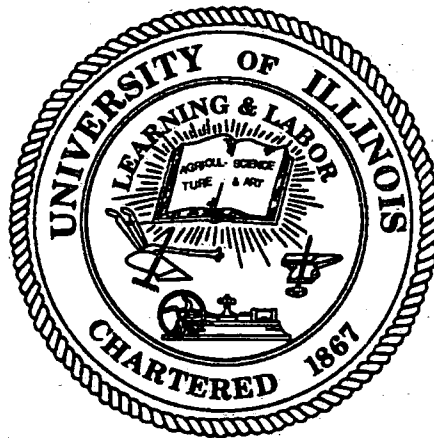


UNIVERSITY OF ILLINOIS

FY 1994 BUDGET REQUEST FOR OPERATING AND CAPITAL FUNDS



**PREPARED FOR PRESENTATION TO THE
BOARD OF TRUSTEES
SEPTEMBER 10, 1992**

PREFACE

American higher education is in the midst of its most severe financial downturn since the end of World War II. The strain is general and pervasive, touching nearly all colleges and universities, public and private, large and small. We have witnessed a sea change in the fiscal environment, one which requires changes in perspective, academic culture and leadership if we are to maintain the quality and vitality of our universities.

Illinois has not escaped the economic malaise which has produced stagnant revenues and steadily growing fiscal needs in all social and human services. Bolstered by a tax increase three years ago, the University of Illinois has since lost three quarters of the additional funds it provided.

In the context of this fiscal strain, the past year also brought renewed focus on several critical issues and fundamental questions which go to the very heart of the character and structure of the University. The examination of those issues--much of it still underway--has been healthy and productive. We must make difficult choices; and the choice must be to do well those tasks which are of the highest priority, even if we can no longer do all we have done in the past.

The University of Illinois is this State's flagship public university, a land-grant institution now in its 125th year, with two campuses that carry major obligations for teaching, research, and service to the public. We have redoubled efforts to direct our limited dollars to those academic areas of greatest importance. In so doing, we have cut administrative expenditures disproportionately, and will continue to do so.

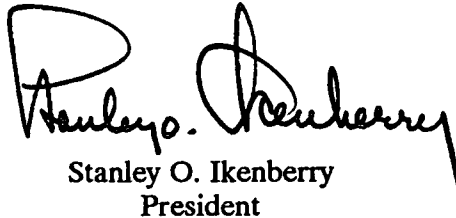
Even in tough economic times, the most exciting aspect of life in a great university is that it is forever new: new students dealing with new ideas. The creation of new knowledge, scholarship, research, creativity of all kinds--is the essence of this University. It is to sustain this process of discovery and sharing of ideas and to serve the State of Illinois in the land grant tradition that this budget request is directed.

The operating and capital budget requests incorporated in this document recognize the reality of the State's fiscal situation. Our requests are lower than in prior years and--very frankly--less than the University needs. In return, however, we urge that the State of Illinois renew its commitment to quality higher education. This State has much of which to be proud and much to preserve. The fortunes of our State of Illinois will turn for the better, and when they do, that progress must be built on strong universities of high quality.

Investment in Illinois colleges and universities is an investment in the people who will guide and lead this State; and in ideas that will shape its future. It is a downpayment on the fulfillment of dreams and aspirations, especially those of the young.

Education is the best single hope for conserving and enhancing those civilizing qualities so needed in our world--humanity, creativity, and tolerance.

It is with this vision and conviction that I bring forward these recommendations for Fiscal Year 1994.



Stanley O. Ikenberry
President

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INTRODUCTION

INTRODUCTION

The challenges of meeting the University's priority budget needs have increased significantly in recent years, as State support has eroded and the fiscal health of the State has declined. Dramatic fluctuations in the State's fiscal support for higher education, including reductions in the past three years have seriously disrupted the planning process. Fiscal Year 1991 saw a shortfall in general tax revenues, resulting in a State-wide budget recision which included a one percent general funds reduction for higher education. The University began FY 1992 with \$7.8 million less in GRF than in the prior year; \$16.4 million in additional reductions were imposed midyear. The FY 1993 budget made permanent these reductions, \$24.2 million in total, representing a return of 75% of funds received in the tax increase budget three years ago.

The State's current budget situation unquestionably requires great constraint. The budget request for FY 1994 therefore must balance between severely conflicting aims--describing on the one hand the full range and depth of the University's fiscal needs, while on the other recognizing the continued fiscal stress which pervades all sectors of the State's budget. Even with a return to more normal revenue growth, the competition for available new dollars will be fierce, and it will be imperative to find new ways to utilize existing resources. In formulating its budget request for FY 1994, the University acknowledges the extent to which constraint will be required on a State-wide basis in the coming year. While falling short of describing the University's full range of needs, it seeks to stabilize the University's base of support and to halt further erosion.

Balanced against the decline in State support is revenue generated from tuition. Although the tax increase surcharge allowed the University to hold tuition levels constant in FY 1990 and FY 1991, and facilitated a modest increase of 5% in FY 1992, the loss of tax support for the current year led to a 10% rise in FY 1993. Despite additional tuition revenue, however, internal reductions will continue to be required throughout the University. For every dollar raised through tuition increases in the current year, two dollars in unit cuts have been necessary. Those reductions have been imposed far more heavily on administrative units than on academic units, but all aspects of the University's operations will feel some effects of these unavoidable budget cuts.

Both campuses continue to conduct comprehensive reviews of administrative and academic programs to determine where further reductions might occur. The philosophy behind these reviews has been the optimization of resources and coordinated planning at all levels with a focus on centrality, quality, demand, and cost. Opportunities for program consolidation and possible elimination will be reviewed. As with the implementation of past budget reductions, the primary objective will be to preserve and enhance instructional programs while reducing administrative and other support activities.

This document sets the context for describing the University's highest operating and capital priorities for FY 1994. It presents summary information about each component of the request and explains the principal rationale which underlies each element. An accompanying volume, Background Information for Preparation of the FY 1994 Budget Request, provided to the Board of Trustees in July 1992, contains more detailed background data. Together, the present volume and the Background document present the full justification for the University's budget request for the coming year.

The 1980s in Perspective

Funding of the State's educational systems, both elementary/secondary and higher education, was often made the State's highest priority during the 1980s. A review of the State's general tax appropriations, however, reveals that education's share of the State's budget today is actually less than it was in FY 1980. As shown in Table 1, both elementary/secondary and higher education currently represent a smaller share of the total State budget than in FY 1980. Although the income tax surcharge implemented in FY 1990 helped to advance education, its impact was short lived. Fiscal constraints in recent years and very serious fiscal needs in many other human service areas of the State's budget have combined to reverse progress achieved through the surcharge, and elementary/secondary education and higher education have now returned to their pre-tax increase budget shares.

TABLE 1
STATE OF ILLINOIS GENERAL TAX APPROPRIATIONS
PERCENT SHARE OF THE TOTAL

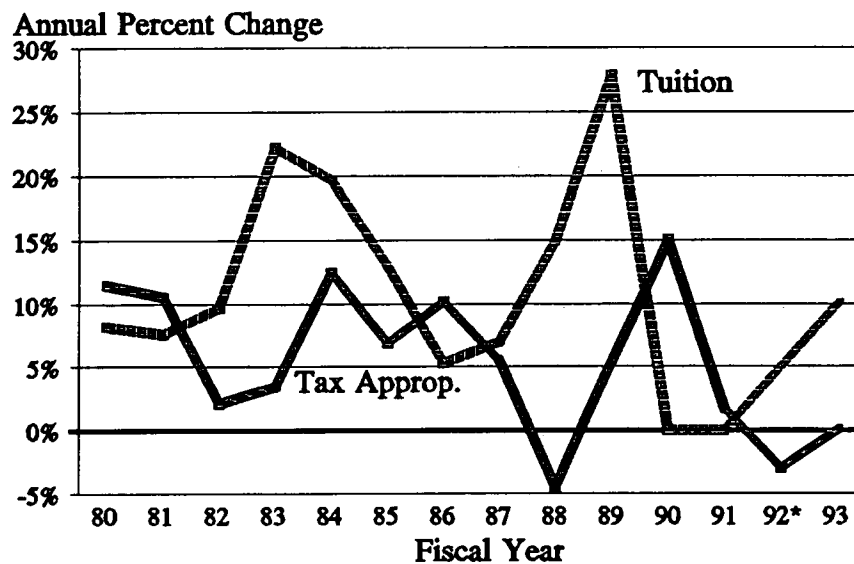
Year	Elementary/ Secondary	Higher Education	DCFS, Mental Health, & Corrections	Public Aid	Other
1980	28.8%	12.9%	10.7%	33.8%	13.7%
1989	24.9	12.0	12.3	31.5	19.3
1990	26.7	13.1	12.9	30.7	16.6
1991	26.1	12.9	13.8	31.2	16.0
1992	25.0	12.2	13.9	33.6	15.3

The University has reacted to these fluctuations in State support in two ways. In the short term, it has been necessary to raise tuition to offset a portion of lost revenues and to meet the immediate and unavoidable costs of recent years. From a longer term perspective, the University implemented a reallocation program designed to reallocate \$40 million of existing resources or approximately eight percent of the State budget over four years, and accomplished that target in three years.

Tuition

As for many public and private institutions, tuition rates at the University rose substantially during the 1980s. Figure A displays the relationship of annual tuition increases to changes in State tax support. As shown, tuition increases have peaked in the years in which tax support has decreased most sharply. This graphic demonstrates the dramatic impact of the State's funding irregularities, resulting in a corresponding need for the University to take actions to counter declines in State support.

