

**EASTERN ILLINOIS UNIVERSITY
BOARD OF TRUSTEES**

**ADDENDUM
June 23, 2017**

C. FY18 Budget Approval and FY19 Budget Parameters

The Budget Process

Each year, Illinois public universities define their appropriated and income funds budget requirements. The process follows this approximate timetable:

- Operating and capital budget parameters as reviewed by the Board of Trustees in June, 2017 for FY 2019 will be sent to the Illinois Board of Higher Education (IBHE) by October 15, 2017. The contents of these requests will be articulated in considerable detail in Eastern's Resource Allocation Management Plan—RAMP—document.
- IBHE staff members meet in late October with each public university to discuss local and state-wide issues and priorities.
- The IBHE issues its recommendations to universities in early December. These recommendations are made available to the Governor's office.
- Eastern's recommended appropriation for FY 2019 is published by the IBHE in late January.
- The Governor presents budget recommendations in the annual State of the Budget address, normally given in February.
- Universities prepare and submit 200+ pages of Illinois State Legislature (ISL) forms and narrative to the General Assembly offices within 48 hours after the Governor's budget address. The ISL document provides exhaustive budgetary and descriptive statistics.
- University presidents and senior staff provide testimony regarding their budget requests before the House and Senate Appropriations Committees in March through May.
- Eastern's appropriation bill is drafted in April or late May.

Under Normal Conditions:

- On or about May 31, the General Assembly finalizes appropriations for the ensuing fiscal year that starts on July 1.
- The Governor signs the appropriation bill on or about July 1.
- Funds are available to universities by early July. In recent history, actual cash receipts have been considerably delayed.

Prevailing Economics, Budget Assumptions, Year-over-Year Revenue and Expenditure Category Variance Discussion, and Significant Budgetary Initiatives

The prevailing condition associated with the development of preliminary budget parameters for FY 2018 and FY 2019 is uncertainty and state funding reductions. In fact, at this writing, we do not have a clear view or any basis for assumption concerning Eastern's FY 2018 appropriation. Hopefully, as we move forward in the new year, we will receive the information necessary from the State to allow us to finalize the FY2018 and FY2019 budget projection that will more accurately reflect the financial context in which the university will fulfill its mission. However, as State statutes require governing board approval of operating budgets prior to the beginning of a fiscal year, we are requesting the approval of the FY 2018 financial plan.

TABLE 1. REVENUES, EXPENDITURES, AND FUND BALANCES

(All Amounts in Thousands)

| FUND SOURCE | FY15 ACTUAL | FY16 ACTUAL | FY17 ESTIMATED | FY18 * BUDGET | FY18 VS FY17 | |
|--|----------------|----------------|-------------------|------------------|--------------|---------|
| | | | | | DOLLARS | PERCENT |
| OPERATING FUNDS: | | | | | | |
| Appropriated/Income Funds: | | | | | | |
| A. State Appropriations | 42,902.9 | 12,456.5 | 31,804.0 | 36,529.3 | 4,725.3 | 14.9% |
| B. Tuition and Fees | 67,377.2 | 64,711.6 | 56,253.5 | 51,829.6 | (4,423.9) | -7.9% |
| C. Misc Inc (includes excess funds) | 506.0 | 158.6 | 314.5 | 100.0 | (214.5) | -68.2% |
| D. Waivers | (12,288.2) | (11,865.3) | (10,412.2) | (9,891.6) | 520.6 | -5.0% |
| Total Appropriated, Tuition and Fees | 98,497.8 | 65,461.5 | 77,959.9 | 78,567.3 | 607.4 | 0.8% |
| Deduct Expenditures | 103,880.9 | 90,262.0 | 78,996.8 | 78,567.3 | (429.5) | -0.5% |
| E. Net Suplus (Deficit) | (5,383.0) | (24,800.5) | (1,037.0) | - | 1,037.0 | -100.0% |
| Non-Appropriated Revenues | | | | | | |
| H. Student Fees | 21,717.9 | 21,420.1 | 19,029.7 | 18,727.3 | (302.4) | -1.6% |
| I. Federal (Pell, SEOG) and Other Grants | 17,746.7 | 17,245.3 | 15,386.1 | 13,490.4 | (1,895.7) | -12.3% |
| J. Gifts | 3,660.4 | 2,030.5 | 2,218.0 | 1,701.0 | (517.0) | -23.3% |
| K. Other Income | 4,393.5 | 2,252.8 | 2,495.4 | 2,193.0 | (302.4) | -12.1% |
| L. Housing and Dining Services | 26,785.5 | 25,175.9 | 20,097.1 | 20,067.8 | (29.3) | -0.1% |
| M. Sales and Services | 9,172.9 | 9,107.8 | 7,909.3 | 7,827.6 | (81.7) | -1.0% |
| Total Non-Appropriated Revenues | 83,476.9 | 77,232.4 | 67,135.6 | 64,007.1 | (3,128.5) | -4.7% |
| Deduct Expenditures | 79,902.4 | 74,932.8 | 65,478.5 | 64,007.1 | (1,471.4) | -2.2% |
| N. Net Surplus (Deficit) | 3,574.5 | 2,299.6 | 1,657.1 | - | (1,657.1) | -100.0% |
| ALL OPERATING FUNDS: | | | | | | |
| O. Revenues | 181,974.7 | 142,693.9 | 145,095.5 | 142,574.4 | (2,521.1) | -1.7% |
| P. Expenditures | 183,783.3 | 165,194.8 | 144,475.3 | 142,574.4 | (1,900.9) | -1.3% |
| Q. Net Surplus (Deficit) | (1,808.6) | (22,500.9) | 620.2 | - | (620.2) | -100.0% |

