

ACTION ITEM: APPROVAL OF FINAL FISCAL YEAR 2024 OPERATING BUDGET - REVISED

Summary

The University is requesting an operating budget of \$85,300,000 for Fiscal Year 2024. This represents an increase of 1.6 percent from FY2023, due primarily to stabilizing operations and the Board's decision to support the operating budget for FY2024. The FY2024 budget is based on a 1.35 percent decline in projected tuition revenue and a 7.0 percent increase in the State appropriation. The requested operating budget is balanced between revenues and expenditures, in part by relying on a \$2.5 million special allocation approved by the Board of Trustees. Additionally, approximately \$600,000 in salaries are covered by the NEIU for You program and are scheduled to return to the operating budget in FY2025. These transitory funding streams will not be available in FY2025, and sustainability planning is necessary to address the gap.

The final operating budget presented in this request is significantly similar to the FY2024 Preliminary Operating Budget presented to the Executive Committee on May 31, 2023. The enrollment outcomes for the Summer and Fall semesters were sufficiently close to projections that there is no need to revise the projected credit hours or the resulting net tuition revenue for FY2024.

Overview

The Northeastern Illinois University Board of Trustees is asked to approve the University operating budget that represents estimated spending plans for the current fiscal year beginning on July 1, 2023 and ending on June 30, 2024. A budget strategy with respect to a targeted use of reserves and the resulting preliminary FY2024 budget was approved at the May 31, 2023 Executive Committee of the Board of Trustees.

In August 2003 the Illinois Board of Higher Education (IBHE) adopted Recommended Actions to Expand and Enhance Public University Annual Operating Budget Review, Approval and Oversight. Actions included a requirement that each public university adopt a "preliminary/estimated spending plan" prior to July 1 that includes:

- funding sources reported by, at a minimum, State-appropriated funds, University income funds, and all other non-appropriated funds, and
- expenditures by object of expenditure (e.g., personal services, contractual services, equipment).

This report provides the information required by the IBHE for the FY2024 internal budget.

Table 1 shows the breakdown by funding sources and shows the University's unrestricted operating budget is comprised of two main sources of funds – state general funds appropriations (approximately 47 percent of operating revenues) and university income funds (approximately 53 percent of operating revenues). The values in Table 1 are shown for the FY2023 Budget, the FY2024 Preliminary Budget and the FY2024 Final Budget.

Table 2 shows expenditures broken down for the Unrestricted and Restricted Operating budgets. The expenditures are broken down by functional and line-item categories. The breakdown by "functional category" mirrors the reporting structure used in the audited financial reports. Further details on the functional categories can be found in the text following Table 2.

The breakdown by "line-item categories" is based on requirements from the Illinois Comptroller and the IBHE (see SAMS Manual)¹. These categories are used by the University to communicate both budget and

¹See pages 477 through 533 of the Statewide Accounting Management System (SAMS) manual,
<https://illinoiscomptroller.gov/media/sites/comptroller/assets/File/Agencies/Sams/SAMSManualMaster.pdf>

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expenditure information to the state; for example, these categories are used in both the RAMP and ISL reports.

Preliminary vs. Final Operating Budgets

The Final Unrestricted Operating Budget is set at \$85,300,000 which is an increase of \$781,453 or 0.9% over the approved Preliminary Operating Budget. The increase was almost entirely driven by an increase in budgeted investment income. This revision is due the continued high inflation environment and the diminished prospect of a recession during FY2024, together this will likely result in the Federal Reserve holding short-term interest rates at elevated levels for the entirety of FY2024. The additional revenue was used to fund marketing for international programs (\$175,000), the hiring of a search firm by the BOT for the presidential search (\$100,000), an allocation to fund one-time initiatives related to increasing enrollment (\$500,000) and \$6,450 for balancing and to fund unanticipated compensation increases.²

State appropriation

In FY2023, the University received an appropriation of \$37,345,300. In April 2023, the Governor signed into law a budget that called for a 7.0 percent increase of \$2,614,700, to a total of \$39,960,000 for FY2024. This is a slight increase of \$529 from the Preliminary Operating Budget as the final value from the state presented a slight rounding of the anticipated percentage increase.

