

July 9, 2003

To: Vice Chancellors and Deans

From: R. Michael Tanner
Provost and Vice Chancellor
for Academic Affairs

Re: FY 2004 Final Salary and Budget Guidelines and Allocations

As referenced in my FY 2004 general budget letter discussed at the July 8, 2003 Dean's Council, enclosed are technical and procedural salary and budget guidelines to assist you in developing and finalizing your FY 2004 budget.

The FY 2004 higher education budget has been passed by the General Assembly and signed by the Governor. As you know, the campus again faces serious budget cuts this year. The University of Illinois faces an \$72.5 million reduction to the FY 2004 state budget – a state cut of \$58.0 million and \$14.5 million in unavoidable new expenses in such areas as utilities price increases, liability insurance, and contract labor. The UIC share of this overall cut and additional campus specific unavoidable is \$33.7 million or 11.13% of our allocable FY 2003 state budget. A synopsis of the FY 2004 budget for UIC includes:

- 1.5% merit salary increase program for faculty and staff;
- 1.0% Recruitment & Retention of Critical Faculty & Staff (RRCFS) salary pool (allocated to the deans and vice chancellors);
- 11.13% state base decrement;
- No general price increase; and
- Reallocation included in this base decrement will provide funding for:
 - Utilities price increase.
 - Library inflation funding.
 - O&M support for new campus facilities.
 - Police and Facilities Management contract mandated salary increases.

The 11.13% base reduction is applied across the board to all units, except for the Hospital, Library, Police, EHSO, Summer Session Instruction, Medicare, Workers Comp and Utilities budgets.

The colleges will be receiving an allocation of tuition income that will help offset the budget decrement (with the exception of the College of Liberal Arts and Sciences who will be using the tuition income to offset a structural operating deficit). As was presented at Dean's Council on June 10th, net tuition revenue from the general tuition increase will be distributed to the colleges according to credit hour production for undergraduates and according to headcount in major area of study for graduate students. In most cases estimated net revenue from programs with special rates (differential or professional rates) will be transferred on the allocation sheets. Tuition revenue will be monitored during FY 2004 as income is earned. Adjustments to the college budgets will be made accordingly. I am implementing a new policy for all tuition revenue whereby 10% of the revenue will be used to offset expenses related to academic and student support services.

Budget Create System files for the Academic and Open Range Budgeted Position Listing (BPL) and the Budget Planning Statements (BPS) must be completed on or before July 18, 2003.

Budget planning information, including detail regarding the Budget Creation System, the Annual Budget Preparation/Procedural Instructions and the Final Salary and Budget Guidelines may be found at the following web site: <http://www.obfs.uillinois.edu/budget/index.html>.

Please direct questions to the following units based on subject matter:

<u>Subject Matter:</u>	<u>Office:</u>	<u>Extension:</u>	<u>E-mail:</u>
Salary Policies & Guidelines	Budgeting & Program Analysis	3-3620	SteveZ@uic.edu
Budget Guidelines & Budget Planning Statements (BPS)	OBFS-Budget Office	6-4951	RJBiskup@uic.edu
Academic Appointments & Academic BPL	Academic Human Resources	6-6357	JWinn@uillinois.edu
Support Staff Appointments & Open Range BPL	Human Resources Compensation Unit	6-4769	comp-uic@uillinois.edu

Enclosed for your immediate attention are the FY 2004 Final Salary and Budget Guidelines and your unit allocation sheets.

Enclosures

cc: Sylvia Manning
Tom Gardner
Michele Pitre-Young
Richard Lim
Mrinalina Rao
Steve Zawadzki

FY 2004 UIC SALARY GUIDELINES

(The following FY 2004 Campus Salary Increase Guidelines are applicable to actions taken for employee groups paid from all sources of funds budgeted and non-budgeted.)

While there is no state-supported general salary increase program, campus resources will fund a 1.5% merit program plus a 1.0% unit-managed RRCFS program (Recruitment and Retention of Critical Faculty and Staff). The campus will also allow deans and vice chancellors to reallocate up to an additional 0.5% to provide for additional salary increases in exceptional cases. The average salary increase for each dean and vice chancellor unit should not exceed 3%, except in cases where salary increases for individual faculty promotions will increase the faculty average to above 3% for a college.

A. FACULTY AND ACADEMIC PROFESSIONAL SALARY PROGRAM

1. Merit and Continuing Performance Increases

Salary decisions for faculty and academic professionals should be based on merit and continuing performance. The 1.5% incremental state funds should be used for this purpose. Deans and vice chancellors may augment their salary pool up to an additional 0.5%.

2. Recruitment and Retention of Critical Faculty and Staff (RRCFS)

To address some of the salary problems colleges and other units are facing due to outside offers, market pressures, compression between and within ranks, and other equity considerations, the campus has established a 1.0% pool of funds to raise salaries for selected faculty and staff, or to be used in the recruitment of new faculty and staff. Distribution of these funds is at the discretion of the dean and vice chancellor. The unit will not be required to provide matching funds to augment the 1.0% pool, as has been the case with past RRCFS allocations. The allocation sheets reflect the campus allocation of these funds.

