**Illinois State**

**University**

Board of

**Trustees**

 **Resolution No. 2015.10/26**

 **FY2016 Operating Budget**

**Resolution**

Whereas, the Board of Trustees of Illinois State University (*the “Board”)* has the authority to approve Illinois State University’s (*the “University”)* annual operating budget, and

Whereas, the Illinois Board of Higher Education policies stipulate that the Board of Trustees shall approve an official budget for fiscal year 2016 (*“FY2016”)* by source of funds, object and function, and

Whereas, the Board took action at its May 8, 2015 meeting authorizing expenditures from tentative budget allocations until State appropriations for FY2016 are known, and

Whereas, the State of Illinois has not acted on an appropriations bill to fund higher education, including Illinois State University, for FY2016, and

Whereas, the University has developed contingency plans to manage reductions of its FY2016 appropriation ranging from $7.4 million (10%) to $22.9million (31%) compared to the prior year original appropriation:

Therefore, be it resolved that the Board of Trustees approves the FY2016 Budget for Operations in an amount not to exceed the lesser of:

1. A total of $422,246,900, which is reflective of a $7.4 million (10%) reduction in FY2016 State appropriations compared to the prior year original appropriation and is outlined herein, or
2. A total amount that is correspondingly reduced from $422,246,900 by the difference of any amount of reduction in FY2016 State appropriations greater than $7.4 million compared to the prior year original appropriation.

Board Action on: Postpone:

 Motion by: Amend:

 Second by: Disapprove:

 Vote: Yeas: Nays: Approve:

 ATTEST: Board Action, October 23, 2015

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Board of Trustees

Illinois State University

FY2016 Budget for Operations

**Background**

In FY2004, the Illinois Board of Higher Education (IBHE) adopted several new policies related to fiscal accountability in higher education. One policy calls upon each public university governing board to review and approve an official budget each fall. The IBHE policy requires the budget be approved by source of funds, by functional expenditures and by objects of expenditure. Moreover, the specific functions and objects of expenditure are defined by the IBHE. Those definitions are provided in Appendix A.

The University’s major sources of funds can be grouped into two broad classifications­­– unrestricted purpose funds and restricted purpose funds. Unrestricted purpose funds are those that the University has the most discretion in allocating among its instruction, public service, research and academic and institutional support functions. These funds include:

* **State Appropriated Funds**. Normally referred to as General Revenue Funds, these monies are appropriated to Illinois State University annually by the General Assembly and approved by the Governor for ordinary operational expenses.
* **University Income Fund**. Include annual tuition revenue and some miscellaneous instructional fees.

State appropriated funds and the University Income Fund are aggregated and collectively budgeted as General Revenue Funds.

Restricted purpose funds are those funds whose use is restricted either by a granting agency, legislative statutes and rules, or by other contractual commitments. These funds include:

* **Bond Revenue (Auxiliary Facilities System – AFS)**: Revenues that are derived from the operation of facilities constructed with proceeds from debt issued by the University, such as residence halls and dining centers. The revenue is used both for operations of the unit and to repay the debt to the bond holders. These funds cannot be used for other purposes.
* **Grants and Contracts**: Includes funds that are awarded to individual faculty or staff members for research projects or institutional improvement. Funds may come from federal, state or local grant foundations and are governed by individual guidelines of the grantor. Also included in the category are federal and state student financial aid funds granted to the University to be distributed to students.
* **Other Local Funds**: Includes monies generated by self-supporting units such as the University Farm, monies from student fees such as the athletic fee, and monies generated by charging a course material fee. These funds are restricted in use to the specific purpose for which they are charged. In other words, revenue generated from a course material fee must be used to purchase materials for this same course in the future. These funds are sometimes referred to as “Agency Funds.”

**Context**

Uncertainty of the State of Illinois budget for FY2016 and the corresponding appropriations for higher education requires the Board to provide approval of the FY2016 Operating Budget contingent upon the eventual determination of the FY2016 general revenue appropriations to Illinois State University.

Therefore, the University seeks approval of its FY2016 Operating Budget that is limited to the lesser of a total amount of $422,246,900, which is reflective of a $7.4 million (10%) reduction in appropriations from the prior year original appropriation and is detailed below; or a total amount of $422,246,900 reduced by the difference of any FY2016 appropriation reduction from the prior year original appropriation greater than $7.4 million.

Table 1 presents a summary FY2015 projected and actual[[1]](#footnote-1) revenues by fund source in order to provide a context for the proposed FY2016 operating budget. Also provided is the projected revenues by fund source.



Table 1 shows that actual revenues from all fund sources in FY2015 were $421.5 million, which is within 1.0 percent of estimated. Looking ahead to FY2016, it is expected that revenues for all fund sources will sum to a 0.0 percent change.

As demonstrated in Table 1, 40.2 percent of the University’s FY2016 budget will be made of restricted funds. Restricted funds are primarily comprised of Bond Revenue Operations, such as housing, dining and student activity operations. Other Local Funds, or “Agency” funds are expected to represent 13.7 percent of the total University budget and Grants and Contracts are expected to represent 6.3 percent. The projected change from FY2015 to FY2016 for all Restricted Funds is an increase of 1.0 percent, resulting primarily from minor fee increases.