Net Tuition Revenue

The unrestricted operating budget reflects the tuition and fee rates previously adopted by the Board and enrollment projections developed internally by the University. The forecast for FY2024 tuition revenues is based on an examination of the flow of new and continuing graduate and undergraduate students and was created in collaboration between the Budget Office and Enrollment Management.

Undergraduate students are charged tuition rates based on the academic year of their enrollment and there are six after tuition cohorts going back to students admitted in Fall 2019. For newly enrolled undergraduate students and graduate students, the applicable tuition rates were approved by the Board in November 2022. These tuition rates include an increase of 2.5 percent or \$10.51 in undergraduate tuition for Illinois residents (from \$420.44 to \$430.95 per credit hour) and a 5.0 percent increase for graduate tuition for Illinois residents (from \$441.46 to \$463.53 per credit hour).

The preliminary and final operating budgets both anticipate a total of 110,500 credit hours for FY2024. This projection represents a decline of 2,300 credits hours or 2.0 percent from the FY2023 final operating budget and a decline of 6,669 credit hours or 5.7% from realized credit hour enrollment in FY2023. The drop in the budgeted level of tuition differential is due to a reconciliation adjustment for budgeted and actual enrollments prior to FY2023 and no reconciliation adjustment was applied to FY2024 for differential tuition.

In FY2023, as fall enrollment was realized, the projection for credit hour enrollment was revised from 128,300 credit hours to 112,400 credit hours. This resulted in the need to reduce the final budget by \$3.4 million via disruptive revisions to mid-year budgets. Following the census date for Fall 2023 enrollment, an updated trend projection was created to evaluate if there was a need to revise the budgeted level of net tuition revenue for FY2024. The current estimate from the trend model does not support the need for a mid-year revision to the operating budget. Table 3 provides a summary of the updated projections, as well as an overview of the various credit hour enrollment projections related to FY2024. In addition, Table 3

² The expenses related to the presidential search and funding for strategic initiatives are viewed as one-time costs for budget planning purposes. This means that they are not included in initial estimates of expenses for FY2025 and are not incorporated in the "FY25 Operating & Capital Request Budget".

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also includes an update to the projected net tuition revenue for FY24. This projection incorporates the known enrollment for FY2024 and updates the financial projections to reflect the most recent trend model projection. If the updated projections are taken at face value, then they suggest net tuition revenue would exceed the budgeted level of net tuition revenue by approximately \$2.1 million. If realized, this additional revenue would be used to offset the Board's allocation of reserves to support the operating budget.

Other Income

In FY2023, Other Income included \$2,400,000 in federal COVID-19 relief funding. Federal COVID-19 relief fundings are no longer present in the "Other" category of the University Income Fund. Despite the loss of relief funding in FY2024, the "Other" category is only anticipated to decline by approximately \$673,500. This is due to a large increase in income from investments and to the return of income associated with the return of students to on-campus instruction.

Investment income is derived from the interest paid on the University's cash balances. This income has steadily increased as short-term interest rates have continued to rise (see graph below). In FY2022, realized investment income totaled \$204,000. In the Preliminary FY2023 Budget investment income was projected at \$400,000. This was revised to \$1,050,000 in the Final FY2023 Budget but the increase was described as "transitory". The realized investment income was \$3.04 million. In the Preliminary FY2024 Operating Budget, investment income was assumed at \$1.5 million but as interest rates have remained high and are now expected to remain high, budgeted investment income was revised to \$2,276,600. This budgeted level represents a compromise. While the use of cash reserves will put some pressure on investment returns, this may be balanced by higher interest rates and investment income is likely to be close to the level from FY2023. That said, investment returns are highly volatile and can quickly evaporate if the Federal Reserve elects to target lower short-term rates. The budgeted level of \$2.2 million represents about 75% of the most recent projection of investment income and represents a compromise level for budget purposes. If the projected investment income level is realized this would further offset the Board's allocation of reserves to support the operating budget.