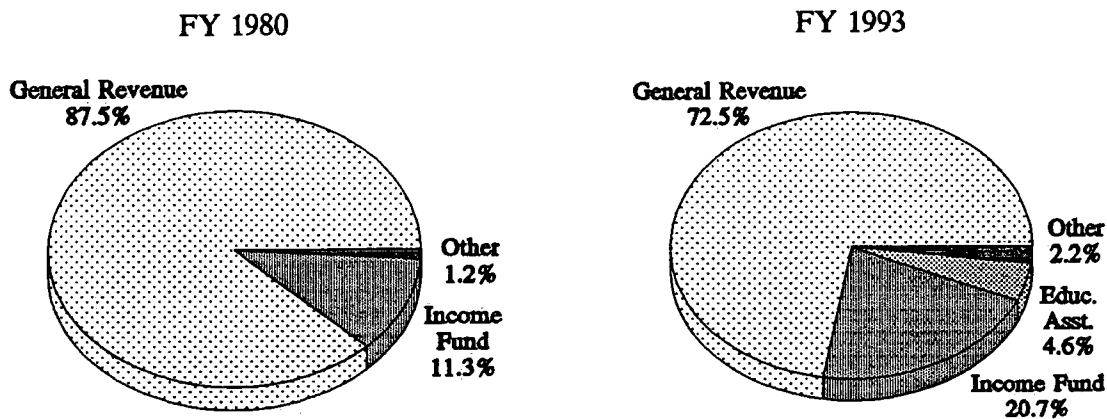
FIGURE A
TAX APPROPRIATIONS VERSUS TUITION INCREASE
FY 1980 TO FY 1993



*Reflects the Emergency Budget Act reduction of \$17.4 million.

It is important to remember that the magnitude of the changes shown in Figure A reflect the budgetary imbalance of tuition versus tax support. That is, for each percent of general tax support lost, it required nearly a five percent increase in tuition to make up the loss in FY 1993 dollars. The ratio of State funds (GRF) to tuition funds (Income Fund) has changed considerably since FY 1980 as shown in Figure B. In that year, tuition revenue represented 11% of the University's State appropriation. In FY 1993 tuition's share has nearly doubled, and tuition now makes up nearly 21% of the total appropriation.

FIGURE B
SOURCES OF APPROPRIATED FUNDS
FY 1980 TO FY 1993



As noted earlier, the replacement of tax dollars with tuition revenue can never be viewed as a long-term solution to the University's funding needs. Recognizing this issue, the Board of Trustees adopted several key principles in September 1990 to set guidelines for a sound tuition policy for the future. Briefly, those principles are:

- A stable and adequate level of State tax support is the most effective deterrent to sharp tuition increases.
- Tuition rate increases should more closely reflect inflationary increases as opposed to sharp increases followed by no increases.
- Statewide student aid should be maintained to provide access to public and private institutions of all levels and costs.
- If tuition is to be measured with respect to the cost of instruction, a full and complete measure of instructional costs must be utilized.

The University continues to strive to follow these principles in making its tuition recommendations. Despite severe fiscal stress for FY 1992, those principles were upheld with a general tuition increase at the level of inflation. However, in FY 1993, due to a significant loss of tax resources, tuition increases will return to levels above inflation.

Reallocation Initiatives

While the University's sources of incremental funding are limited to general tax support and tuition charges to students, each unit of the University actively participates in helping to augment those sources to meet mandatory costs or academic program enhancements when State support is lacking. After the budget cuts of FY 1988 and limited incremental funding for FY 1989, a four-year \$40 million reallocation program

was implemented in FY 1990. At that time, the University recognized that State funding would be limited for the foreseeable future and it would be necessary to strengthen and expand year-to-year reallocation efforts.

In the first two years of the \$40 million program, the University reallocated nearly \$30 million in support of critical budget priorities. With the budget realignment required in FY 1992, the original four year target was exceeded in three years. In total more than \$50 million had been reallocated at the beginning of the FY 1992 budget year, or 7.7% of the FY 1988 appropriated funds base. In addition, a benefit offset program was implemented for all employees in FY 1992 costing approximately \$5.6 million. This program was funded internally by all units, as was the midyear rescission of \$16.4 million. These efforts will be continued in FY 1993 with significant reallocation required to fund faculty and staff salary increases and to fund unavoidable costs.

Figure C illustrates the uses of funds reallocated since FY 1989. Those uses can be grouped into four categories: compensation needs, academic programs, support programs, and base reductions. Figure D presents a closer look at the uses of academic program funds which include general/undergraduate instructional needs, improvements in minority recruitment and retention, library access, and campus computerization. Also included within this category are funds made available for faculty recruitment and retention efforts.

FIGURE C
USES OF REALLOCATED FUNDS
FY 1989 TO FY 1992

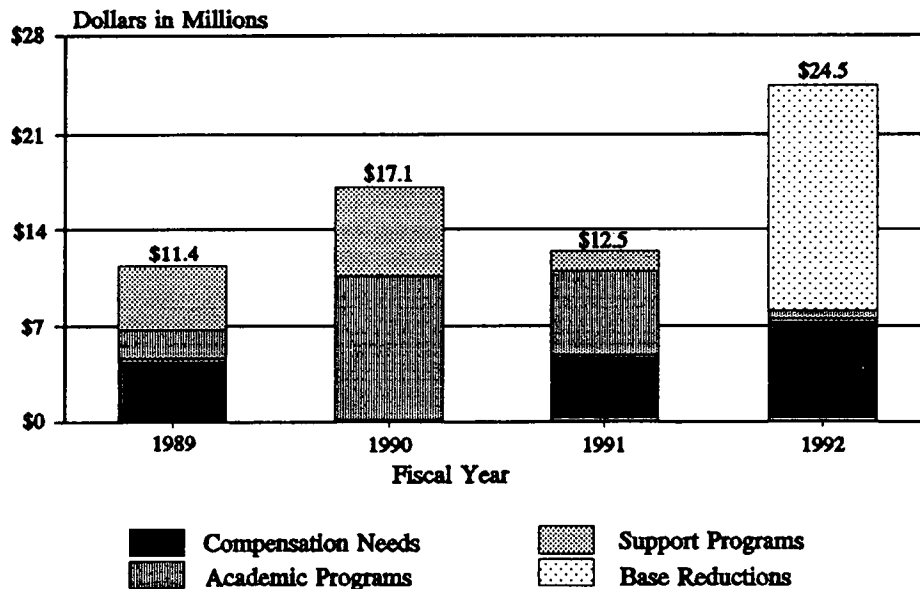
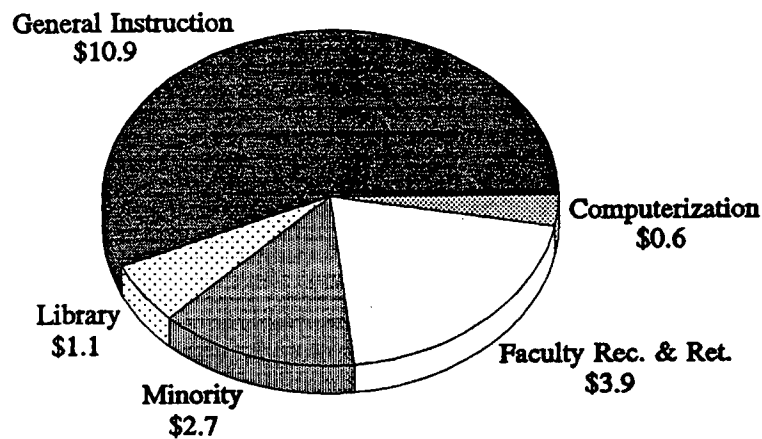


FIGURE D
REALLOCATION FOR ACADEMIC PROGRAMS
FY 1989 TO FY 1992



TOTAL : \$19.1 MILLION

By any measure the University has demonstrated the ability to make difficult decisions concerning the reassignment of existing resources. Like tuition increases, such reallocation efforts are most effective when they can be used to augment a steady base of State support. The University cannot rely solely on tuition increases and internal reallocations to maintain the strength and quality of its academic programs. Reallocation efforts will continue in FY 1993 and beyond with over \$20 million in reallocation required in FY 1993 alone. Given the prospects for continued fiscal stringency within the State budget and the very serious funding needs in all human service programs, it appears clear that reallocation efforts of a new magnitude will be required. To sustain the University's most critical instructional programs, consolidation or elimination of programs in other areas will be required. Extensive program review efforts are underway on both campuses. Administrative and support unit reallocation targets will exceed those for academic units. The most effective use of resources made available through those processes will be to enhance academic programs, especially in the area of undergraduate instruction. To make such a use possible, however, will require achieving stability in the base of State support.

Capital Budget

The State's capital budgeting process, while separate from the operating budget, has also suffered from economic constraints. Capital appropriations for FY 1992 were reduced substantially from those of earlier years as the State strove to reduce its long-term debt commitments. Further, the Governor has continued to "freeze" funding for a number of previously approved projects. Several critically important University projects

are among those delayed in this way, including the Molecular Biology building in Chicago and the Chemical and Life Sciences facility at Urbana-Champaign. While the freeze does not threaten the long-term completion of these projects, it does delay their progress and it does affect the University's ability to enhance and improve the academic programs which these and other "frozen" facilities will support.

The FY 1993 level of funding, as approved by the Governor and General Assembly represents a continued downturn in funding for the University of Illinois. Three new capital projects are approved for FY 1993, including the following:

Remodeling of NPI (Chicago)	\$ 5.5 million
Repair and Renovation (Both Campuses)	5.9 million
North Campus Development	8.4 million
TOTAL	\$19.8 million

Areas emphasized by the Governor in his own capital plan match with several areas of major need for the University including remodeling of existing facilities, repair and renovation, and utility system and other infrastructure support. At the same time, both campuses of the University face major needs to equip new facilities and to replace outmoded, inefficient, and unproductive facilities.