* Note that FY18 Budgeted Expenditures on Table 1 are preliminary since State Appropriations have yet to be finalized.

TABLE 2. SUMMARY OF BUDGETED EXPENDITURES -- ALL FUNDS

(All Amounts in Thousands)

| Expenditure Class | FY15 | FY16 | FY17 | FY18 * | FY18 VS FY17 | |
|-------------------------------------|------------------------|------------------------|---------------------------|--------------------------|------------------|--------------|
| | ACTUAL EXPENDITURES | ACTUAL EXPENDITURES | ESTIMATED EXPENDITURES | BUDGETED EXPENDITURES | DOLLARS | % |
| Personnel Services | 105,949.5 | 94,209.0 | 84,059.9 | 83,355.4 | (704.5) | -0.8% |
| Contractual Services | 12,232.8 | 10,569.2 | 9,420.7 | 9,388.5 | (32.2) | -0.3% |
| Computer Software | 2,176.3 | 2,079.9 | 1,947.2 | 1,922.2 | (25.0) | -1.3% |
| Equipment | 1,440.0 | 469.9 | 819.7 | 592.6 | (227.1) | -27.7% |
| Interest and Principal | 6,727.6 | 8,163.6 | 2,222.2 | 1,392.2 | (830.0) | -37.4% |
| Library Books | 1,453.0 | 1,216.2 | 1,262.9 | 1,225.8 | (37.1) | -2.9% |
| Permanent Improvements | 1,611.4 | 994.8 | 1,292.5 | 1,108.9 | (183.6) | -14.2% |
| Repairs and Maintenance | 1,875.4 | 1,123.7 | 1,301.0 | 1,496.3 | 195.3 | 15.0% |
| Scholarships and Awards | 24,181.3 | 23,272.7 | 19,900.3 | 19,125.5 | (774.8) | -3.9% |
| Commodities | 4,005.2 | 3,038.0 | 2,846.2 | 2,924.8 | 78.6 | 2.8% |
| Telecommunications | 820.4 | 675.6 | 577.5 | 572.9 | (4.6) | -0.8% |
| Travel | 1,208.7 | 707.1 | 561.9 | 555.3 | (6.6) | -1.2% |
| Utilities | 11,318.7 | 9,833.7 | 11,384.5 | 11,998.0 | 613.5 | 5.4% |
| Purchase for Resale | 4,964.6 | 4,403.0 | 3,646.0 | 3,607.7 | (38.3) | -1.1% |
| Transfers to reserves | 3,454.0 | 4,383.0 | 2,955.4 | 3,308.3 | - | 0.0% |
| Excess Funds | 364.2 | 55.5 | 277.5 | 0.0 | (277.5) | -100.0% |
| Total All Funds Expenditures | 183,783.3 | 165,194.8 | 144,475.3 | 142,574.4 | (2,253.8) | -1.6% |

* Note that FY18 Budgeted Expenditures on Table 3 are preliminary since State Appropriations have yet to be finalized.