Expenditures

Expenditures for FY2024 are balanced to anticipated operating revenues of \$85,300,000 as outlined above, with up to \$2,500,000 of FY24 operating expenditures covered by the special reserve allocation approved by the Executive Committee of the Board of Trustees on May 31, 2023. Relative to FY2023, expenditures covered by operating revenues are budgeted to increase \$1.36 million or 1.6 percent in FY2024, while total operating expenditures are budgeted to increase \$3.86 million or 4.6 percent in FY2024.

Restricted operating funds

In addition to the unrestricted operating budget, the final plan includes forecasts for the restricted operating budget. The restricted operating budget includes expenditures from revenue sources that are restricted either by an external requirement or by internal accounting policy; these restrictions apply to student fee programs, auxiliary services, indirect costs and grant sources (local, state, federal and private). The budgets for Student Fee Programs and a portion of Auxiliary Services reflect the student fee rates as approved by the Board of Trustees in November 2022.

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In total, the revenues for restricted operating funds are projected to total \$47,763,200 in FY2024. This represents a decline of \$11,516,100 from FY2023, primarily due to the decline in federal COVID-19 support and reduce revenue and funding from declines in credit hour enrollment.³

The differences within the Student Fee Programs, Sales & Services, Auxiliary Services and Indirect Cost Recovery categories can be attributed to declines in enrollment, changes to the calculation approach used to estimate revenues and the expiration of carryover or fund balance amounts being incorporated into the operating budgets for these restricted categories.

The total FY2024 budget is summarized in Table 1. Resources available for operating purposes in FY2024 are estimated at \$133,063,200, a decrease of \$10.15 million or 7.1 percent, from the final FY2023 budget.

Recommended Action

It is requested that the Board of Trustees approve the final FY2024 budget as presented in Table 1, Table 2 and discussed above.

Table 1
NORTHEASTERN ILLINOIS UNIVERSITY
Fiscal Year 2024 Operating Budget
(with comparable data provided for Fiscal Year 2023)

	FY2023 Budget	FY2024 Prelim. Budget	FY2024 Budget	Annual Change	
Unrestricted Operating Budget					
State General Funds Appropriations	\$ 37,345,300	\$ 39,959,471	\$ 39,960,000	\$ 2,614,700	7.0 %
University Income Fund - Tuition	42,172,200	41,874,401	41,874,400	(297,800)	(0.7)
University Income Fund - Tuition Differential	972,400	684,675	689,000	(283,400)	(29.1)
University Income Fund - Other*	3,450,100	2,000,000	2,776,600	(673,500)	(19.5)
Unrestricted Operating Budget	\$ 83,940,000	\$ 84,518,547	\$ 85,300,000	\$ 1,360,000	1.6 %
Restricted Operating Budget					
Student Fee Programs	\$ 8,412,600	7,240,000	\$ 7,240,000	\$ (1,172,600)	(13.9) %
Sales & Services	2,463,800	2,755,000	2,755,000	291,200	11.8
Auxiliary Services	4,056,500	3,457,300	3,457,300	(599,200)	(14.8)
Indirect Costs Recovery	1,870,600	1,301,400	1,301,400	(569,200)	(30.4)
Grants & Contracts-Education	600,000	600,000	600,000	-	0.0
State and Local Grants & Contracts	12,028,100	12,344,782	13,812,500	1,784,400	14.8
Federal Grants & Contracts*	28,926,000	20,108,913	17,680,000	(11,246,000)	(38.9)
Private Grants & Contracts	921,700	833,601	917,000	(4,700)	(0.5)
Restricted Operating Budget	\$ 59,279,300	\$ 48,640,996	\$ 47,763,200	\$ (11,516,100)	(19.4) %
Total Operating Budget	\$ 143,219,300	\$ 133,159,543	\$ 133,063,200	\$ (10,156,100)	(7.1) %

* FY23 Other Income included \$2.4 million of COVID relief funding.

** FY23 Federal Grants & Contracts included approximately \$3.4m of COVID related funding.

Additional Notes Related to Table 1

University Income Fund – Tuition: This is net tuition revenue calculated by taking the appropriate per credit hour tuition rates and applying them to anticipated credit hours for each tuition cohort. The gross tuition revenue is then adjusted for a 12% reservation for bad debt and tuition waivers. The 12% assumption is based on the average net tuition received over the past five years.