In FY 1994, continuation of efforts to provide repair and renovation funds for the support of existing facilities remains a high priority need. In FY 1986 through FY 1988, and in FY 1990 through FY 1992, the Build Illinois program provided a critical source of support for repair and renovation needs. However, with the conclusion of this program, a stable source of replacement funding must be found.

Equipment is needed for three buildings which will become operational in FY 1994, including the Molecular Biology Research Laboratory, Temple Hoyne Buell Hall, and the Law Building Addition. Several major remodeling projects are included in the University's capital priorities with remodeling the English Building at Urbana, and the Campus Core at Chicago, being priority needs.

Funds are also required to match private gifts in the amount of \$13.8 million. The availability of private gift funds represent an opportunity to maximize the investment of both private and public resources, providing a new instructional facility for the College of Business Administration at Urbana-Champaign and a new library for the College of Agriculture.

In FY 1994, the University's facilities needs must be viewed in a comprehensive manner, with emphasis given to equipping previously funded new space and vital remodeling and renovation needs. Meeting remodeling and renovation needs will determine, to a large degree, the speed and depth to which academic program improvements can be made.

**FISCAL YEAR 1994
OPERATING BUDGET REQUEST**

FISCAL YEAR 1994 BUDGET REQUEST FOR OPERATING FUNDS

Planning Parameters for FY 1994

The FY 1994 operating budget must address a range of fiscal needs which confront the University. For FY 1994, the University's most crucial objectives include:

1. Halting the steady erosion of the University operating base of support and sustaining the recovery of competitiveness begun in FY 1990 but now seriously eroded. This objective has several dimensions:
 - Improve salary and compensation competitiveness for faculty and staff.
 - Halt inflationary erosion of the academic support base, with special focus on utilities, libraries, and unavoidable increases in payroll-related areas such as Social Security and Medicare, sick leave payments, and Workers' Compensation.
 - Provide adequate facilities to house academic programs which continue to evolve as technology advances.
2. Returning academic program support to basic instructional improvements.
 - Strengthening undergraduate education with emphasis on both basic skills and broadened general education requirements.
 - Responding to enrollment pressures at all levels, particularly increased student demand in business, the sciences, and health related disciplines.
 - Promoting instructional excellence through improving the training of elementary and secondary teachers.
 - Updating instructional equipment.

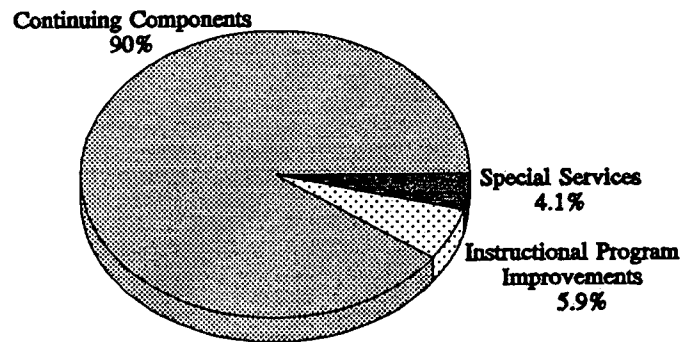
Budget Request Summary

Table 2 summarizes the major components of the University's FY 1994 Operating Budget Request. The request is divided between three main categories: continuing components, instructional program improvements, and special services funding. The sections which follow discuss the individual components of the request. Discussion within this document is brief; detail information for each component is summarized in the Background Information for Preparation of the FY 1994 Budget Request document.

The continuing components portion of the operating budget includes requests for salary and benefit increases, other payroll costs, price increases, and operation and maintenance needs. As shown in Figure E, the largest portion of the FY 1994 request focuses on these components. State support for these essential areas continues to be critically important to sustaining the core operations of the University. A base level of

support must be provided if the strength and quality of its academic programs are to be maintained.

FIGURE E
FY 1994 OPERATING BUDGET REQUEST



Special services represents funding for unique University services provided throughout the State including the Cooperative Extension Service-County Board Matching Program, the Fire Services Institute, and the Division of Specialized Care for Children (DSCC). With the exception of DSCC, each of these services receives funding from a dedicated tax source governed by the State.

TABLE 2
FY 1994 OPERATING BUDGET REQUEST
(Dollars in Thousands)

I. CONTINUING COMPONENTS			
A. Compensation Improvement			\$22,876.7
1. Salary Increase	4.0%	\$ 20,276.7	
2. Salary Improvement for Lower Paid Staff	0.5%	2,600.0	
B. Other Payroll Costs			1,770.1
1. Sick Leave Termination Payout		\$ 351.0	
2. Social Security and Medicare		626.3	
3. Workers' Compensation Costs		792.8	
C. Price Increases			2,919.0
1. Utilities Price Increase	4.0%	\$ 1,655.0	
2. Library Price Increase	10.0%	971.0	
3. Property Insurance		293.0	
D. O & M Requirements			2,871.3
1. New Areas		\$ 2,871.3	
Subtotal Continuing Components			\$30,437.1
% of FY 1993 Base			4.44%
II. INSTRUCTIONAL PROGRAM IMPROVEMENTS			
A. Chicago		\$1,000.0	
B. Urbana-Champaign		1,000.0	
Subtotal, Instructional Program Improvements			\$ 2,000.0
% of FY 1993 Base			0.29%
III. GRF SUPPORTED SPECIAL SERVICES			
A. Division of Specialized Care for Children		\$ 300.0	
Subtotal, GRF Supported Special Services			\$ 300.0
IV. TOTAL, SECTIONS I - III			\$32,737.1
% of FY 1993 Base			4.77%
V. SPECIAL SERVICES FROM DEDICATED NON-GRF SOURCES			
A. County Board Matching		\$1,000.0	
B. Fire Services Institute		75.0	
Subtotal, Special Services - Non-GRF Sources			\$ 1,075.0
VI. GRAND TOTAL, SECTIONS I - III, V			\$33,812.1
% of FY 1993 Base			4.93%

SALARY INCREASES
(\$22,876,700)

Faculty and staff compensation increases constitute the highest priority in the University's budget request. The total compensation package provided to University employees consists of multiple components, each which contributes to the University's ability to attract and retain qualified staff. These components include both direct compensation (cash income) and indirect compensation (benefit programs) which in total provide the basis on which employees assess the adequacy of their pay. It is critical that the University keep all compensation program components at competitive levels.

Faculty Salaries

The overall quality of the University's academic programs, as measured by numerous national assessments, places it among the nation's top institutions of higher education and among the top three Big Ten institutions. For a number of years, the University has established the latter strategic benchmark as a minimum objective for its faculty compensation plan. However, in FY 1993, the University's competitive position will not improve. Two consecutive years of budgetary constraints have dramatically reversed the progress made in FY 1990; and the gap to third place, which grew from 1.6% in FY 1990 to 4.9% in FY 1991, reached 5.3% in FY 1992. Budgetary constraints faced by other Big Ten institutions have softened the blow of inadequate funding by the State; however, the University's salary competitiveness has been seriously damaged in recent years.

Table 3 compares FY 1991 and FY 1992 average faculty salaries for the Big Ten universities and includes projections for FY 1993. The relative ranking of each Big Ten institution is provided, as well as the percent increase in weighted average cash salary. The average faculty salary at the University of Illinois increased by 2.1% in FY 1992, compared to an average increase of 3.2% at the other Big Ten universities. Although dropping to a sixth place position, the University narrowed the gap to fourth place and now trails the fourth place institution by \$1,555 compared to \$2,043 in FY 1991. As illustrated in Figure F, the gap to third place continued to widen in FY 1992, seriously negating progress achieved in FY 1990.

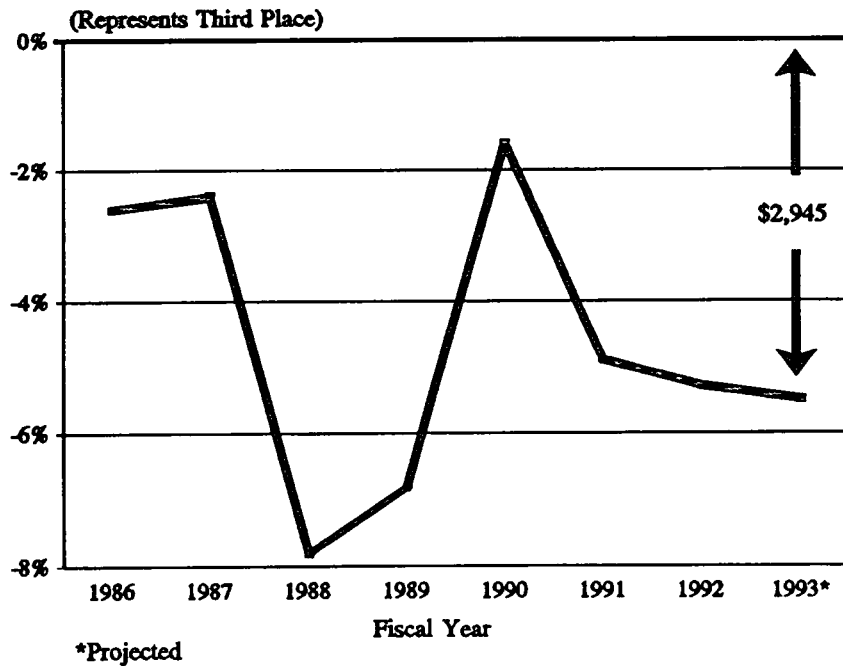
Based on projections for the coming year, it appears that the University will continue trailing the top-ranked institutions in FY 1993. The Governor's budget, as passed by the General Assembly, provides no funding for faculty and staff salary increases. Although the University will reallocate resources to provide a modest salary program, FY 1993 salary increases at other Big Ten universities are expected to average 3.5%. Projections indicate the University will recapture its fifth place ranking, however, the gap to third place will widen slightly and the University will remain more competitive with the sixth place institution than the fourth place institution in FY 1993.

