

BOARD OF TRUSTEES

Secretary / Chairperson

**Board of Trustees
Illinois State University
Authorization to Approve FY2026 Operating Budget**

Background

FY2026 is a transition year for university budgeting in preparation for implementation of a new budget model effective FY2027. The University is transitioning to a new budget calendar and process, anchoring budgets to projected operating revenues for FY2026. As campus works through these changes, the FY2026 Operating Budget is based on revenue projections at the fund level. A capital expenditure plan, which has historically been included in the total operating budget, is presented for informational purposes in Table 2.

The University's major sources of funds are 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, student service, and academic and institutional support functions. These funds include:

- **State Appropriated Funds:** Funds appropriated to Illinois State University annually by the General Assembly and approved by the Governor for general operating expenses.
- **University Income Fund:** Includes annual tuition revenue, Academic Enhancement Fee, and miscellaneous operational and 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. The University also includes state funds provided to the University Laboratory Schools under Grants and Contracts.
- **Other Local Funds:** Includes revenues generated by self-supporting units such as the University Farm, revenues from student fees such as the athletic fee, and revenues 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 also referred to as Agency Funds.
- **State College and University Trust Fund:** Includes revenues generated by the University's proportion of collegiate license plates sold; distributed, subject to appropriation by the General Assembly, to each university or college for the sole purpose of scholarship awards to residents of the State of Illinois.

Table 1 presents the FY2026 revenue and expense projections by fund. Revenue projections assume a 2.6 percent increase in student enrollment (22,110: 19,555 undergraduate, 2,555 graduate), two student cohorts in differentiated programs, a three percent increase in state appropriations (one percent base increase and two percent at the Governor's discretion), and a five percent increase in room and board rates as approved by the Board at the February 21, 2025 meeting. While the University's final state appropriation is uncertain, a contingency plan is in place should the additional two percent (approximately \$1.6 million) appropriation not be released. The projected FY26 revenue for all funds totals \$567.2 million.

The total operating budget is anchored to projected operating revenues for each fund type. The total expense budget is \$566.3 million. While the total operating budget is balanced at an all-funds level, the University has made strategic investments to expand the Mennonite College of Nursing (MCN) and create a new College of Engineering. These investments include funding start-up expenses from general revenue reserves until enrollments in these programs provide the revenues necessary to cover program expenses. For the MCN expansion, full enrollments in the expanded program are projected to occur by Fall 2027. For the College of Engineering, revenues from enrollments are expected to cover program expenses by FY2028.

Table 1 Illinois State University Fiscal Year 2026 Operating Budget by Fund				
(in thousands of dollars)				
Source of Funds	Revenues (\$000)	Percent of Total	Expenses (\$000)	Net Income
Unrestricted				
State Appropriation	\$ 82,200	15%	\$ 82,200	\$ -
University Income Fund	\$ 246,500	43%	\$ 257,000	\$ (10,500)
Subtotal	\$ 328,700	58%	\$ 339,200	\$ (10,500)
Restricted				
Bond Revenue Operations	\$ 119,500	21%	\$ 108,300	\$ 11,200
Grants and Contracts ¹	\$ 51,100	9%	\$ 51,100	\$ -
Other Local Funds	\$ 67,900	12%	\$ 67,700	\$ 200
State College and University Trust Fund (collegiate license plate revenue)	\$ 30	0%	\$ 30	\$ -
Subtotal	\$ 238,530	42%	\$ 227,130	\$ 11,400
Total	\$ 567,230	100%	\$ 566,330	\$ 900

¹Grants and Contracts includes Laboratory School state funds

Table 2 is for informational purposes and represents the FY2026 capital expenditure plan by area and fund. The \$42.2M projected expenditures for bond revenue projects include approved in-progress projects as well as new projects planned for FY26. The \$17.6M projected expenditures for general revenue projects include approved in-progress projects. Expenses included in the capital expenditure plan will come from Bond Revenue and General Revenue reserves. These expenses are not included in the University's FY2026 operating budget (Table 1) since they are funded by accumulated reserves.

Table 2 Fiscal Year 2026 Capital Expenditure Plan Projected Expenditure by Area and Fund		
	Bond Revenue	General Revenue
Athletics	\$ 1,125	
<i>Arena</i>	<i>\$ 600</i>	
<i>Stadium & Fieldhouse</i>	<i>\$ 525</i>	
VPPF - Facilities	\$ 8,400	\$ 17,600
<i>Ctr Performing Arts</i>	<i>\$ 2,400</i>	
<i>Parking</i>	<i>\$ 6,000</i>	
VPSA	\$ 32,705	
<i>Bone Student Center</i>	<i>\$ 725</i>	
<i>Campus Dining</i>	<i>\$ 908</i>	
<i>Campus Rec</i>	<i>\$ 300</i>	
<i>Residence Halls</i>	<i>\$ 30,572</i>	
<i>Student Service Bldg</i>	<i>\$ 200</i>	
Grand Total	\$ 42,230	\$ 17,600