University Income Fund - Tuition Differential: This is calculated as a 10% surcharge to tuition based on an estimate of credit hours taken in the College of Business and Technology (CBT). Since spending is limited to the budgeted level of tuition differential, there is a reconciliation process each year to ensure that differential revenue goes to support programming in the CBT. This reconciliation process did not occur in FY21 or FY22

³ The values related to State, Federal and Private grants are preliminary and will be updated once final accounting entries are submitted for FY2023.

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and so the FY23 budgeted value reflects two years of reconciliation of revenue. During the proportional budgeting process used to establish Control Numbers (spending limits) by each area, an assumption of \$723,400 was used for the differential revenue attributable to FY23 credit hours. There are no reconciliation amounts included in the FY24 final budget for differential tuition and so the reduction in budgets is approximately \$34,400 or 4.8%.

Student Fee Programs: This category includes revenue from the majority of programs supported by the General Student Fee plus revenue related to U-Pass. General Student Fee programs not included are Student Union (Aux) and Campus Improvement (Aux). The FY23 value included revenue related to parking, which should have been reported in Auxiliary Services.⁴

Sales and Services: This category includes revenues related to Library late fees, staff and community recreation, co-generation, vehicle services, telecommunications, mail services and copier services. The FY23 budget level was set as a portion, based on credit hours, of the FY22 level. In FY24, the reported amount is tied directly to the budgets established for each area listed above.

Auxiliary Services: This category includes revenues from the student union, parking, vending, campus improvement and childcare. The FY23 budget was set based on values reported in the ISL tables submitted to the State. When reviewing the source of that information, it was found that the value used was based on the actuals from FY21. In FY24, the reported amount is tied directly to the budgets established for each area listed above.

Indirect Cost Recovery: This category reports revenue from the internal service fee (amount charged to "local" accounts to share administrative costs) and indirect cost recovery (derived from certain grants to recovery administrative costs). The FY23 value was set using a proportional adjustment to the FY22 value, which included an adjustment for certain carryovers). The FY24 value is based on the budgeted levels associated with funds tied to Indirect Cost Recovery and the Internal Service Fee.

⁴ See for additional details. <https://www.neiu.edu/financial-aid/tuition-and-fees-costs-of-attendance/fees-information#tab1>

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Table 2
NORTHEASTERN ILLINOIS UNIVERSITY
Fiscal Year 2024 Operating Budget (with comparable data provided for Fiscal Year 2023)
by Function and Line Item