**TABLE 3
AVERAGE SALARIES FY 1991 - FY 1993
BIG TEN UNIVERSITIES**

University	FY 1991 Weighted Average Salary	Rank	% Incr.	FY 1992 Weighted Average Salary	Rank	% Incr.	FY 1993 Projected Weighted Average Salary	Rank
Illinois	\$51,078	5	2.1%	\$52,172	6	3.0%	\$53,737	5
I	47,437	11	4.2	49,409	10	3.5	51,138	11
C	53,570	3	0.3	53,727	4	5.5	56,682	3
F	55,924	2	4.2	58,250	2	1.0	58,833	2
H	49,744	9	3.4	51,454	7	0.0	51,454	10
A	50,353	8	1.4	51,078	8	5.0	53,632	7
X	58,444	1	7.6	62,897	1	7.5	67,614	1
E	53,121	4	3.4	54,939	3	0.0	54,939	4
B	50,756	6	0.6	51,053	9	5.0	53,606	8
J	48,673	10	1.4	49,341	11	6.0	52,301	9
M	50,556	7	4.7	52,923	5	1.4	53,683	6
MEAN	\$51,787		3.1%	\$53,386		3.5%	\$55,238	
MEAN LESS ILLINOIS	\$51,858		3.2%	\$53,507		3.5%	\$55,388	

	FY 1991	FY 1992	FY 1993 Projected
Distances to 3rd Place--Average Salaries			
Illinois	\$51,078	\$52,172	\$53,737
3rd Place	\$53,570	\$54,939	\$56,682
\$ Difference	\$2,492	\$2,767	\$2,945
% Difference	4.9%	5.3%	5.5%

**FIGURE F
AVERAGE FACULTY SALARIES VS. THIRD PLACE BIG TEN AVERAGE
WEIGHTED SALARY**

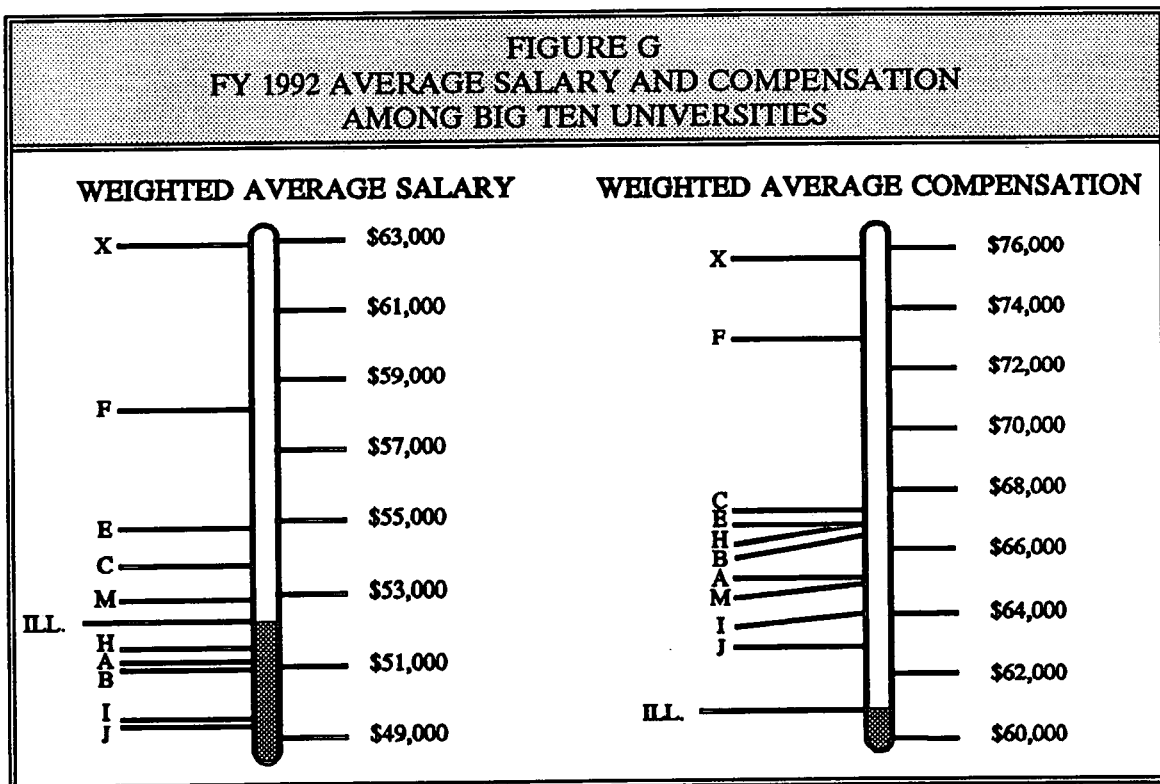


Faculty Compensation

Total compensation represents the combination of average cash salary and employer contributions to fringe benefits. When compared on this measure, the University's competitive position is even more discouraging. The University ranked last among the Big Ten in total compensation in FY 1992, lagging the third ranked institution by 10.6% compared to 13.2% in FY 1991. The current gap to third place exceeds \$6,400.

The University's contribution toward fringe benefits as a percent of average salary was 16.8% in FY 1992, compared to a Big Ten average contribution of 26.1%. When adjusted for Social Security, the average Big Ten contribution equals 19.9%, still well above the University of Illinois contribution level.

Figure G displays the University's relative ranking in both average cash salary and total compensation for FY 1992. Note that while most other institutions retain the same relative position in the total compensation comparisons as in the salary comparisons, the University's competitive position drops dramatically. The lack of competitiveness in providing essential elements of the fringe benefits package substantially weakens the University's overall competitive standing in total compensation.



Due to the reduced funding level in FY 1993, the cash salary competitiveness of the University is not expected to improve and the University will remain in last place in total compensation. Funds are requested for a 4% salary program in FY 1994 to begin the recovery process.

Staff Salary Comparisons

For staff, annual salary comparisons are made with employers outside the University. In some cases, comparisons are made with local employers; in other cases, broader comparisons are made if the market for a particular function or skill is State-wide or greater. The table which follows compares salary increase data as reported by Pay Data Services and the American Compensation Association, both recognized sources of comparative market information. In FY 1992, both market average salaries and general salary ranges increased at a greater rate than did comparable figures for the University of Illinois. Market actual salaries increased by approximately 5%, while salary ranges increased approximately 3.5%. In comparison, the University of Illinois granted \$400 to all staff, equating to a 2.2% increase in average salary across all pay grades.

TABLE 4
MARKET RANGE AND ACTUAL SALARY CHANGES
COMPARED TO UNIVERSITY OF ILLINOIS SALARY INCREASES

Salary Range Changes/Projections		
<u>Office Occupations:</u>	<u>1992 Actual</u>	<u>1993 Projected</u>
Pay Data Service	3.3%	3.7%
American Comp Assoc (Central)	3.3	3.6
University of Illinois	\$400*	--
<u>Professional and Mid-Management:</u>		
Pay Data Service	3.7%	4.1%
American Comp Assoc (Central)	3.5	3.8
University of Illinois	\$400*	--
*Equates to an estimated 1.5% average across all pay grades.		
Actual Salary Changes/Projections		
<u>Office Occupations:</u>	<u>1992 Actual</u>	<u>1993 Projected</u>
Pay Data Service	4.9%	4.9%
American Comp Assoc (Central)	4.7	4.7
University of Illinois	\$400**	--
<u>Professional and Mid-Management</u>		
Pay Data Service	4.9%	4.9%
American Comp Assoc (Central)	4.9	5.0
University of Illinois	\$400**	--
**Equates to an estimated 2.2% average across all pay grades.		

In general, University of Illinois ranges continue to fall further behind the market, particularly at the lower classification levels. At the higher levels, the ranges become more competitive, but because of limited funding and the University's inability to grant periodic increases, staff have been unable to move through the ranges regularly, creating compression towards the range minimum.

The final budget allocation for FY 1993 includes no incremental funds for salary increases. Salary support provided through the internal reallocation of resources may help strengthen salary competitiveness in FY 1993. Funding is requested for FY 1994 to continue the recovery process, as well as to keep pace with the projected level of inflation.

Salary Improvements for Low Paid Staff

As described in prior paragraphs, the University's salary increase program in recent years has failed to keep pace with inflation and the competitive markets for faculty and staff. Salary increases granted to University employees have lagged increases in the cost of living as well as those granted in the local, regional, and national markets in which the University competes. As market rates have increased, hiring rates have advanced, resulting in compression between new hires and longer term employees at all levels.

The impact of this situation has been felt most acutely by lower paid employees. A special salary increase program targeted toward these employees would help alleviate the burden of inflation, offset erosion in purchasing power, and increase the competitiveness of salaries for lower paid staff. The need to augment salaries for these employees extends across all employee groups. An increment of \$2.6 million, which represents approximately a one-half percent increase for the total personal services base, is requested for this purpose.

OTHER PAYROLL COSTS
(\$1,770,100)

In recent years, the University of Illinois has faced increasing expenditure requirements related to payroll. These requirements have placed additional stress on the University's already tight operating budget and require additional funding.

Workers' Compensation

The University of Illinois, unlike other universities or State agencies whose claims are handled through the Illinois Department of Central Management Services, receives a direct appropriation for payments of Workers' Compensation claims. Appropriation shortfalls have occurred in four of the last five years. Expenditures for FY 1993 are projected to be \$2,666,300. The State appropriation is \$2,193,500, leaving a projected deficit of \$472,800.

