Unraveling the Mystery of SIUE’s Budget

Bill Winter
Budget Director
Why Are We Talking About This?

• To clarify SIUE’s budget and budget development process.

• The ultimate goal is that we all work together to develop a sustainable financial model which will not only enable SIUE to survive but more importantly to thrive.
From Where Does SIUE’s Money Come?

- **Students**
  - Tuition, Fees, Room & Board

- **State of Illinois**
  - State Appropriation $60M
  - Benefits Paid on Behalf $86M
  - Capital Projects (e.g., Science Building $82M)
  - MAP (Financial Aid to Students)
  - Grants and Contracts

- **Federal Government**
  - Grants and Contracts
  - Pell Grants (Financial Aid to Students)
  - Direct Loans

- **Purchasers of Goods and Services**
  - e.g., Dining Services, Bookstore, Arts & Issues, Dental Clinic, etc.

- **Donors**
  - Individuals / Corporations
What is Fund Accounting?

- Funding related to SIUE included in the budget of other state agencies
- Not SIUE’s budget
  - Most employee benefits
  - Large capital projects (i.e., new academic buildings)

Since the Governor just gave us $23 million, aren’t all of our financial problems now over?

- The budget is grouped into various categories called fund groups
  - Each fund group has unique characteristics and requirements
  - Rule: Matching Principle (Revenue and Expenses)
  - Rule: Restricted vs. Unrestricted

Why can’t we use increases in the Athletics fee to hire more faculty?
What is Fund Accounting?

Example:

- When a student pays his/her bill:
  - Tuition is deposited into the Income Fund
  - Most student fees are deposited into Self-Supporting Activities
  - Housing room and board is deposited into the Revenue Bond fund group

Detailed explanations of the various fund groups can be found at siue.edu/budget
State vs. Non-State Budget

STATE BUDGET

Revenue
• 60% tuition revenue ($90.7M)
• 40% state appropriation ($59.7M)
  – State appropriation includes $1.25M special appropriation for Pharmacy

Expense
• $150 million State Operating Budget (54% of the $279M Total SIUE Budget)
• Pays for instruction and administration necessary to facilitate that instruction
• Examples include faculty salaries, utility costs for heating, cooling, and lighting classroom buildings, etc.

State Budget Development Process
• UPBC – includes faculty, staff, and student representatives
• State budget requires Board of Trustees approval
NON-STATE BUDGET
• The remaining $129 million of SIUE's budget
• For items not directly related to classroom instruction
• Also known as “local budgets”
• Examples include: Housing, Grants, ICR, Student Fees, Parking lots, etc.
• Accounts are generally self-contained, like personal checking accounts.

Non-State Budget Development Process
• Different for each fund group
• Student Fees – extensive fee review process
• Non-state budgets require Board of Trustees approval
3 Recurring vs. Non-Recurring

• Continuing vs. One-time Expenses
  – Recurring example: Salaries
  – Non-recurring example: Construction and building repairs

• Non-Recurring also called “one-time”

• Existing cash can be used to pay for one-time expenses but not for recurring expenses
Fixed vs. Variable Expenses

- Fixed expenses are virtually unaffected by increases or decreases in enrollment/tuition revenue (92.5% of SIUE’s state budget)
- SIUE’s consideration of faculty salary equity has increased fixed costs
- Faculty salaries have been increased to meet or exceed the median salaries of our current IBHE peer group at all ranks of tenurable faculty

Brief analysis available at siue.edu/budget

FY14 Operating Budget Analysis

- Salaries & Wages: 75.2%
- Other Fixed Costs: 17.3%
- Other "Discretionary": 7.5%
Every Expense Has to be Paid by Someone

- If some students do not pay tuition, the cost to educate them is paid by other students’ tuition
- Students who pay are subsidizing those who do not
  - Student scholarships
  - Graduate Assistant waivers
- There is no magic pot of money

Balancing act of competing priorities
- New or increased expense items are competing for the same funding, including:
  - Salary increases
  - Scholarship funding
  - Operating costs (including utilities) for new buildings
  - Additional faculty hires
  - Graduate Assistant waivers
  - Retention initiatives, etc.
SIUE has historically used an incremental budgeting system for its state operating budget.

Each department would typically get last year’s budget level plus something additional, such as salary increase funding.

Incremental budget process for state budgets through UPBC.
Legal Restrictions and Regulations

- There are more restrictions on public universities than private universities
  - LAC Guidelines (eg., Excess Funds Calculation Regarding Cash Carryover)
  - Four Year Tuition Guarantee
  - Illinois Procurement Code
  - Unfunded mandates
    - Mandatory waivers (Veterans’ grants, General Assembly Waivers)/FY13 = $3.2 million
    - CMS Group Health Insurance contributions = $2.1 million
    - Utilities and other operations and maintenance expense for new science building and other buildings = $3.5 million
    - Minimum wage increases, etc.