TABLE 3. SUMMARY OF BUDGETED EXPENDITURES -- STATE APPROPRIATED and TUITION INCOME FUNDS

(All Amounts in Thousands)

| Expenditure Class | FY15 | FY16 | FY17 | FY18 * | FY18 VS FY17 | |
|--|------------------------|------------------------|---------------------------|--------------------------|----------------|--------------|
| | ACTUAL EXPENDITURES | ACTUAL EXPENDITURES | ESTIMATED EXPENDITURES | BUDGETED EXPENDITURES | DOLLARS | % |
| Personnel Services | 80,088.1 | 69,955.5 | 60,738.3 | 60,467.5 | (270.8) | -0.4% |
| Contractual Services | 3,347.5 | 2,696.4 | 1,989.7 | 1,993.8 | 4.1 | 0.2% |
| Computer Software | 1,318.9 | 922.0 | 980.1 | 950.0 | (30.1) | -3.1% |
| Equipment | 552.2 | 77.3 | 65.5 | - | (65.5) | -100.0% |
| Interest and Principal | 0.1 | - | - | - | - | 0.0% |
| Library Books | 1,409.0 | 1,182.6 | 1,222.5 | 1,185.8 | (36.7) | -3.0% |
| Permanent Improvements | 786.4 | 47.4 | - | - | - | 0.0% |
| Repairs and Maintenance | 662.1 | 325.9 | 300.3 | 300.3 | 0.0 | 0.0% |
| Scholarships and Awards | 7,068.3 | 7,143.7 | 6,153.3 | 5,845.7 | (307.6) | -5.0% |
| Commodities | 1,285.7 | 641.3 | 525.6 | 525.7 | 0.1 | 0.0% |
| Telecommunications | 458.8 | 387.5 | 327.4 | 322.0 | (5.4) | -1.7% |
| Travel | 670.1 | 311.2 | 192.7 | 200.0 | 7.3 | 3.8% |
| Utilities | 5,699.6 | 4,998.5 | 5,501.5 | 5,776.5 | 275.0 | 5.0% |
| Transfers to reserves | 533.9 | 1,572.8 | 1,000.0 | 1,000.0 | - | 0.0% |
| Total Appropriated Expenditures | 103,880.9 | 90,262.0 | 78,996.8 | 78,567.3 | (429.5) | -0.5% |

* Note that FY18 Budgeted Expenditures on Table 3 are preliminary since State Appropriations have yet to be finalized.

TABLE 4. SUMMARY OF BUDGETED EXPENDITURES -- NON-APPROPRIATED FUNDS

(All Amounts in Thousands)

| Expenditure Class | FY15 | FY16 | FY17 | FY18 * | FY18 VS FY17 | |
|--|------------------------|------------------------|---------------------------|--------------------------|------------------|--------------|
| | ACTUAL EXPENDITURES | ACTUAL EXPENDITURES | ESTIMATED EXPENDITURES | BUDGETED EXPENDITURES | DOLLARS | % |
| Personnel Services | 25,861.4 | 24,253.5 | 23,321.6 | 22,887.9 | (433.7) | -1.9% |
| Contractual Services | 8,885.3 | 7,872.8 | 7,431.0 | 7,394.7 | (36.3) | -0.5% |
| Computer Software | 857.4 | 1,157.9 | 967.1 | 972.2 | 5.1 | 0.5% |
| Equipment | 887.8 | 392.6 | 754.2 | 592.6 | (161.6) | -21.4% |
| Interest and Principal | 6,727.5 | 8,163.6 | 2,222.2 | 1,392.2 | (830.0) | -37.4% |
| Library Books | 44.0 | 33.6 | 40.4 | 40.0 | (0.4) | -1.0% |
| Permanent Improvements | 825.0 | 947.4 | 1,292.5 | 1,108.9 | (183.6) | -14.2% |
| Repairs and Maintenance | 1,213.3 | 797.8 | 1,000.7 | 1,196.0 | 195.3 | 19.5% |
| Scholarships and Awards | 17,113.0 | 16,129.0 | 13,747.0 | 13,279.8 | (467.2) | -3.4% |
| Commodities | 2,719.5 | 2,396.7 | 2,320.6 | 2,399.1 | 78.5 | 3.4% |
| Telecommunications | 361.6 | 288.1 | 250.1 | 250.9 | 0.8 | 0.3% |
| Travel | 538.6 | 395.9 | 369.2 | 355.3 | (13.9) | -3.8% |
| Utilities | 5,619.1 | 4,835.2 | 5,883.0 | 6,221.5 | 338.5 | 5.8% |
| Purchase for Resale | 4,964.6 | 4,403.0 | 3,646.0 | 3,607.7 | (38.3) | -1.1% |
| Transfers to reserves | 2,920.1 | 2,810.2 | 1,955.4 | 2,308.3 | 352.9 | 18.0% |
| Excess Funds | 364.2 | 55.5 | 277.5 | - | (277.5) | -100.0% |
| Total Non-Appropriated Expenditures | 79,902.4 | 74,932.8 | 65,478.5 | 64,007.1 | (1,471.4) | -2.2% |