A 12% increase in claims payments is estimated in FY 1994 and expenditures are projected to be \$2,986,300. An increment of \$792,800 is therefore requested for FY 1994 to fund increased costs.

Medicare and Social Security Contributions

Effective April 1, 1986, the federal government required mandatory participation in the Medicare system by all newly hired State and local government employees not covered under the Social Security system. Additional legislation, effective July 1, 1991, requires employees not covered by the State University Retirement System to have Social Security withheld.

Since FY 1987, expenditures have grown at a rapid rate with a substantial increase in FY 1992 as a result of the new Social Security requirement. Although appropriations for these costs also have increased, they have been insufficient in the last three years to meet full needs. Projections for FY 1994 are currently estimated to be \$4,100,000 for the combined Social Security and Medicare requirements. An increment of \$626,300 is requested in FY 1994 to fund increased costs.

Sick Leave Payout

Effective January 1, 1984, full-time University employees began to accumulate compensable sick leave. New State legislation required that, upon termination, an employee be paid for one-half of the unused sick leave days accumulated since that date. However, the State provided no incremental funds to cover the cost of this program until FY 1990. As a result, each campus has experienced an

increasing demand on University resources to fund these payments, as well as an increased liability for future payments.

Under the final allocation for FY 1993, no increase is provided to meet these costs. Funding at current levels will cover only 24% of anticipated FY 1993 expenditures. Current projections are that FY 1994 expenditures for sick leave payout will be \$3,429,000, requiring an increment of \$351,000 above the FY 1993 level.

PRICE INCREASES
(\$2,919,000)

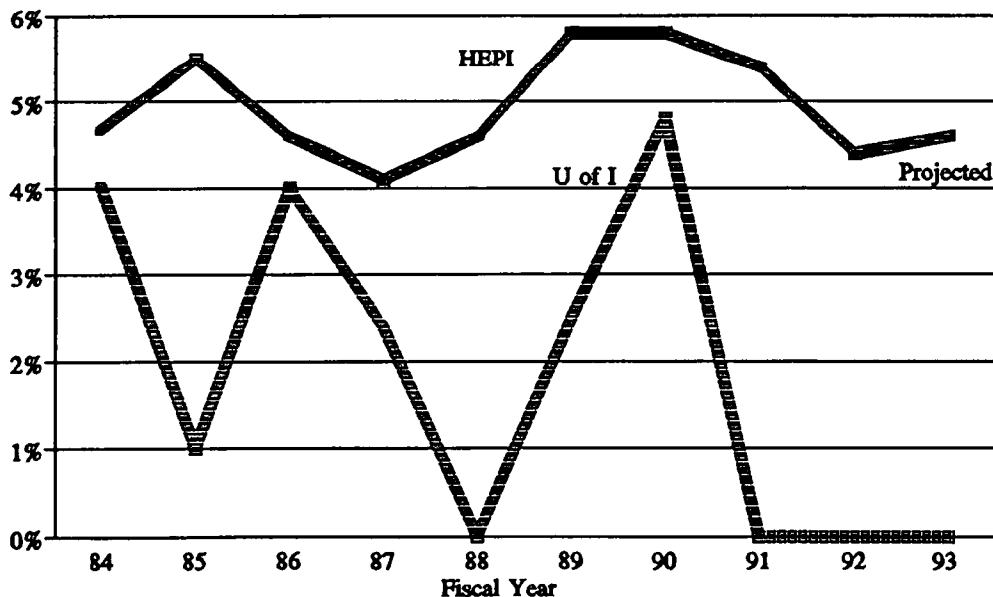
The University requests funding increases each year to keep pace with expected price increases in the commodities and services which the University requires for operation. Insufficient funding for these price increases requires the University to reallocate already limited internal resources, which inhibits the University's efforts to provide quality programs and services. In formulating its annual needs for price increase funding, the University prepares three separate price increase requests, tailoring each to the unique characteristics of the commodities under consideration:

General Price Increase

Although the State has for some time recognized the need for general price increase support, appropriations for this purpose have been inconsistent over the last decade. Since FY 1988 the University has received only two general price increases and in no year has the general price increase exceeded the Higher Education Price Index (HEPI), as shown in Figure H.

Inflation is projected to be 4% in FY 1994, putting continued pressure on the University's ability to purchase needed goods and services. Recognizing the degree of fiscal constraint required in formulating the FY 1994 request, however, the University will address general price increases in FY 1994 through the internal reallocation of resources. Thus, no funds are sought in the FY 1994 budget request for this purpose.

FIGURE H
ANNUAL INFLATION INCREASES
VERSUS GENERAL PRICE INCREASE APPROPRIATIONS



Utilities Price Increase (\$1,655,000)

Projected increases for FY 1994 in the cost of boiler fuel (natural gas, fuel oil, and coal), are expected to have the greatest impact on the utility budget. Because natural gas is the most commonly used fuel, forces that impact this market are very important to the budget process. The natural gas market is undergoing major changes in the way natural gas is produced and transported for consumer use. Most recently, the Federal Energy Regulatory Commission has enacted new transportation regulations that will add new charges to the consumer cost of natural gas. In addition, recent pricing activities of OPEC indicate an increase in the target range for oil sales. As a result of this upward movement, prices are projected to escalate to the extent where the overall boiler fuel component for the University is expected to increase approximately 6%.

Electricity costs for the University, the single most costly utility, are expected to increase approximately 3% for FY 1994. Major rate cases for Illinois Power Company and Commonwealth Edison will be resolved in FY 1993 and the effects of the increase permitted by the Illinois Commerce Commission will continue to have a ripple effect into FY 1994.

These projected commodities and utility rate increases yield a composite increase of approximately 4% for FY 1994, a \$1.7 million increment above the University's FY 1993 direct utilities base.

Library Price Increase (\$971,000)

Price increases for library acquisitions have been particularly severe in recent years, far outpacing inflation. In particular, the subscription cost for journals and serial publications has increased at several times the rate of inflation each year, causing the University to cancel many important subscriptions. The State has recognized the need for a differential library price increase with special funding in 6 of the last 13 fiscal years, including a 5% increase in FY 1992. Despite these efforts, the Libraries of the University of Illinois are struggling to maintain the current quality of their collections.

The steady erosion of the Libraries' purchasing power is magnified when the following additional factors are considered:

- A steady decline in the value of the dollar against major European and other world currencies since FY 1986.
- An increase in serial subscription costs of more than 50%.
- Discriminatory pricing policies against American libraries practiced by foreign publishers, particularly those supplying the most expensive scientific journals.
- The average price of U. S. academic books increased by 30% during the period from 1986 to 1991, while foreign books increased at a greater rate.

- The price of U. S. technology and science serial titles climbed by 13.5% between 1991 and 1992.

If the Libraries are to meet their local and Statewide mission in FY 1994, an increase of 10% is necessary to cover anticipated price increases and provide modest funding to repair the Libraries' collections. It should be recognized at the policy making level that an adequate, consistent level of support is required for library materials price increases. Through a planned program of modest increments over required annual price increases, it will be possible to move the Libraries toward their former level of collecting and ensure their ability to fulfill their mission.

Property Risk Management (\$293,000)

The University operates its property risk program largely on a self-insured basis and has historically sought supplemental appropriations to cover extraordinary costs. In recent years, the University has experienced several emergency situations which resulted in extraordinary funding requirements. While State funds were eventually obtained for this purpose, fiscal constraints within the State make future funding more uncertain, requiring a stable base of support. The availability and cost of commercial coverage has been determined and a recommendation advanced to purchase coverage for FY 1993 at a cost of \$266,400. While acquiring this coverage represents a new institutional cost, it is prudent risk management in the event of major loss. FY 1993 costs will be funded from the University Insurance Reserve and campus insurance budgets on a nonrecurring basis, with an increment of \$293,000 sought in FY 1994 from new State funds to cover future costs on a recurring basis.

OPERATION AND MAINTENANCE FOR NEW AREAS
 (\$2,871,300)

The major operation and maintenance function is to determine and meet the physical support requirements of existing, new, or significantly remodeled facilities. When new or remodeled facilities are brought into use, it is important to secure adequate maintenance funds, so that new space does not begin its useful life with a built-in maintenance deficiency. Given the continuing need to provide adequate facilities to support academic programs at both campuses, maintenance costs for new space have been and will remain an important budget component. Funding requirements for new areas support in FY 1994 total approximately \$2.9 million.

The current estimate for FY 1994 operation and maintenance costs for new areas is \$2,871,300. A total of nine projects, comprising approximately 584,408 gross square feet (GSF) of new or significantly remodeled space, require either full or partial funding of the annual costs of operations and maintenance. Each project is described in the following narrative and is presented in the cost summary shown on Table 5.

TABLE 5 FY 1994 OPERATION AND MAINTENANCE REQUIREMENTS TO SUPPORT NEW AREAS						
Project	GSF	Total Annual Cost	Total Unit Cost \$/GSF	Date of Occupancy	No. Months Funding	FY 1994 Amount
<u>Chicago</u>						
Circle Court	107,700	\$ 937,020	\$ 8.70	July 1993	7	\$ 546,600
<u>Urbana-Champaign</u>						
CSRL	120,200	\$1,233,840	\$10.26	June 1992	5	\$ 514,100
Engineering Library	140,400	1,009,050	7.19	Nov. 1993	8	672,700
Turner Hall	48,333	128,700	2.66	June 1993	12	128,700
Law Building Add.	69,000	437,100	6.33	July 1993	12	437,100
AISS Building	28,000	161,000	5.75	July 1993	12	161,000
Ill. Bookstore Ofc.	50,050	284,800	5.69	April 1994	3	71,200
Police Facility	12,225	79,400	6.49	Nov. 1993	8	52,900
Library A/C Cntr.	8,500	287,000	NA	July 1993	12	287,000
Subtotal						\$ 2,324,700
TOTAL UNIVERSITY						\$ 2,871,300

Chicago Campus

Circle Court

The University is purchasing a five acre property on the corner of Racine Avenue and Harrison Street in Chicago. Located on this property is a 209,600 GSF facility that was originally constructed as an office/shopping center complex. The University will utilize the facility to consolidate all student service functions for UIC in a single location. Having already received five months funding in FY 1992, the University would require seven months of funding for operation and maintenance for FY 1994 at a cost of \$546,600.