	FY2023			Fiscal Year 2024			Annual Change
	Unrestricted Operating Budget (State and Tuition)	Restricted Operating Budget*	Total	Unrestricted Operating Budget (State and Tuition)	Restricted Operating Budget*	Total	
unctional Categories							
Instruction	\$ 43,698,185	\$ 9,438,497	\$ 53,136,682	\$ 46,940,907	\$ 10,451,636	\$ 57,392,543	\$ 3,242,722
<i>BOT Reserve Allocation</i>				\$ (2,500,000)		(2,500,000)	(2,500,000)
Organized Research	195,831	1,314,104	1,509,935	199,227	989,860	1,189,087	3,396
Public Service	634,273	4,885,147	5,519,420	788,804	3,130,502	3,919,306	154,531
Academic Support	7,369,382	4,043,027	11,412,409	7,242,132	1,442,723	8,684,855	(127,250)
Student Services	4,002,989	29,804,869	33,807,858	4,071,584	23,507,437	27,579,021	68,595
Institutional Support	13,968,056	4,437,864	18,405,920	14,445,375	3,102,827	17,548,202	477,319
Operations and Maintenance	11,943,684	1,877,745	13,821,429	12,048,478	2,500,423	14,548,901	104,794
Independent Operations	-	3,478,047	3,478,047	-	2,637,792	2,637,792	-
Benefits/Social Security/Medicare	1,051,000	-	1,051,000	986,893	-	986,893	(64,107)
Health Insurance Reserve Fund	1,076,600	-	1,076,600	1,076,600	-	1,076,600	-
Total	\$ 83,940,000	\$ 59,279,300	\$ 143,219,300	\$ 85,300,000	\$ 47,763,200	\$ 133,063,200	\$ 1,360,000
	General	Restricted	Total	General	Restricted	Total	Annual Change
Line Item Categories	Operating Fund (State and Tuition)	Funds*		Operating Fund (State and Tuition)	Funds*		Unrestricted Operating Budget
Personal Services	\$ 65,015,113	\$ 11,040,600	\$ 76,055,713	\$ 65,837,887	\$ 7,972,622	\$ 73,810,509	\$ 822,774
Contractual Services	11,208,604	10,575,926	21,784,530	14,631,783	13,450,104	28,081,887	3,423,179
<i>BOT Reserve Allocation</i>				\$ (2,500,000)		(2,500,000)	(2,500,000)
Travel	168,841	103,920	272,761	197,750	230,348	428,098	28,909
Commodities	774,575	1,284,770	2,059,345	807,401	425,931	1,233,332	32,826
Equipment	867,845	4,555,505	5,423,350	452,986	769,500	1,222,486	(414,859)
Telecommunications	176,422	48,919	225,341	176,700	6,404	183,104	278
Awards/Grants/Tuition Waivers	1,299,000	27,047,677	28,346,677	1,299,000	21,856,503	23,155,503	-
Permanent Improvements	25,000	-	25,000	25,000	-	25,000	-
Benefits/Social Security/Medicare	1,055,000	2,359,584	3,414,584	986,893	1,302,637	2,289,530	(68,107)
Health Insurance Reserve Fund	1,072,600	-	1,072,600	1,076,600	-	1,076,600	4,000
Indirect Costs	-	702,397	702,397	-	471,762	471,762	-
Other/Transfer Out (Debt Service)	2,277,000	1,560,003	3,837,003	2,308,000	1,277,389	3,585,389	31,000
Total	\$ 83,940,000	\$ 59,279,300	\$ 143,219,300	\$ 85,300,000	\$ 47,763,200	\$ 133,063,200	\$ 1,360,000

For the purposes of Table 2, certain expenses are proportionally allocated to Functional or Line Item Categories. For the Restricted Funds, this includes expenditures related to State and Federal Grant Awards, which primarily consist of student awards of Pell and MAP grants.

Functional Categories (Table 2)

Table 2 reports expenses using the National Association of College & University Business Officers (NACUBO) functional categories. These categories were established to create a standard reporting structure for expenses according to the purpose for which the costs are incurred; that is these categories are intended to convey why an expense was incurred. These same categories are used to report and track expenses on the University's Audited Financial States (for example, see the "Statement of Revenues, Expenses, and Changes in Net Position").

For the categories used we provide a brief description below:

Instruction: Expenses for all activities related to instructional programs including credit and non-credit courses but also conferences, workshops and seminars.

Organized Research: Expenses that are directly linked to activities that produce research.

Public Service: Expenses derived from activities that are intended to provide non-instructional services to individuals or groups external to the institution.

Academic Support: Expenses for activities that provide support to the institution's primary programs for instruction, research and public services. These activities include libraries, museums, galleries, academic administration, faculty development and course and/or curriculum development.

Student Services: Expenses for services or activities that support a student's development outside the formal instruction program. These services and activities can include counseling and career guidance,

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social or cultural development, administration of financial aid or loans, admissions and records support and health services.

Institutional Support: Expenses related to executive level management and planning activities for the entire institution. This would include expenses related to the Presidents Office, public relations, financial operations, investment management, auditing, and the Bursar's office.

Operations and Maintenance: Expenses related to the physical plant or physical assets of the institution. This would include all expenses supporting the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical assets.

Independent Operations: Expenses related to operations that are independent but may enhance the institution's mission but are otherwise owned or controlled by the institution. For NEIU this would include expenses related to parking, the Student Union, conference operations, childcare, retail and concession operations, student housing and management of the Student U-Pass.

Benefits/Social Security/Medicare and Health Insurance Reserve Fund: Expenses related to payments to local governments.