- Accountability measures
Cash Flow Situation vs. Budget Situation

Cash Flow Situation

• Delayed appropriation payments from the State to the University
• Involves the timing of when revenue is received vs. when expenses are paid
• Directly impacts SIUE’s state budget
  – We have to pay our bills but have to wait to get reimbursed by the State
• During the winter months, the State has owed us $45 million of our $60 million state appropriation budget

Budget Situation

• The University has been notified by the State that our state appropriation budget has been reduced

SOUTHERN ILLINOIS UNIVERSITY
EDWARDSVILLE
Uncertainty

- Uncertainty - Challenge in Planning Process
- Final state appropriation budget level sometimes not known until after the start of the fiscal year on July 1
- Enrollment is now an uncertainty

Why aren’t salary increases in place on July 1?

- UPBC - planning for multiple funding scenarios
  - FY13 Budget
    - Governor’s budget = flat funding
    - Final approved budget = 6.14% cut
  - FY14 Budget
    - Governor’s budget = 4.95% cut
    - Final approved budget = flat funding
  - Pharmacy Funding
    - Original Commitment = $2.5M
    - Current funding level = $1.25M
    - If President Poshard had not interceded, the funding would be gone
A Few More Questions

Why does the funding source (state vs. non-state) matter regarding hiring approvals, travel, etc.?

Why do we have to spend all this money at year-end at the last minute, with so little lead time?

Why hasn’t the 2% budget contingency been released in recent years?

Why don’t we do the mid-year reappraisal anymore?
Why is Enrollment Important?

- As state support continues to decline, it increases SIUE’s dependence on tuition.
- SIUE’s state appropriation is now $13.3 million lower than FY02.
- It will likely continue to decline, while FTE enrollment has grown by nearly 21%.

![State Appropriations Graph]

$69.6M  $64.3M  $63.6M  $59.7M  $59.7M

FY10  FY11  FY12  FY13  FY14
Why is Enrollment Important?

FY02
• For every $1 of tuition paid, the State paid $2.52

FY14
• For every $1 of tuition paid, the State pays $0.66
Why is Enrollment Important?

- Enrollment and retention translate directly into tuition revenue
- Tuition Revenue = (# of students) x (tuition rate) – (waivers)
- SIUE’s recent year enrollment declines are not as bad as at many other Illinois public universities, but the decline during the last two years totals 385 students
  - Results in a loss of $2.8 million to the state operating budget each year
- Enrollment is not just admission, but retention as well

<table>
<thead>
<tr>
<th>Impact of a Decline of 385 Students</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Source</strong></td>
</tr>
<tr>
<td>Tuition</td>
</tr>
<tr>
<td>Fees</td>
</tr>
<tr>
<td>Housing &amp; Dining</td>
</tr>
<tr>
<td><strong>Total Impact</strong></td>
</tr>
</tbody>
</table>
“The Big Flip” at SIUE

Fiscal Year 2002

State Appropriation: $73M (72%)
Income Fund: $28.9M (28%)

Fiscal Year 2014

State Appropriation: $59.7M (40%)
Income Fund: $90.7M (60%)
Performance-Based Funding

- Linked to goals of IBHE’s Illinois Public Agenda
- Has been in effect for several years; subject to modification

- Current performance measures focus primarily on retention and graduation
  - Number of Degrees for Bachelors, Masters, Doctoral and Professional
  - Undergrad Degrees per 100 FTE
  - Graduation Rates and Persistence Ratios

- The performance measures also include:
  - Cost Per Credit Hour and Cost Per Completion
  - Research and Public Service Expenditures
Performance-Based Funding

- Maintain the quality of degrees, certificates, courses, and programs
- Rewards performance of institutions in advancing the success of students who are:
  - Academically or financially at risk
  - First generation students
  - Low-Income students
  - Students traditionally underrepresented in higher education
- Recognizes and accounts for the differentiated missions of institutions of higher education
  - Scaling factors are applied to normalize the data
Challenges Not Faced By SIUE a Decade Ago

- Declining student population
- Higher tuition and fee costs (2.5x higher)
- State of Illinois cash flow situation
- State’s negative credit rating
- Pension reform
- Increased level of scrutiny by state and federal government
- External competition for university housing
- Challenges to multiple revenue streams
- Staffing levels in staff positions / increased workloads

Is there really a problem now, or are you just making a “crisis” up?
Additional Questions
Why was there a 1% across-the-board budget cut with flat state funding?

• Tuition revenue budget increase; however, not enough to cover expense increases

• Major expense increases included:
  – 2% salary increase
  – Additional scholarship funding/financial aid
  – New buildings – Utilities and operating costs
  – Retention initiatives

• When there is not sufficient “new money” to cover expense increases, a “re-allocation” of existing resources (i.e., a budget cut) becomes necessary
Why have SIUE’s tuition and fees increased so much?