Urbana-Champaign Campus

Computer and Systems Research Laboratory (CSRL)

CSRL will bring together two units from different colleges that operate in an autonomous mode--the Center for Supercomputing Research and Development and a research group from the Coordinated Science Laboratory. The relocation of these two programs will provide additional space in the Coordinated Science and Talbot Laboratories for other College of Engineering units. The CSRL will be a 120,200 GSF building containing four stories above ground and a basement. Scheduled for completion in June 1992, the FY 1994 operation and maintenance requirement is for five months of support at a cost of \$514,100.

Engineering Library

The UIUC College of Engineering has achieved remarkable success in gaining funding from private, corporate, and federal sources to support its programs. Continuing that success, college leaders have joined with campus and university officers to secure a gift of \$18.7 million from the W. W. Grainger Foundation to construct an Engineering Library and Information Center. The new Engineering Library, to be located south of Springfield Avenue, between Burrill Avenue and Mathews Street, will contain 140,400 assignable square feet. Scheduled for completion in November of 1993, the FY 1994 operation and maintenance support will be needed for eight months at a cost of \$672,700.

Turner Hall

Two laboratories in Turner Hall have been remodeled for wet laboratory usage to accommodate research programs in soil and water quality and soybean genetics. This upgraded space requires a greater level of operation and maintenance support. The FY 1994 requirement for operation and maintenance support is for 12 months of support at a cost of \$128,700.

Law Building Addition

The Law Building addition and remodeling will provide the meeting places, seminar rooms and classrooms, library space, and offices demanded by a modern school of law. Upon completion 69,000 GSF of new space will need to be maintained. Scheduled for completion in August of 1993, the FY 1994 operation and maintenance requirement is \$437,100 for 12 months of support.

Administrative Information Systems and Services (AISS) Building

A project to remodel the basement and first floor of the existing 20,000 GSF State University Retirement Systems Building (SURS), and to construct an 8,000 GSF addition will be completed in July 1993. This project will provide for the logical consolidation of various AISS functions that support academic and administrative computing. Currently, AISS suffers a logistical inefficiency due to its location among four different buildings. The operation and maintenance requirement is for 12 months of support at a cost of \$161,000.

Illini Bookstore

The University issued a 1991 series of auxiliary facilities revenue bonds to construct or remodel several facilities at each campus. One of the construction projects is a new bookstore at the Urbana-Champaign campus. By creating 50,050 GSF of office space in this 100,094 GSF building, a number of administrative support units can be moved out of rental space. Scheduled for completion in April 1994, the FY 1994 requirement for operation and maintenance support will be for three months of support at a cost of \$71,200.

Police Facility

The current Police Station must be demolished to accommodate the new Grainger Engineering Library. The new 19,517 GSF facility will contain 12,225 GSF for 24-hour use by University police. The new space will eliminate current efficiency and coordination problems caused by dispersed and inadequate quarters. Scheduled for completion in November of 1993, eight months of operation and maintenance support are required in FY 1994 at a cost of \$52,900.

Library Air-Conditioning Center

The Library Air-Conditioning Center has been expanded in capacity and now serves several facilities in the central campus area, including the Psychology, Agriculture Engineering, and Foreign Languages Buildings, and the Library Complex. In FY 1994 twelve months of operation and maintenance support will be needed at a cost of \$287,000, primarily to cover expanded energy usage.

INSTRUCTIONAL PROGRAM IMPROVEMENTS (\$2,000,000)

For much of the early 1980s, significant physical and programmatic growth took place on each of the University of Illinois campuses. Supported by new State funds, enriched by federal and private sources of funding, and augmented by the realignment of existing institutional resources, these successes created a base from which further efforts to expand and improve instructional, research, and public service programs could be accomplished.

However, State funding in recent years has presented a difficult challenge to the University in its efforts to initiate and support new programmatic emphases. In four of the last five years, virtually no incremental resources were available for academic programs. Indeed, in FY 1988 and FY 1992, base budget reductions occurred. Although an infusion of funding from the income tax surcharge in FY 1990 gave a momentary boost to the University's resources, this progress was stalled in FY 1991 and was reversed in the FY 1992 budget year.

The lack of new programmatic funding in FY 1993 threatens to further undermine the programmatic gains which tax increase funds produced in FY 1990. These resources were vitally important to the strengthening of the University's academic programs, with the increased fiscal strength provided by the surcharge intended to produce a base of stability for future years. The budget reductions of FY 1992 have placed a severe strain on academic programs and services, as the University has worked to redirect resources through internal reallocation efforts. Although budget cuts have been absorbed so as to protect instructional activities to the extent possible, the University has been forced to make difficult choices concerning programmatic priorities in all areas.

FY 1993 will see a continuation of these efforts, and depending on the extent of reallocation required, programmatic initiatives for FY 1994 may well need to focus upon restoration and recovery from the impact of cuts. Some units are already reporting a loss of program quality resulting from the loss of faculty and decreased academic support. FY 1994 program initiatives are therefore focussed in the area of instructional improvement.

The initiatives proposed by both the Chicago and Urbana-Champaign campuses to promote academic excellence will meet a variety of instructional needs, ranging from improvement in the training of elementary and secondary school teachers to initiatives that will strengthen the quality of education offered throughout the University. They will enhance basic skills of undergraduates; meet existing student demand for undergraduate, graduate, and professional programs; enrich curricular offerings through the augmentation of instructional support; and implement the early stages of revised undergraduate requirements and instructional reforms.

First and foremost among the needs for improving the quality of educational opportunities at the university level are initiatives that enhance and improve undergraduate curricula. The critical importance of basic, fundamental skills that transcend disciplinary expertise--thinking and problem solving; clear, cogent, and concise writing; and critical reading and analysis--are integral to the undergraduate educational experience. Both campuses propose the continued development of new curricular options which stress the development of ideas and their synthesis through reading, discussion, and writing, rather than the more prevalent modes of instruction which most freshmen and sophomores face in meeting their General Education requirements.

With increasing national attention on school reform and the new teacher certification requirements in Illinois, the need for attention to the preparation of teachers is of critical importance on both campuses of the University of Illinois. Curricular enhancements to provide substantially better breadth of education are planned for non-major offerings in areas such as mathematics, English, history, and the laboratory sciences.

A third set of important needs addressed by the initiatives from each campus are responses to specific areas of student enrollment demand. These include not only demand for selected undergraduate curricula, but also for graduate, professional, and continuing education programs offered by the University. Areas where there is particularly heavy demand presently not met include computer science, business, public policy, certain health professions, and the chemical, biological, behavioral, and neurological sciences.

Efforts must be increased to further integrate the use of microcomputers into non-science and non-engineering curricula. Not only does this necessitate the expansion of present microcomputer laboratory facilities, it also necessitates the development of better orientation and instructional support services for faculty who wish to integrate the use of microcomputers into their courses. While undergraduate instructional equipment needs may vary in degree from that for graduate programs in that the necessary equipment is somewhat less esoteric and expensive, the items usually are required in larger quantities. The availability of modern equipment for undergraduate laboratories is as important to maintaining the quality of undergraduate instruction as it is to maintaining the quality of graduate and research programs.

SPECIAL SERVICES FUNDING

The University of Illinois provides a variety of special services to the citizens of the State of Illinois. Three of those service areas, the Division of Specialized Care for Children, the County Board Matching program, and the Fire Services Institute, require incremental funding in FY 1994.

Division of Specialized Care for Children

The Division of Specialized Care for Children (DSCC) provides and supports medical services for children with special health care needs who meet certain medical eligibility criteria. Maintaining the current level of activity in the core program is DSCC's highest priority. Because DSCC's State budget was reduced in FY 1987 and FY 1988, and because no incremental funds were added in FY 1989, new resources received from other sources have been re-directed to support existing core program activities. Although funds were received in FY 1990, no incremental funds were provided in FY 1991, FY 1992, or FY 1993. This lack of support has created a gap which must be closed. A total of \$300,000 is requested in FY 1994 to strengthen DSCC's level of base support.

County Board Matching

The County Cooperative Extension Law of 1962 as amended, makes provision for the State, through the University of Illinois, to match allocations from county sources in support of Cooperative Extension Service (CES) work. The State is expected to supplement locally raised funds on a dollar-for-dollar matching rate. Despite generous increases in State funding, State county board matching funds have been appropriated in amounts that have lagged behind the growth in local funds in support of CES since 1986. A total of \$1 million will be required for matching purposes in FY 1994.

Fire Services Institute

Since the passage of the Illinois Fire Services Institute Act (Public Act 81-1147, effective July 1, 1980), the University of Illinois has received a direct appropriation from the Fire Prevention Fund for the operation of the Institute.

Incremental funds for FY 1994 will be required to meet anticipated salaries and operational costs. Based upon current revenue projections, growth of the Fire Prevention Fund for FY 1994 is estimated to be 5% over its FY 1993 base, increasing total revenue by \$600,000. The University of Illinois' share of the revenue (1/8) is approximately \$75,000.