Program Priority Requests

Each year the university requests targeted funds for strategic initiatives. The following Program Priority Requests (PPRs) integrate the IBHE's *Public Agenda for College and Career Success*, the university's strategic plan adopted in FY 2012, and various criteria of the Performance Funding Model.

IBHE describes its *Public Agenda for College and Career Success* as “the pathway to one Illinois, where all residents have affordable access to high-quality educational opportunities that prepare them for the jobs of the present and the future.” The *Public Agenda* was developed at the direction of the General Assembly and was formulated through the “collaboration of literally hundreds of stakeholders in higher education” over a two-year period.

The *Public Agenda*'s goals for Illinois higher education are:

- a. Increase Educational Attainment
- b. Ensure College Affordability
- c. Address Workforce Needs
- d. Enhance Economic Growth

The EIU Strategic Plan's Six Strategic Themes embrace the following:

- a. Academic Excellence
- b. Global Competition and Changing Demographics
- c. Emerging Technologies
- d. Campus and Community Life
- e. Financial Sustainability
- f. Marketing and Communication

Performance Funding Measures:

In accordance with Public Act 97-320 (HB 1503), performance metrics accomplish the following:

- a. Reward 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.
- b. Recognize and account for the differentiated missions of institutions of higher education.
- c. Focus on the fundamental goal of increasing completion.
- d. Recognize the unique and broad mission of public community colleges.
- e. Maintain the quality of degrees, certificates, courses, and programs.

The following Program Priority Requests, in support of the *Public Agenda*, the university's strategic objectives, and Performance Funding metrics are submitted to the Board of Trustees as part of the FY 2019 budget parameters.

(Program Priority Requests – continued)
Academic Base Support—\$1,650,000

This PPR provides academic base support to enable the university to recognize and enhance first-choice programs at the undergraduate and graduate levels. It supports Eastern’s Academic Excellence goal by aiding us to create a culture of rigor and to embed integrative learning opportunities systemically in our curricula. It also supports Illinois Public Agenda goals #1 and #3, which call on higher education institutions to increase educational attainment and the number and quality of post-secondary credentials.

In the strategic planning process, faculty, staff, and students established academic excellence as a key priority. One way to implement this directive and to enhance EIU’s academic reputation is to identify and support first-choice programs that offer students high-caliber learning opportunities, to apply what they learn, and to secure employment or further their education.

First-choice programs recruit students with exemplary credentials, attracting them because the programs have a proven reputation for:

1. Offering a cutting-edge curriculum designed to help students develop and refine the knowledge and skills demanded in the workplace;
2. Connecting them to faculty members known for their teaching, research/creative activity, and service;
3. Requiring them to work collaboratively with their peers and their teachers; and
4. Enriching their academic experience with a diverse array of opportunities that require them to apply, transfer, and reflect on what they learn in the classroom and outside of it, including research projects, internships and practica, study abroad, service learning, and so on.

These characteristics of first-choice programs, in turn, enable graduates to be strong competitors for jobs and graduate school placement.