3. Faculty

Recruiting and retaining the best faculty continues to be one of the highest campus priorities. To support this priority, the campus will reallocate funds to support salary increases for tenure-track faculty promoted in FY 2004. The campus will provide \$3,000 for each full-time faculty member promoted to full professor and \$2,000 for each full-time faculty member promoted to associate professor with tenure. Your allocation sheets reflect these campus-funded increases. The campus will continue its policy of providing \$20,000 towards the salary of each newly hired underrepresented faculty member (please contact Vice Provost for Faculty Affairs Mrinalini Rao for the policy details).

Deans, directors and department executive officers should make full and appropriate use of the faculty governance structure for receiving advice on salary issues.

4. Professional Academics (PACs)

The minimum salary for academic professionals and postdoctoral research associates is \$24,000 (for 12-month service at 100%) for AY 2004.

5. Academic Budgeted Position Listing (BPL)

The Academic Budgeted Position Listing (BPL) in Budget Create is the mechanism used for renewing contracts, recording approved rate increases and making other authorized appointment changes for faculty and academic professionals. The BPL should reflect appointment information, as units want it to appear for AY 2004, including changes in service codes. AY 2004 appointments for A service code will be effective August 16, 2003; appointments for Y service code will be effective September 1, 2003. All appointments will end August 15, 2004.

Employees changing from Y to A service code, must have an ECOS processed to end the Y service no later than 8/15/03 and to pay out vacation. All academic employees separating from the university before August 16, 2003, or with current appointment termination dates prior to August 15, 2004, must be removed from Budget Create. New permanent academic employees whose ECOS has been processed can be added to Budget Create.

6. *Salary Increase Reports*

Deans and vice chancellors are required to submit justification for all individual salary increases of 15% or more. A template is attached for you to fill out and return to the Office of Budgeting and Program Analysis (m/c 103, or fax x6-6461) by July 18, 2003.

You should be prepared to submit justification for the denial of an individual's salary increase.

B. ASSISTANT SALARY PROGRAM

The minimum stipend for 50% teaching and research assistants on a nine-month appointment for AY 2003 - 2004 will be increased from \$11,000 to \$11,500. You are encouraged to increase the stipends paid to returning assistants in a manner consistent with the average increases paid to other academic groups within your unit. This minimum is applicable to all assistants regardless of fund source.

Your allocation includes a 2.5% increment to the assistants portion of your state personal services base. Additional resource requirements are to be funded through unit reallocations with the exception of stipend costs associated with increasing assistants' stipends paid from state funds to reach the new minimum of \$11,500. Units seeking reimbursement should provide justification to Steve Zawadzki, Director of the Office of Budgeting and Program Analysis.

C. SUPPORT STAFF SALARY PROGRAM

1. *Open Range Support Staff*

Salary decisions for support staff should be based on merit and continuing performance. The 1.5% incremental state funds should be used for this purpose. Deans and vice chancellors may augment their salary pool up to an additional 0.5%.

Support staff are eligible to receive salary increases from the 1.0% RRCFS pool. Distribution of these funds is at the discretion of the deans and vice chancellors.

2. *Collective Bargaining Support Staff*

Salary increases for employees subject to collective bargaining are determined through that process. Contract mandated salary increases will be honored. Your allocation includes a 2.5% increment to the support staff portion of your state personal services base. Any additional requirements are to be funded through unit reallocations.

3. *Prevailing Rate Support Staff*

Prevailing Rate support staff will receive salary adjustments based on prevailing rate changes. Your allocation includes a 2.5% increment to the support staff portion of your state personal services base. Any additional requirements are to be funded through unit reallocations.

D. STUDENT EMPLOYEES SALARY PROGRAM

Your allocation includes a 2.5% increment to the wages portion of your state personal services base. This increase should be reflected in the hourly wage rates paid to student employees effective August 19, 2003. Units are encouraged to supplement the hourly rate increases through reallocations commensurate with other employee groups.

E. EXTRA HELP EMPLOYEES SALARY INCREASES

The pay rate for a current Extra Help employee should conform to the salary range for the applicable classification to which the Extra Help position is tied. For specific information, contact the Extra Help Coordinator at extension 6-3716.

F. NON-BUDGETED EMPLOYEE INCREASES

Because your state allocation includes an 2.5% increment to your entire state personal services base, funds are available to supplement salaries of non-budgeted employees. All appointment renewals must be processed through ECOS. Employees funded from grant funds can be considered for increases to bring parity with market conditions, and do not have to be limited to the 3% average.

Salary increases for employees with non-budgeted appointments, whether state or non-state funded, should be effective at the beginning of their annual reappointment date (e.g. an employee with annual contracts dates from October 1 through September 30, would receive any FY 2004 salary increase effective October 1, 2003).