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**Table 3
NORTHEASTERN ILLINOIS UNIVERSITY
Fiscal Year 2024 Enrollment Projections**

Projection Used to set Final FY2024 Budget*	Fall 2023	Spring 2024	Summer 2024	FY24 Total
Semester Total	52,135	46,417	11,948	110,500
<i>UG - New</i>	14,762	3,128	499	18,389
<i>UG - Continuing</i>	27,724	33,727	6,528	67,979
<i>Grad. - New</i>	3,337	1,675	1,025	6,036
<i>Grad. Continuing</i>	6,312	7,888	3,896	18,096
FY2024 Enrollment Mgmt Goals (Credit Hours)	Fall 2023	Spring 2024	Summer 2024	FY24 Total
Semester Total	50,518	48,261	10,393	109,172
Trend Model Forecast after Census for semesters:	Fall 2023	Spring 2024	Summer 2024	FY24 Total
Fall 2021	47,475			
Spring 2022	45,706	40,584		
Summer 2022	45,435	40,111	6,520	92,066
Fall 2022	49,867	42,738	8,061	100,667
Spring 2023	51,373	47,851	11,948	111,172
Summer 2023	51,921	48,878	12,342	113,140
Fall 2023 Projection	51,845	48,626	12,112	112,582
<i>UG - New</i>	14,692	4,298	1,283	20,273
<i>UG - Continuing</i>	28,014	35,220	6,092	69,326
<i>Grad. - New</i>	3,126	1,580	971	5,677
<i>Grad. Continuing</i>	6,013	7,527	3,766	17,306
Diff (Latest - Budget)	(290)	2,209	164	2,082
<i>UG - New</i>	(70)	1,171	783	1,884
<i>UG - Continuing</i>	290	1,493	(436)	1,347
<i>Grad. - New</i>	(211)	(95)	(54)	(359)
<i>Grad. Continuing</i>	(299)	(360)	(130)	(790)
Realized Enrollment	51,845			
Budget Proj. NTR	\$19,517,400	\$17,627,000	\$5,419,000	\$42,563,400
Actual/Adj. Proj. NTR	\$20,257,000	\$18,999,000	\$5,471,165	\$44,727,165
Diff (Act/Proj - Budget)	\$739,600	\$1,372,000	\$52,165	\$2,163,765

* FY24 Budget projection built from a mixture of E.M. estimates on new student enrollment (NFTF, Transfers) and model projections adjusted for estimates by EM.

Values are realized enrollment as of the census date for that semester

Table 3 represents a collection of projections related to credit hour enrollment for FY2024. This table demonstrates that the outlook for FY2024 has improved over the last two years, that Fall 2023 enrollment was very close to the projected level and that there is no need for mid-year revisions to the FY2024 budget due to a shortfall in credit hour enrollment.

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Projection Used to set Final FY2024 Budget: This is the projection used to set the credit hour enrollment level used to set the FY2024 budget. This projection is a mixture of estimates from Enrollment Management with regards to new student enrollment and the trend model projections following the Spring 2023 semester. The resulting projection was for 110,500 credit hours in FY2024.

FY2024 Enrollment Mgmt. Goals: These represent the goals from Enrollment Management related to credit hour enrollment.

Trend Model Forecast after Census for semesters: Each semester following the census date, Institutional Research runs a trend model to generate predictions of credit hour enrollment over the next six semesters. These projections are a starting point for determining budgeted enrollment levels.

Fall 2023 Projection: This projection was run following the census date for Fall 2023, the first semester of FY2024. The values in the table for Fall 2023 represent the actual enrollment as of the census date, while the values for Spring 2024 and Summer 2024 represent projections which incorporate the Fall 2023 enrollment.

Net Tuition Revenue: Using the realized enrollment from Fall 2023, the current tuition revenue recognized and the estimates for the Spring 2024 and Summer 2024 semesters, an updated estimate of the net tuition revenue was created. This estimate is based on the updated projection of 112,582 credit hours, which could over or under estimate actual credit hour enrollment but should give an indication of the likely tuition revenue outcome for FY2024.