**FISCAL YEAR 1994
CAPITAL BUDGET REQUEST**

FISCAL YEAR 1994 BUDGET REQUEST FOR CAPITAL FUNDS

Planning Parameters for FY 1994

The planning parameters affecting capital budget issues are somewhat better defined than are those for the operating budget, although fiscal resources in this area are as constrained as they are for operating components. It is clear that the State Administration continues to set significant capital budget priorities on renovation initiatives which help maintain the existing facilities infrastructure. Renovation and repair, infrastructure maintenance, and facility upkeep are thus targeted as top priorities. For the most part, these State priorities match similar areas of major need for the University.

Upgrading facilities through major remodeling is the principal focus of the University's FY 1994 capital request. Overall, \$38.9 million or 67% of the proposed University need for FY 1994 is devoted to remodeling projects. Five of the top six priorities involve remodeling. The single exception among the top six requests is the University's number one priority to acquire equipment for three previously funded buildings.

Status of Ongoing Projects

To understand the direction and emphases of FY 1994 projects, it is important to view them in the context of past capital appropriations, especially those which were received for FY 1993. As with FY 1992, the FY 1993 capital program includes no new projects funded from the Build Illinois Bond Fund or from other special programs. Generally, the level of FY 1993 appropriations represents a continued downturn in capital funding making it critically important that the University achieve its most important capital priorities for FY 1994. Projects approved for FY 1993 capital appropriations are shown below. Table 6 on the following page provides a history of actions on capital budget requests from FY 1989 through the FY 1993 appropriation.

FY 1993 APPROPRIATIONS

<u>Chicago</u>	
Neuropsychiatric Institute (NPI) Remodeling	\$ 5,500,000
<u>Urbana-Champaign</u>	
North Campus Development	8,359,000
<u>University-Wide</u>	
Repair and Renovation	<u>5,942,460</u>
TOTAL	\$19,801,460

TABLE 6
HISTORY OF RECENT CAPITAL BUDGET ACTIONS
(Dollars in Thousands)

	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
<u>Campus Requests:</u>					
Chicago	\$48,293.2	\$38,085.5	\$ 83,872.3	\$ 48,635.6	\$ 40,309.90
Urbana-Champaign	<u>30,198.5</u>	<u>\$44,439.0</u>	<u>96,980.3</u>	<u>46,597.4</u>	<u>77,895.60</u>
TOTAL	\$78,491.7	\$82,524.5	\$180,852.6	\$95,233.0	\$118,205.50
<u>IBHE Recommendations:</u>					
Chicago	\$23,874.5	\$31,010.3	\$ 51,996.8	\$ 28,116.8	\$ 22,989.90
Urbana-Champaign	<u>17,005.0</u>	<u>36,672.7</u>	<u>81,346.3</u>	<u>21,448.9</u>	<u>26,110.00</u>
TOTAL	\$40,879.5	\$67,683.0	\$133,343.1	\$49,565.7	\$49,099.90
<u>Regular Capital Appropriation:^(a)</u>					
Chicago	\$ 9,547.9	\$ 4,597.0		\$ 7,100.0	\$ 8,722.46
Urbana-Champaign	<u>3,070.0</u>	<u>6,000.0</u>	<u>\$ 8,412.0</u>	<u>4,824.4</u>	<u>11,079.00</u>
TOTAL	\$12,617.9	\$10,597.0	\$ 8,412.0	\$11,924.4	\$19,801.46
<u>Appropriations for Special Projects:</u>					
Energy Conservation	\$ 489.6	\$ 564.2	\$ 1,077.4		
Build Illinois					
Major Projects ^(b)		31,734.0	107,407.3		
Repair & Renovation		7,834.0	15,668.0		
Multi-University Center		3,000.0			
Asbestos Abatement	<u>3,030.0</u>		<u>3,400.0</u>		
TOTAL	<u>\$ 3,519.6</u>	<u>\$43,132.2</u>	<u>\$127,552.7</u>	<u>\$ 0.0</u>	<u>\$ 0.00</u>
TOTAL APPROPRIATION	<u>\$16,137.5</u>	<u>\$53,729.2</u>	<u>\$135,964.7</u>	<u>\$11,924.4</u>	<u>\$19,801.46^(c)</u>

^(a) Excludes appropriations for special projects.

^(b) Build Illinois - major projects become Science and Technology FY 1990.

^(c) Final Action.

FY 1994 CAPITAL BUDGET REQUEST

The University's FY 1994 Capital Budget Request is comprised of 12 projects at a total cost of \$57.9 million. Table 7 presents a priority listing of the proposed projects for FY 1994, combined for the two campuses.

TABLE 7
FY 1994 COMBINED CAPITAL PRIORITY LIST
(Dollars in Thousands)

Priority	Campus	Project Title	Category	Budget	Total Cumulative
1	University	Critical Equipment ^(a)	EQUIP	\$ 9,000.0	\$ 9,000.0
2	University	Repair and Renovation ^(b)	REMD	10,304.0	19,304.0
3	Chicago	Classroom Accessibility	REMD	2,042.0	21,346.0
4	Urbana	Freer Hall Remodeling	REMD	5,460.0	26,806.0
5	Chicago	Campus Core Phase II	REMD	3,500.0	30,306.0
6	Urbana	English Building Remodeling	REMD	4,460.0	34,766.0
7	Chicago	Land Acquisition	LAND	2,000.0	36,766.0
8	University	SURS Acquisition	LAND	1,210.0	37,976.0
9	Urbana	Mechanical Eng. Laboratory Remd.	REMD	5,145.0	43,121.0
10	Chicago	Pharmacy Laboratory Remodeling	REMD	3,655.0	46,776.0
11	Chicago	Repair and Renovation	REMD	4,353.0	51,129.0
12	Urbana	Commerce Instructional Facility ^(c)	BLDG/ UTIL	6,800.0	57,929.0

^(a) Includes \$5 million for Molecular Biology, \$2 million for Temple Hoyne Buell Hall and \$2 million for Law Addition.

^(b) Includes \$4.681 million for Chicago and \$5.623 million for Urbana-Champaign.

^(c) The total project cost is \$14.1 million which includes matching gift funds of \$6.8 million and a future equipment request of \$500,000.

The first University priority includes equipment for three buildings scheduled to become available for occupancy in FY 1994. These buildings include the Molecular Biology Research Laboratory at Chicago, and the Temple Hoyne Buell Hall and Law Building Addition at Urbana-Champaign. This request will provide needed equipment to enable these three projects now in the construction process to become functional elements serving the University's faculty, staff, and students in both instructional and research programs.

The second priority at both campuses is the Repair and Renovation request which is comprised of 12 projects at the Chicago campus and 16 projects at the Urbana-Champaign campus. As in previous years, these projects address smaller scale

renovation needs, not large enough to compete with major remodeling requests, but which in aggregate represent a critical priority for capital funding.

The Repair and Renovation request is vital for the continued renewal of existing University facilities. Institutions with facilities the size, scope, complexity, and age of the University of Illinois campuses must place a high priority on renovation and renewal efforts each year. Appropriations under the Build Illinois Program brought the University \$47 million since its implementation in FY 1986, providing a regular, recurring source of support to improve instructional and research facilities, and to repair and upgrade support systems serving the entire University. With the conclusion of the Build Illinois Program, an alternative source of funding must be found for these types of projects.

Since FY 1982, the University has requested funding from the U. S. Department of Energy's Institutional Building Grant program for energy conservation capital improvements. These grants have been matched by the State on a one-for-one basis. For FY 1994, the State share of the federal provision includes \$281,000 for the Chicago campus and \$223,000 for the Urbana-Champaign campus. These matching amounts appear within the University Repair and Renovation request.

The third University priority is a UIC project to improve classroom accessibility. The original design concept of the University of Illinois at Chicago's east campus did not provide for wheelchair accessibility. Today such conditions necessitate the relocation of classes to already limited classroom space so that students may be accommodated as required by State and federal law. This project will bring several key buildings into compliance with accessibility requirements and thereby maximize use of available instructional space.

The fourth University priority is a UIUC project to remodel for instructional space at Freer Hall. This project will provide additional instructional space by creating an infill floor in Freer Hall and converting the first floor from office space to classrooms and computer laboratories. With this project, the College of Applied Life Studies (ALS) will be able to consolidate activities into Freer Hall and allow the College to vacate permanently assigned space in both Huff Hall and the Armory.

Table 8 provides a breakdown of projects by category and by campus. Table 9 details the cost per square foot that is anticipated for new buildings and major remodeling projects requested for FY 1994. Following these tables are project descriptions for the twelve projects which comprise the University's final capital request for FY 1994. Descriptions for other longer term capital projects can be found in the Background Information document sent to the Board of Trustees in July 1992.