The funds requested for this academic base support PPR would be directed at three key areas crucial to establishing first-choice programs: providing scholarships to the best students EIU can enroll; retooling curricula to systematically embed integrative learning opportunities and improve the skills employers demand, including communication and problem-solving skills; and provide individualized advising, tutoring, mentoring, research/creative activity, career counseling, and internship and job placement.

In addition to aiding EIU to create a culture of rigor and to enhance its reputation, this request supports *Illinois Public Agenda* goals and performance metrics that call on universities to increase educational attainment and the number and quality of post-secondary credentials.

Budget Detail:

| | |
|--|----------------------------|
| 12 Faculty | \$ 800,000 |
| 4 Support Staff | 160,000 |
| Contractual Services (includes scholarships) | 365,000 |
| Commodities | 50,000 |
| Travel | 25,000 |
| Equipment | <u>250,000</u> |
| Total Budget | <u>\$ 1,650,000</u> |

(Program Priority Requests – continued)
Deferred Maintenance—\$1,978,421

The physical learning environment is critical to student retention. Many of our academic buildings are more than 50 years old and still have their original heating, ventilation and air conditioning (HVAC), plumbing, electrical equipment, doors and windows. This funding request would increase the annual state appropriation for deferred maintenance to approach the annual deferred maintenance target of 2.5% of the Current Replacement Value (CRV) of campus buildings. This assumes the life expectancy of the average instructional/research building system to be 40 years, including carpeting, lights, paint, masonry, heating and air conditioning, plumbing, etc. Some structures last longer than 40 years while others require replacement much sooner. EIU’s FY 2016 CRV stood at \$552 million. Therefore, an annual investment of \$13.8 million is necessary to halt additional accumulation of deferred maintenance. This amount is simply to slow the growth of deferred maintenance and to keep facilities in a status quo condition. It will not reduce the present accumulated amount, which for FY 2016 was estimated at \$157 million *excluding* utilities infrastructure systems. Presently, the university’s funding request is at 0.36% of CRV, or \$1.97 million. This initiative requests that the annual funding level increase to 2.5% of CRV over three years (escalated at a rate of 6% per year). This level is in line with that of other higher education institutions that are considered to be “reasonably funded” for deferred maintenance.

One measure of deferred maintenance needs is called the Facility Condition Index (FCI) and is calculated by dividing the accumulated deferred maintenance by the replacement value (CRV). At last measure, the EIU FCI stands at 28% (\$157 million divided by \$522 million). An ideal target for higher education facilities is an FCI of 5% or less. *An FCI greater than or equal to 15% is considered serious and indicative of a campus in poor condition.* The university tracks and adjusts its estimate of the FCI on an annual basis. If funded, this PPR will help allow the university to gradually reduce the FCI over time.

Budget Detail:

| | |
|------------------------|----------------------------|
| Permanent Improvements | <u>\$ 1,978,421</u> |
| Total Budget | <u>\$ 1,978,421</u> |

* Will be updated with June 30th numbers before filing with IBHE in October.

(Program Priority Requests – continued)

Recruitment and Retention in a Diverse Learning Environment—\$402,000

This request supports interrelated initiatives to improve the recruitment and retention of a diverse faculty, professional staff, and student body. It also reflects objectives that emerged through the recently completed strategic planning process. This planning process involved a cross-section of members of campus—faculty members, professional staff, students and members of the community—who considered how Eastern may enhance its efforts to respond to the changing demographics of Illinois college students and to prepare all students for global competition.

- Fund instructional materials and enrollment fees in higher education professional development seminars for faculty and staff participants in the University Professional Enrichment Program. This reinstated initiative fosters advancement opportunities for members of our campus, including members of groups who may be underrepresented in leadership positions.
- Design and deliver an enhanced dual career program for the spouses and partners of faculty and professional staff. This program supports the recruitment and retention of highly qualified faculty and professionals to a region of Illinois with increasingly fewer professional employment opportunities.
- Strengthen support services that serve students with significant personal and psychology issues and also those with disabilities.
- Reinstated support for two Visiting Distinguished Faculty Members or Visiting Distinguished Community Leaders who will enrich the campus climate with their knowledge and expertise on the issues affecting members of underrepresented and underserved groups.
- Design and pilot the Student Conflict Intervention teams and the Conflict Resolution Certificate Program for Students.
- Pilot incubator projects designed by student entrepreneurs that contribute to a richer campus climate that heightens student, faculty, and staff engagement and enhances services to members of underrepresented and underserved groups.