FY 2004 UIC BUDGET GUIDELINES

A. STATE FUNDS (Ledger 1)

1. *Reallocation*

The Campus Five Year Program/Budget Plan calls for reallocation to support high priority program initiatives noted in the UIC Agenda and the earlier Report of the Standing Campus Priorities Committee. Since FY 1994 these campus wide reallocations have produced approximately \$11.6 million in recurring funds. These funds have been used in support of: salary supplements, undergraduate and graduate programs, research start-up, laboratory/classroom remodeling, faculty and student access to computing, grounds improvement, deferred maintenance, and land acquisition. In order to continue the progress that has been made in these priority areas, the campus had established an annual reallocation of 1 percent of each unit's total state funded base (0.5% reallocation internal to the unit and a 0.5% reallocation to the campus).

Due to the base decrement, the campus reallocation program will be suspended for FY 2004.

2. *Funding for Salary Increases*

Incremental funds have been reallocated by the campus to provide for a 1.5% merit based salary program. An additional 1.0% RRCFS allocation is also included. These state funds salary increase allocations are based upon your academic, support staff, assistant, and wage permanent state base.

An annualization adjustment will be applied to both the 1.5% merit and 1.0% RRCFS FY 2004 state funds salary allocations at the college and Chancellor/vice chancellor level. The Office of Business and Financial Services will enter the annualization adjustment; no action is required on your part. Note that this will reduce your state funds allocation for salary increases, on a cash basis, by 2/12's for FY 2004. This negative adjustment is for the months of July and August during which AY 2004 salary increases are not paid.

3. *Price Increases*

No new funds are provided for price increases in FY 2004.

4. *Summer Session Budgets*

The Office of Business and Financial Services will process summer session journal voucher budget entries to the corresponding Banner crosswalk FOAP's (Fund-Organization-Account-Program) on a cash basis early in FY 2004 (July or August). Summer session budgets will not appear on the budget planning statements. No departmental action is required.

5. *Tuition Income Distribution*

The colleges are receiving an allocation of new revenue from the general tuition increase. Distribution of this revenue has been discussed at Dean's Council and includes the following: undergraduate tuition revenue by credit hour production, graduate tuition revenue by headcount, and net differential and professional tuition revenue is allocated as earned. An academic and student services support overhead cost is deducted off the top of all tuition revenue. Allocation sheets reflect tuition income distributions.

Tuition revenue from programs with special rates (differential or professional rates) will be monitored during FY 2004 as income is earned. Adjustments to the college budgets will be made accordingly.

B. INSTITUTIONAL FUNDS (Ledger 2)

Institutional funds include indirect cost recovery received as reimbursement for indirect costs from government grants and contracts and private gifts and grants. The campus has adopted a plan for the formula distribution of ICR funds. The formula distributes ICR funds to the academic, academic support, research support and administrative units in proportion to the pattern of costs incurred in support of sponsored project programs.

The ICR budget for the campus will be determined at the conclusion of FY 2003. Your institutional funds allocation sheet will provide you with any applicable change for FY 2004.

C. RESTRICTED FUNDS

This category includes other University income sources whose use is restricted for specific purposes.

1. *Self-Supporting Funds (Ledger 3)*

The "Guidelines Pertaining to Handling of Locally Held Funds" approved by the Legislative Audit Commission and adopted by the Board of Trustees provide that pro forma and actual income and operating statements be prepared for all self-supporting funds (ledger 3) which are in the budget and planning system. The following items must be included on each pro forma:

- A statement of purpose for each activity.
- A brief description of the clientele who provide income and specification in percentage terms of the amount of revenues which come from University and non-University sources.
- Certification by the department head and appropriate dean/director that the activity is solely for the purpose(s) described.

Auxiliary Enterprise and Activity entities, which are not in the budget planning system, must complete pro forma statements. Please refer to the Annual Budget Preparation/Procedural Instructions for more details regarding self-supporting budgets and pro forma statements.

2. *Gifts, Grants and Contracts (Ledger 5)*

It is the responsibility of department heads and similar officers to see that funds are available for all positions and other items listed under Gifts, Grants and Contracts funds. Budget Planning Statements are not generated for this ledger type.

3. Medical Service Plan and Dental Service Plan (Ledger 6)

Ledger 6 Budget Planning Statements are the mechanism used to establish budget estimates of revenue and expense for Nursing Service Plan (NSP), Medical Service Plan (MSP) and Dental Service Plan (DSP) funds.

4. Endowment Pool Budgets (Ledger 6)

Endowment pool budget managers were notified by the Foundation via e-mail in March 2003 that preliminary estimated endowment budgets for both the Foundation and the University were now available on the Fund Database web site. If you have not signed up for access to the web site and need to enroll, please click on the following link and follow the sign up instructions: <http://www.uif.uillinois.edu/signup>. Final budgets should be posted on the Fund Database web site in mid August. Questions related to endowment pool budgets should be directed to Robyn Bathon at 217-333-6879.

FY2004 Budget Planning
 Individual Salary Increases 15% or higher
 (all sources of funds)

College: _____
 Department: _____

Name	Title	Current Salary \$	Proposed Increase		Proposed Salary \$	Fund Source	Justification *
			\$	%			

* attach justification statement for each individual.

_____ department head/director approval

_____ dean/vice chancellor approval

Please return completed form to the Office of Budgeting and Program Analysis (m/c 103, fax x6-6461) by July 18, 2003.