**Office of the Provost**

**University of Illinois at Urbana-Champaign**

**BUDGET REPORT GUIDANCE FOR FY25**

**ACTIVITY-BASED UNITS**

**December 1, 2023**

As stewards of University resources, we must strive to make investment decisions comprehensively and collectively and manage cash balances strategically. Strong student enrollment numbers are reason for optimism and confidence in the value of the University of Illinois brand. However, we must be mindful of changing demographics that may negatively impact our future tuition revenues, along with inflationary impacts on our expenses, including labor and utility costs.

The State of Illinois has seen improvements in its fiscal outlook over the last few years. The University of Illinois System received approximately 7.0% in additional funding for general operations for FY2024. The State budget also re-appropriated capital funding to support key construction projects, including the Discovery Partners Institute (DPI), Illinois Innovation Network (IIN), and significant projects such as the Altgeld Hall/Illini Hall and quantum sciences initiatives. Nevertheless, the state is still burdened with an unfunded pension obligation of about $130 billion. Therefore, we must continue with our longer-term strategy of reducing our reliance on state appropriations, including the possibility of a shift in benefit costs from the State to the University.

Our FY25 budget planning process will be guided by the following considerations and actions:

* We will continue to use the Integrated and Value-Centered Budgeting (IVCB) model to determine allocations of state funding for tuition units. Units will need to consider the impacts of inflation on operating costs as they complete their three-year financial projections.
* All colleges should expect, at best, a flat University Value-Based Investment, and should plan accordingly. Those colleges told to expect gray box reductions beginning in FY21 and given one-, three-, and five-year targets should discuss how they will meet these targets in section 4.
* The **Investment for Growth** strategic initiative involves the pooling of college resources to support growth and reorganization proposals. The funding for these calls has been derived from previous years’ Investment for Growth recurring contributions; no additional reallocations will be made in FY25. More information about the FY25 call will be forthcoming.
* The IVCB model calls for tuition units to cover 100% of both the growth in financial aid costs and the cost of an FY25 salary program should one be announced by the University System Offices. The Office of the Provost will follow its standard practice of providing recurring funding to the centrally-budgeted units in support of an announced salary program.
* Leaders and the senior budget officers of all activity-based units and larger centrally-budgeted units will meet and discuss their reports and plans with the Provost’s team. The Office of the Provost may provide some unit-specific questions in advance to address in your meeting. The Administrative Budget Committee (ABC) will review the remaining centrally-budgeted units.
* The unit reports and unit discussions will be considered and factored into the formulation of a university-wide budget plan for FY25 by the Offices of the Provost and the Chancellor. This budget plan will be reviewed and revised under the guidance of the Campus Budget Oversight Committee (CBOC). We will share all unit budget reports with both CBOC and the Council of Deans.
* We have shaped the budget guidance for both activity-based and centrally-budgeted units to prioritize strategic efforts to reduce redundancies, improve efficiencies, and contain administrative costs in order to enhance our missions, as outlined in the Operational Excellence @ Illinois initiative, and to generate additional net revenue.

The remainder of this document provides additional details on the plan and specific guidance for the preparation of activity-based unit reports.

Report Components

Please include the following sections in your strategic budget plan. To allow for comparability of annual reports, please follow the prescribed format and provide the information requested in each section. Please be succinct and frank in your narrative. Unless necessary, refrain from including photos, charts, graphs, or multiple column layouts in the body of the report. If desired, these items may be included as appendices. Diversity issues, programmatic initiatives, and staffing needs should be addressed within the relevant sections throughout the plan.

1. **Opportunities and Threats**: Please discuss the overall state of your unit, along with opportunities and threats it faces. Identify specific opportunities and high priority activities that you believe, if addressed, would enhance the excellence of your programs and build upon your strengths. Discuss threats to the excellence of your programs and describe challenges you may be experiencing in maintaining or enhancing your unit’s competitive position. Provide benchmarking data, as appropriate.
2. **Strategic Priorities**: Outline your measurable strategic goals. Articulate **three to six** strategic priorities and associated actions your unit either has implemented or will be implementing to capture the opportunities and address the threats you have identified. Consider new activities that will improve your competitive position vis-á-vis your peers and strengthen your financial viability. Also, consider whether there are opportunities to cease or reduce existing activities to free resources for investment in other areas, or efforts that can be taken at the college level as part of the Operational Excellence @ Illinois initiative.
3. **Multi-Year Budget Projections:** The Office of the Provost will provide a 3-year budget planning template that should be completed and submitted along with your report. The template will contain various planning parameters, including tuition revenue increases/decreases, salary program percentages, and financial aid estimates. In the text of your report, please provide a brief description of anticipated budget changes, the drivers for these changes and plans to address any budget shortfalls (if applicable).