Budget Detail:

| | |
|---|--------------------------|
| Personnel Services—faculty and professional staff | \$ 360,000 |
| Contractual Services | 35,000 |
| Instructional materials, commodities | <u>7,000</u> |
| Total Budget | <u>\$ 402,000</u> |

(Program Priority Requests – continued)
Technology Enhancements—\$2,000,000

Three compelling mandates support this funding request: the elimination of a repeated audit finding requiring an off-site data security center for disaster recovery; the creation of a virtual desktop infrastructure; and increasing the density of campus wireless access points.

For several years, the Office of the Auditor General has cited EIU for not having a backup site for its data center. The only affordable move thus far towards remedying this situation has been to find space in existing buildings on campus to house backup data disks (SAN) connected to the main data center via fiber cables. A facility off-campus however would be more desirable. The space would require new computing and network equipment (redundant switches, servers and SAN disks) and an electrical and HVAC upgrade to handle the load. In addition, a backup generator would also be a requirement for a practical fallback site.

This funding request would also support the creation of a virtual desktop infrastructure (VDI). VDI would enable the university to host desktop operating systems within a virtual machine running on servers housed within the ITS data center. Students, faculty and staff would be able to access their virtual desktops at any location or using any machine, always receiving the same experience.

Demand for multimedia-capable high-speed network access for students in classrooms, labs and residence halls continue to grow rapidly. In its current configuration, the academic wireless network in the buildings will not be able to sustain more than two classrooms per access point. The density of the existing access points will need to be quadrupled to meet the anticipated classroom demand.

Budget Detail:

| | |
|---------------------|----------------------------|
| Commodities | \$ 600,000 |
| Equipment | <u>1,400,000</u> |
| Total Budget | <u>\$ 2,000,000</u> |

**Eastern Illinois University
FY2019 Capital Budget Summary**

Capital budget funds are requested in two main categories, regular capital and capital renewal. Regular capital projects are larger in scope and are often phased over several years. Regular capital funds can be requested for planning, site improvements, land acquisitions, utilities, construction, remodeling, and moveable equipment. Capital renewal projects are hybrids between a capital construction request and controlled maintenance. Capital renewal projects are usually focused on one particular building system in an attempt to renovate the system without significantly changing the programs in the building. For FY 2019, Eastern proposes the regular capital and capital renewal projects listed below.

| Regular Capital Projects | Amount |
|---|-------------------------------------|
| New Science Building – Planning, Construction, & Equipment | \$ 117,027,600 |
| Rehabilitate Life Science/Coleman HVAC and Plumbing – (Escalation only) | 2,209,400 |
| Upgrade Utilities Infrastructure – Safety & Utilities | 31,369,000 |
| Repurpose Steam Production Facilities – Remodel & Rehabilitation | <u>49,843,500</u> |
| Subtotal | \$ <u>200,449,500</u> |
| | |
| Capital Renewal Projects | |
| Fire Alarm Upgrades, Life Science/Buzzard/Coleman – Safety | 4,252,900 |
| Energy Conservation Upgrade Fume Hoods – Safety | 6,846,800 |
| Upgrade Electrical, Life Science – Safety & Rehabilitation | 320,200 |
| Upgrade Electrical, Physical Science – Safety & Rehabilitation | 2,519,200 |
| Rehabilitate Klehm Hall HVAC and Plumbing – Safety & Rehabilitation | 3,723,700 |
| Fire Alarm Upgrades, Old Main/Klehm Hall/Student Services – Safety | 1,278,200 |
| Upgrade Electrical Building Distribution – Safety & Utilities | 5,363,000 |
| Upgrade HVAC, Klehm Hall – Safety & Rehabilitation | 1,954,500 |
| Replace Campus Compressed Air Distribution Piping – Safety & Utilities | 1,567,100 |
| Emergency Power System (EPS), Physical Science – Safety | <u>723,100</u> |
| Subtotal | \$ <u>28,560,700</u> |
| | |
| Total Capital Projects | \$ <u><u>229,010,200</u></u> |