- To offset declining state support
- Additional Reasons:
  - Enrollment growth with no corresponding state appropriation increases (hiring additional faculty, etc.)
  - Salary increases
  - Unfunded mandates
  - Retention and graduation rate improvement initiatives
Are SIUE’s higher tuition and fees due to athletics and hiring more administrators?

- Of the total tuition and fees increase of $6,922 since FY00, only $256 is due to the Athletics Fee
  - Athletics accounts for only 3.7% of the increase

- Since FY00, growth of administrators and staff has been relatively flat vs. increases in faculty to keep up with student enrollment growth
## Tuition, Fees, Room & Board

<table>
<thead>
<tr>
<th></th>
<th>FY 00</th>
<th>FY 14</th>
<th>$ Increase</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tuition (Newly Entering UG)</strong></td>
<td>$2,143.20</td>
<td>$7,296.00</td>
<td>$5,152.80</td>
<td>240%</td>
</tr>
<tr>
<td><strong>Mandatory Student Fees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercollegiate Athletics</td>
<td>$85.10</td>
<td>$341.30</td>
<td>$256.20</td>
<td>301%</td>
</tr>
<tr>
<td>Student Fitness Center</td>
<td>91.90</td>
<td>168.40</td>
<td>76.50</td>
<td>83%</td>
</tr>
<tr>
<td>Student-To Student Grant</td>
<td>6.00</td>
<td>12.00</td>
<td>6.00</td>
<td>100%</td>
</tr>
<tr>
<td>Stu. Welfare &amp; Act. Fee</td>
<td>112.30</td>
<td>229.90</td>
<td>117.60</td>
<td>105%</td>
</tr>
<tr>
<td>Textbook Service</td>
<td>125.00</td>
<td>369.00</td>
<td>244.00</td>
<td>195%</td>
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<tr>
<td>University Center</td>
<td>180.80</td>
<td>323.10</td>
<td>142.30</td>
<td>79%</td>
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<tr>
<td>Technology Fee</td>
<td>0.00</td>
<td>211.50</td>
<td>211.50</td>
<td>N/A</td>
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<tr>
<td>Student Success Center</td>
<td>0.00</td>
<td>145.20</td>
<td>145.20</td>
<td>N/A</td>
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<tr>
<td>Facilities Fee</td>
<td>0.00</td>
<td>570.00</td>
<td>570.00</td>
<td>N/A</td>
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<tr>
<td><strong>Total Mandatory Fees</strong></td>
<td>$601.10</td>
<td>$2,370.40</td>
<td>$1,769.30</td>
<td>294%</td>
</tr>
<tr>
<td><strong>Total Undergraduate</strong></td>
<td>$2,744.30</td>
<td>$9,666.40</td>
<td>$6,922.10</td>
<td>252%</td>
</tr>
<tr>
<td><strong>Room &amp; Board</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Res. Hall – Shared</td>
<td>$2,588.00</td>
<td>$5,430.00</td>
<td>2,842.00</td>
<td>110%</td>
</tr>
<tr>
<td>Meal Plan A</td>
<td>$1,876.00</td>
<td>3,070.00</td>
<td>1,194.00</td>
<td>64%</td>
</tr>
<tr>
<td>Campus Housing Activity Fee</td>
<td>24.00</td>
<td>31.00</td>
<td>7.00</td>
<td>29%</td>
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<tr>
<td><strong>Total Housing</strong></td>
<td>$4,488.00</td>
<td>$8,531.00</td>
<td>$4,043.00</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Total Undergraduate Cost</strong></td>
<td>$7,232.30</td>
<td>$18,197.40</td>
<td>$10,965.10</td>
<td>152%</td>
</tr>
</tbody>
</table>
## Growth Since FY 2000

<table>
<thead>
<tr>
<th>Employee Classification</th>
<th>FTE Hours Fall 1999</th>
<th>FTE Hours Fall 2012</th>
<th>Net Change (#)</th>
<th>Net Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrators (w/faculty rank)</td>
<td>99.2</td>
<td>100.5</td>
<td>1.3</td>
<td>1.3%</td>
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<tr>
<td>Faculty</td>
<td>561.0</td>
<td>732.0</td>
<td>171.0</td>
<td>30.5%</td>
</tr>
<tr>
<td>Staff</td>
<td>1,295.3</td>
<td>1,441.2</td>
<td>145.9</td>
<td>11.3%</td>
</tr>
<tr>
<td><strong>Total Employees</strong></td>
<td><strong>1,955.5</strong></td>
<td><strong>2,273.7</strong></td>
<td><strong>318.2</strong></td>
<td><strong>16.3%</strong></td>
</tr>
</tbody>
</table>

### Student Enrollment

| Fall Full-Time Equivalent                  | 9,123               | 11,943              | 2820           | 30.9%          |
Putting All the Clues Together

Factors to consider:

• Both the university mission and budget realities must be considered in combination

• We no longer have the luxury to make decisions based solely upon mission

• Initiatives that generate additional revenue, not just expense