1. **Reductions in University Value-Based Investments:** Those colleges told to expect gray box reductions and given one-, three-, and five-year targets should discuss how they will meet these targets.
2. **College Budget Model under IVCB:** Describe how the college has implemented the IVCB model and how the flow of funds to constituent units are determined. How is that college budget model communicated to departments? Highlight acute issues under the IVCB that need to be addressed by the college and/or campus leadership.
3. **Changes in Demand for Programs (academic colleges and college-level schools only)**: If not already included in your strategic priorities, provide a three-year overview of your plans regarding enrollments in your college’s degree and certificate programs. Include residential undergraduate, graduate, and professional programs, as well as online and distance learning programs. Explain how enrollment trends such as increasing or decreasing student demand, and opportunities such as creating or revising programs, relate to your unit’s strategy and hiring plans. What University actions would be needed to aid in addressing changing student demand?

Please review the student-to-faculty ratio data shared via the [Annual Report Supporting Files box folder](https://uofi.app.box.com/folder/151930422379) and discuss the optimal faculty size and your strategies regarding specialized vs. tenure stream faculty to meet demand. To the extent that any of your units are highlighted in either the top or the bottom of the list, please discuss the performance of those units in the context of the mission, needs and strategy of your college. In particular, please address short- or long-term plans to adjust hiring to in light of these metrics, including your student-to-faculty targets for these units. For those cases where trends in student demand are deemed responsible for declining student-to-faculty or IU-to-faculty ratios in some units, please discuss any ongoing efforts, plans, or opportunities for the units involved to contribute to new educational initiatives and evolving public engagement and outreach activities consistent with our University’s mission.

Additional data regarding enrollments and degrees for all academic programs in your college are found in the “Programs” tab of the [Program Review Data](http://go.illinois.edu/ProgramReview), which will be updated later this calendar year.

1. **Revenue Growth, Cost Containment, Reorganization, and Operational Excellence Activities**: Propose revenue growth and cost containment opportunities that contribute to addressing university-wide financial challenges, particularly activities that might fall under the Operational Excellence @ Illinoisinitiative. Consider both unit-specific and shared cost implications so that the cost-benefit impacts of your solutions on the University, as a whole, can be judged, at least in broad terms. Incorporate opportunities presented by hybrid or remote working arrangements. To the extent that your plans contain sensitive information, please exclude those pieces from your submitted report and share them with the Provost’s team at your annual meeting.
2. Strategic Plans for Cash and Deficit Reduction Plans:
	1. Provide an overview of your cash management strategy, including a chart or graph that depicts the specific categories of anticipated uses of your cash carryovers and the amounts earmarked for each category. The categories should include, at a minimum:
		1. Faculty startup/retention
		2. Faculty research
		3. College discretionary
		4. Department discretionary
		5. Facility renovations
		6. Scholarships/fellowships
		7. Professorships
		8. Special program/strategic priorities
		9. Self-supporting operations
	2. Please refer to your unit’s deficit report, which was provided via email to you in November, and convey details regarding your plans to address deficits that are $200,000 or greater or are less than $200,000 but have existed more than two years and where the FY22 target balance was not met. The Office of the Provost will meet with some colleges prior to the annual meeting to discuss deficit management details.
3. **Space Planning:** Facility costs have a significant impact on the financial health of the University. The iCAP 2020 objective 2.2.1 is to "Improve efficiency of space use by minimizing the square footage per person." Please describe how your college is evaluating space usage, identifying future space needs and plans or taking actions to economize workspace over time. Please remark on the impact of remote and hybrid work schedules. Discuss, if applicable, how any space challenges faced by your unit connect to the University’s Net Zero Growth policy.
4. **Staffing Plan:** The staffing plan for a college specifies what positions are needed by the college, usually over the next year, and how they will be organized into departments and divisions or programs within departments. The purpose of the staffing plan is to make certain that the college, its departments, and the divisions and programs within or across departments have sufficient faculty members and staff with the right skills and experience to ensure success in executing the college’s strategic plan. The staffing plan should be an integral part of the college’s strategic plan and supported by its budget. It should consider internal and external challenges, opportunities, and trends, and must integrate hiring and retention with the college’s strategic plan and budget.

Please include details that explain your optimal faculty and staff size and mix for your unit. Include your rationale, connection to the Campus Strategic Plan, your strategic plan and diversity goals. Also, please complete the staffing plan component of the multi-year budget planning template referenced in 3 above.