As Table 1 demonstrates, FY2016 Unrestricted Funds are expected to decrease 0.7 percent. This encompasses a $7.4 million dollar decrease to the state appropriation and an increase to the University Income Fund resulting from an increase in projected enrollments as well as tuition and fee rate increases previously approved by the Board of Trustees.

The proportion of University operations and grants that are funded from State appropriations continues to decline. If a ten-percent rescission is imposed, only 16 percent of the total institutional operating revenues will come from State appropriated funds in FY2016, including $3.1 million that will be transferred to the Illinois Department of Central Management Services as a contribution toward Group Health Insurance premiums.

**Budget Detail by Function and Object of Expenditure**

Table 2 presents the estimated FY2016 operations and grants budget by fund source and by projected functional expenditure. The budget is divided into eight functional areas: Instruction, Organized Research, Public Service, Academic Support, Student Services, Institutional Support, Operations and Maintenance of the Physical Plant, and Independent Operations (See Appendix A). These functional classifications are identified and defined in the Illinois Board of Higher Education’s *Resource Allocation Management Program (RAMP*).



Illinois State University expects to spend $178.6 million in FY2016 on the activities associated with its core functions of instruction, research and public service. This amount is 42.3 percent of the estimated total University expenditures. Most of these funds ($140.1 million) are derived from General Revenue appropriations or University Income Fund. Another $27.2 million is expected to be spent on those activities that provide direct support to those core functions, referred to in the table above as “Academic Support.” The largest allocation within this function is for the operations of Milner Library but also includes some academic administrative functions.

Of the $57.7 million estimated to be spent on operations and maintenance, approximately $12 million will be for utilities (electricity, natural gas, sewer and water). Deferred maintenance of facilities will be addressed to the extent the budget allows. The University’s accumulated backlog of maintenance required to bring general revenue facilities up to top working condition is estimated at $230 million.

Table 3 provides an estimated breakdown of anticipated expenditures by object of expenditure (see appendix A). All universities are labor intensive organizations, and Illinois State University is no exception. Over half (53.3 percent) of all funds are budgeted for personal service expenditures. Of the $225.3 million budgeted for personal services, $160.9 million, or 71.4 percent, is expected from General Revenue and University Income funds.



The budget for contractual services includes $12 million devoted to utilities. The sum of personal services and contractual services accounts for just under three-quarters of all expenditures. The remaining quarter will be used for all other expenses such as student financial assistance, group health insurance, equipment purchases, debt service, small remodeling projects and building maintenance.

**Conclusion**

This item was prepared in accordance with Illinois Board of Higher Education policy that calls upon public university governing boards to review and approve an operating budget annually each fall. The University continues to allocate its resources to its highest priorities and to support those initiatives that are outlined in its strategic plan, *Educating Illinois*. Instruction and the support of high quality faculty and staff continue to be the two highest priorities.

**Appendix A**

**Standard Definitions of Functions and Objects of Expenditures**

**Functional Areas:**

**Instruction** – Activities carried out for the explicit purpose of eliciting some measure of educational change in a learner or group of learners. Activities include both teaching and facilitating activities.

**Organized Research** – Activities intended to produce one or more research outcomes including the creation of knowledge, reorganization of knowledge and the application of knowledge. Research activities carried out on an individual or project basis usually result from special institutional grant awards to individual faculty members.

**Public Service** – Program elements established to make available to the public the various unique resources and capabilities of the University for the specific purpose of responding to a community need or solving a community problem.

**Academic Support** – Activities that are carried out in direct support of the three primary programs of instruction, organized research and public service.

**Student Services** – Activities carried out with the objective of contributing to the emotional and physical well-being of students as well as to their intellectual, cultural and social development outside the context of the University’s formal instructional activities.

**Institutional Support** – Activities carried out to provide for the day-to-day functioning as well as the long-range viability of the University as an operating organization.

**Operation and Maintenance of the Physical Plant** – Activities related to maintaining existing grounds and facilities used for educational and general purposes, providing utility services, campus security and fire protection, transportation and rental of space.

**Independent Operations** – Auxiliary Services and programs and activities that are unrelated to the primary mission of the university (instruction, organized research and public service).

**Objects of Expenditure:**

**Personal Services** – Wages and salaries.

**Contractual** – Payment for services from vendors. The largest contractual expenditure for Illinois State University is utility expense.

**Travel** – Reimbursements to employees or vendors for in state or out of state travel including transportation, mileage, lodging and meals.

**Commodities** – Purchase of articles of a consumable nature such as office supplies.

**Equipment** – Purchases over $100 for tangible personal property such as office furniture and equipment.

**Telecommunications** – All telephone and telecommunication services such as long distance charges, cell phone charges, fax machine charges and local telephone charges.

**Operation of Automotive Equipment** – Operation, maintenance and repair of automotive equipment.

**Awards and Grants** – Most commonly used for awards and grants to students. The largest expenditure for Illinois State University in this object is for Presidential Scholars.

**Permanent Improvements** – Remodeling and renovation of existing structures.

**Debt Retirement** – Payments for annual principal and interest on bonds and certificates of participation.

**General Services Overhead** – Payment for use of administrative services outside the immediate operation of the unit. For example, the comptroller’s area, which is supported by general revenue funds, performs accounting functions for all areas on campus; therefore, the non-appropriated units pay a portion of their expenses.

1. As of June 30, 2015 [↑](#footnote-ref-1)