


Illinois Employees (Jan 1990 – Sept 2012)

Nonfarm Payrolls – Seasonally Adjusted



Cumulative Change in State Tax Appropriation by Higher Education Sector



FY02 – FY12 excludes \$45 million from higher education for Health Insurance payment to CMS.

State Universities Retirement System (SURS) Unfunded Pension Obligations

(Dollars in Billions)



\$19.3B



(At end of Fiscal Year, FY 2003-04 sale of Pension Bonds)

Accessibility and Affordability

- Tuition—One of the highest cost publics; cost growing beyond capacity to pay. All publics receiving pushback
- Unmet aid is growing



Updating Facilities

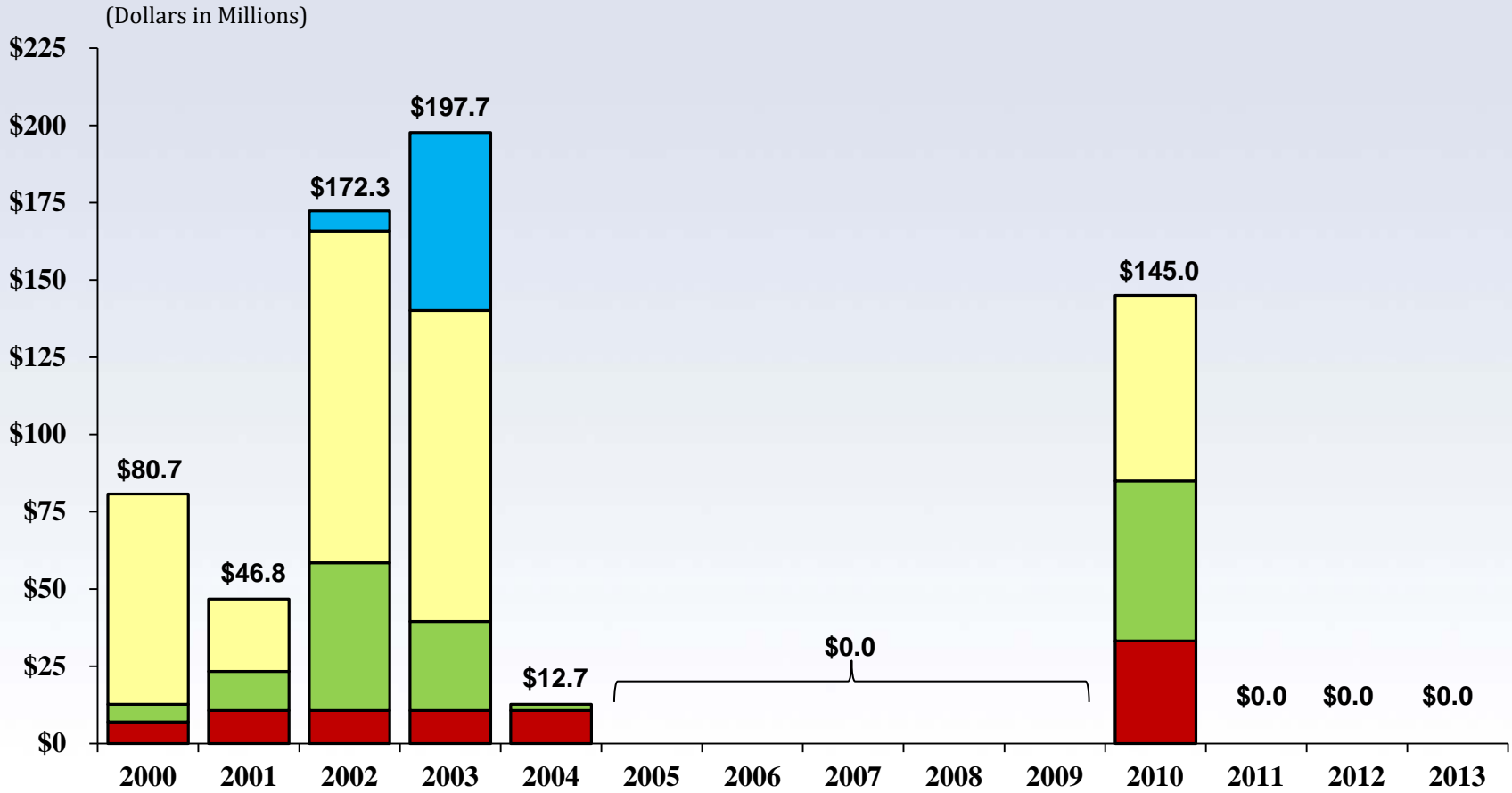
- We have relied on state funding for facility upgrades
- Large state-funded projects are over for the next 5-10 years
- Student fee helps us not fall further behind on deferred maintenance (roofs, windows, HVAC. . .) >\$500m in deferred maintenance needs
- No good way to support facility



renovation

Figure 17

U of I Capital Appropriations FY 2000 to FY 2013



■ Repair & Renovation ■ Regular Capital ■ Designated Projects ■ UIC ACT



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



***The challenges we face are not unique
to Illinois.***

***All of public higher education is
entering uncharted territory.***

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