**Position-specific Hiring Plan for FY25 Searches** (Applies to academic colleges and college-level schools only): The detailed position-specific hiring plan should be entered in the hiring plan database: <https://secure.dmi.illinois.edu/hiringplans/>

There is no set deadline for the submission of your detailed comprehensive hiring plan for FY25 searches. However, each unit’s comprehensive plan will represent its only opportunity to request hiring approvals for all but the most unexpected circumstances.

When developing your plans, please include only crucial positions that align squarely with the following principles:

* Units must demonstrate the financial ability to sustain both the recurring and non-recurring costs associated with each position.
* Units must address how the proposed hires will improve the University’s ability to deliver on its teaching mission. Requests for hires in units with growing student demand or limited teaching capacity (including both tenure track and specialized faculty) relative to student interest will be prioritized.
* Hiring requests should prioritize net-revenue generating activities and/or areas where the University has a comparative advantage. Net revenue-generating activities include initiatives that bring more revenue to campus, rather than merely shifting revenue from one campus unit to another.
* Each requested position must be central to the activities of our core mission with particular attention to research and innovation, student access and learning, and extension, outreach, and public engagement locally and globally. This includes hires that would enhance e-learning, blended learning, and online delivery of our programs; foster ongoing public engagement initiatives; and support essential functions for public safety, health care, and critical campus infrastructure.
* Units must identify how requested positions enhance faculty and staff diversity and, where possible, connect to the priorities of the University’s Call to Action.

Components of your Comprehensive Hiring Plan:

* 1. **Hiring Overview:** Fill in this part of the form with information on faculty departures, optimal counts, and goals for female and underrepresented groups. A few fields in this section are pre-populated with current data.
	2. **Status of Prior Approved Faculty Searches**: The electronic system reports your previously approved searches. For each position, note whether the position was filled, and the name of the person hired. If the position has not been filled, provide a rationale for why it remains a priority and should be rolled over. Also note whether you want to continue with searches for carryover positions.
	3. **New Faculty Hires (tenure-stream and specialized)**: Please list each new position separately, including faculty rank, estimated salary, college funding source for the salary, funding source for start-up costs, and a brief rationale for the position. In particular, explain how the position is justified in the context of the current size of the unit’s faculty and student demand (majors and IUs). Be mindful of the budgetary implications of hiring specialized faculty with multiyear contracts.
	4. **Status of Academic Professional/Civil Service Hires on State/ICR Dollars**: Please complete this section by providing an update on 2023-2024 Academic Professional positions. For each position, note whether the position was filled and the name of the AP or Civil Service employee who was hired. If the position has not been filled, provide a rationale for why it remains a priority and why it should be rolled over. Carryover positions should be prioritized together with plans for new positions.
	5. **New Academic Professional/Civil Service Hires on State/ICR Dollars:** Please complete this section for requested new hires (additional FTE) and provide a strong rationale for each position.

Prioritize hiring for programs with high demand and growth potential. When budgeting for new faculty and staff positions, please remember the necessity to make Dual Career hires and the opportunity to make TOP hires will likely increase your number of new appointments. As with any faculty position, Dual Career and TOP hires should fit within your strategic plan and the instructional and research needs of the university.

Budget Report: Metrics

A separate communication will be sent to your budget officer providing details related to accessing the data sources referenced below. You may wish to supplement the metrics provided below with specific key performance indicators used within your unit. We will review these metrics in conjunction with your report.

[Financial Metrics](https://go.illinois.edu/Financial_Metrics) (<https://go.illinois.edu/Financial_Metrics>)

This dashboard provides five years of data for the following items:

* Budget (state/tuition and institutional funds)
* Non-state funds (grants, gifts, self-supporting)
* Carryover balances
* Deficit balances
* Staffing trends

**Strategic Metrics (academic colleges and college-level schools only):** These dashboards offer consistent information about costs, quality, enrollments, teaching performance, and research productivity of colleges and their departments and schools.

[Program Review Data](http://go.illinois.edu/ProgramReview) (to be updated later this calendar year)

Departmental Salary Analysis (academic colleges and college-level schools only):

In December, the Division of Management Information (DMI) will provide you with an analysis that compares your department and school faculty salaries with those of their self-selected peer departments and schools, including data adjusted for cost-of-living differences.

Submission Deadline

Please submit your report to provostbudget@illinois.edu by **Friday, February 2, 2024,** and **limit your narrative to no more than sixteen pages.**