TABLE 8
FY 1994 REGULAR CAPITAL BUDGET REQUEST
SUMMARY BY CAMPUS AND CATEGORY
(Dollars in Thousands)

Category	Chicago	Urbana- Champaign	Total
Buildings, Additions, and/or Structures	\$ 0.0	\$ 6,800.0	\$ 6,800.0
Land Acquisition	2,000.0	1,210.0	3,210.0
Moveable Equipment	5,000.0	4,000.0	9,000.0
Utilities	0.0	0.0	0.0
Remodeling	18,231.0	20,688.0	38,919.0
Site Improvements	0.0	0.0	0.0
Planning	0.0	0.0	0.0
TOTAL	\$25,231.0	\$32,698.0	\$57,929.0

TABLE 9
UNIVERSITY OF ILLINOIS
FY 1994 CAPITAL BUDGET REQUEST
COST PER SQUARE FOOT OF NEW BUILDING AND MAJOR REMODELING PROJECTS
BY CAMPUS

	Project Cost	Gross Square Feet	Net Assignable Sq. Feet	Efficiency NASF/GSF	\$/GSF	\$/NASF
CHICAGO:						
<u>Major Remodeling</u>						
Campus Core Phase II	\$ 3,500,000					
Pharmacy Lab. Remd.	3,158,000	12,500	9,000	72%	\$252.64	\$350.88
URBANA-CHAMPAIGN:						
<u>New Buildings</u>						
Commerce Instruc. Facility ^(a)	\$13,600,000	63,500	39,500	62%	\$214.17	\$344.30
<u>Major Remodeling</u>						
English Building	\$ 4,460,000	29,783	17,870	60%	\$149.75	\$249.58
Freer Hall	5,460,000	62,585	40,680	65%	87.24	134.22
Mechanical Eng. Lab.	5,145,000	34,869	22,665	65%	147.55	227.00

^(a) The total project cost is \$14.1 million which includes matching gift funds of \$6.8 million and a future equipment request of \$500,000.

Critical Equipment (\$9,000,000)

Equipment is requested for three buildings including the Molecular Biology Building (MBL) at Chicago, and the Temple Hoyne Buell Hall and Law Building Addition at Urbana-Champaign. Procurement of equipment for the MBL building is an urgent priority of the Chicago campus. When available for occupancy at the end of FY 1994, the MBL building will house molecular biologists from the Colleges of Liberal Arts and Sciences, Medicine, and Pharmacy. These multidisciplinary faculty teams will use state-of-the-art approaches and technologies to conduct research in basic science and clinical areas relevant to diseases such as cancer, AIDS, birth defects, neurological disorders, and health problems associated with aging.

The total equipment requirement for the Laboratory has been estimated at \$18 million. A total of \$5 million is requested in the FY 1994 budget; the remaining need will be met by relocation of existing equipment and by purchases funded by grants and indirect cost recovery funds. The major equipment requirements to support these efforts include protein X-ray crystallographic equipment, phosphorimagers, cytometers, DNA sequences, computer workstations and imaging equipment, microscopes, ultra low temperature freezers, and a nuclear magnetic resonance spectrometer.

The equipment request related to Temple Hoyne Buell Hall is for \$2 million. These funds will be used to provide state-of-the-art audio equipment in the two lecture rooms, drafting tables in the teaching laboratories, and office furniture in the various offices. Also, the equipment funds will provide additional computer-aided design equipment for students which will significantly enhance teaching programs and better prepare students for their first jobs.

The equipment request to support the Law Building Addition is \$2 million. This request will provide funds to furnish the two new moot court rooms, student commons area, and expanded Library area. Office furniture and compact library shelving will expand the Law Library's volume capacity without adding additional square footage.

University Repair and Renovation (\$10,304,000)

The University Repair and Renovation request is comprised of the following projects at the Chicago and Urbana-Champaign campuses.

CHICAGO REPAIR AND RENOVATION PROJECTS	
Project	Budget Request
Campus Entrance/Building Identification I	\$ 162,000
Lecture Center Seating	137,000
Pharmacy Building Research Labs - 5th Floor	534,000
Pharmacy Building Faculty Labs and Offices - 4th Floor	466,000
Fire Safety, Alarm Systems & Bldg. Code Compliance	1,000,000
Peoria Masonry and Window Repair I	921,000
Hull House Preservation	218,000
Pharmacy Electrical Upgrade	265,000
AHPB Electrical Upgrade III	272,000
Rockford Masonry and Window Repairs	102,000
Energy Conservation	281,000
IIDD Elevator Replacement	323,000
CHICAGO TOTAL	\$4,681,000

URBANA REPAIR AND RENOVATION PROJECTS	
Project	Budget Request
Education Building Basement	\$ 300,000
Gregory Hall Room 336 Remodeling	145,000
Environmental and Agriculture Science Building	840,000
Krannert Art Museum HVAC	265,000
Noble Hall Remodeling	350,000
Electrical Load Center #8 Renovation	500,000
Noyes Laboratory Masonry Repair	150,000
Morrill & Burrill Hall HVAC Improvements II	525,000
Gregory Hall HVAC Improvements	550,000
WILL TV Building Roof Replacement	160,000
Critical Accessibility Phase II	270,000
Fire Alarm Upgrade 5 Buildings Phase II	545,000
Roger Adams Lab Room 116	300,000
General Classroom Upgrade	200,000
Planning/Asbestos	300,000
Energy Conservation	223,000
URBANA TOTAL	\$5,623,000

Classroom Accessibility (\$2,042,000)

The original design concept of UIC's east campus focused on the clustering of instructional activities in a small number of classroom buildings and did not provide for wheelchair accessibility. Because only the first floors of most classroom buildings are accessible to students who use wheelchairs or have other mobility limitations, classes frequently must be relocated to already limited classroom space. Six classroom buildings in particular suffer from accessibility limitations including Burnham, Taft, Adams, Douglas, Lincoln, and Grant Halls. Disabled students have been shut out of classes in these buildings because key courses could not be relocated to accessible classrooms.

The requested funds would be used to bring several of these buildings into compliance with accessibility requirements through the installation of elevators, stair lifts, and ramps; appropriate door hardware and corridor rails; and accessible bathrooms, water fountains, phones, and classroom workstations.

Freer Hall Remodeling (\$5,460,000)

The College of Applied Life Studies (ALS) is currently accommodated in Huff Hall, Freer Hall, and the Armory. Although decentralization is a problem, Huff Hall in particular presents conflicts for the College involving incompatible activities--administrative and academic activities--in uncomfortably close proximity to the gymnasium. By creating an infill floor in Freer Hall and converting the first floor from office space to classrooms and computer laboratories, it will be possible to consolidate ALS in this facility and allow the College to vacate all permanently assigned space in both Huff Hall and the Armory.

Conceptually, the remodeling of Freer Hall will involve removing the main dividing wall within the third floor gymnasium and construction of a fourth floor. To effectively isolate dissimilar activities, the first floor will be modified to accommodate high-traffic public spaces such as classrooms and general use computer laboratories. New first floor spaces will include six classrooms, one large computer laboratory, and several high-ceiling research laboratory spaces. The office space now on the first floor of Freer Hall and in Huff Hall will be moved to the upper floors in Freer Hall along with support spaces, conference rooms, computer laboratories, and graduate assistant office space.

Campus Core Phase II (\$3,500,000)

The Campus Core Revitalization Program is aimed at improving functional and aesthetic conditions of the facilities that were designed and constructed for the "Chicago Circle Campus" in the 1960s. This program is an essential part of UIC's plans for improving the environment of the campus to make it more attractive to current and prospective students, faculty, and staff.

Funding for the first phase of the Revitalization Program was approved in FY 1992. The scope of the Phase I work includes repair and renovation of plaza areas, walkways, lecture centers, and the ground plane adjacent to the Great Court and Forum in the area between Chicago Circle Center and the Richard J. Daley Library.

Phase II will focus on areas adjacent to the Phase I project area. The major emphasis will be the creation of an Academic Way to connect the Student Residence and Commons to the area adjacent to the Behavioral Sciences Building (BSB) at Vernon Park and Morgan Streets. This Academic Way will provide an integrated pedestrian circulation system to serve the Chicago Circle Center; Student Residence and Commons; Lecture Centers; Grant, Douglas, and Burnham Halls; University Hall; and the BSB. A reconfigured service access system will be provided to minimize conflicts between pedestrians and motor vehicles.

Phase II project work will include removal of existing asphalt walks and brick walls, the relocation of parking lot #2, correction of drainage, installation of improved lighting, reconfiguration of University Hall and BSB service access, removal of the overhead walkway between University Hall and the BSB, and construction of a major entry plaza on the closed portion of Morgan Street.

Planning and construction for this project will be coordinated with ongoing work on the Student Residence and Commons addition and revisions of plans for the expansion of the Art and Architecture Building. The University will work with the City of Chicago to obtain access points from Harrison Street to University Hall and BSB for service and/or handicapped accessibility.

English Building Remodeling (\$4,460,000)

In 1975 an architect was hired and a master plan was developed to convert the English Building to its new and permanent use. The plan that was developed calls for the remodeling of the English Building in five phases at a total cost of \$12.1 million. When the job is completed, the Department of English will have all new facilities within the original exterior walls at a cost of 40-50% less than the cost of a new facility of the same size.

The entire program involves: the addition of a new heating and air-conditioning system for the building; construction of a new fire-rated stair and enclosure of two existing stairs; installation of an elevator (completed in Phase III); addition of rest rooms, new plumbing, and new structural flooring in the west half of the building; as well as typical partitioning, lighting, and ceiling improvements associated with office and classroom remodeling. To date, only the first three phases of the remodeling have been completed. The unremodeled portion of this building is in deplorable condition because of the extended delays in funding this important project.

The fourth phase of the work, which is currently proposed, involves the renovation of the north section of the building on all floors as well as the east side of the third floor. The remodeling will involve the complete gutting and the construction of new floors in the area to be remodeled. A total of 29,783 GSF of space will be converted into modern office space and classrooms as a result of this project.

Land Acquisition I (\$2,000,000)

Funds for acquisition of property south of Roosevelt Road identified in the UIC Master Plan are required to provide sites for new and relocated recreational facilities and for future academic, research, and support buildings. To date, over 10 acres of land have been acquired with non-State funds, but these resources have been exhausted. The requested funds will be directed toward the purchase of properties in the Gateway zone, the area bounded by the alley between Newberry Avenue and Halsted Street on the west, Union Street on the east, and by Roosevelt Road and 14th Street on the north and south.

SURS Acquisition (\$1,210,000)

The State Universities Retirement System (SURS) has constructed a new office building in Urbana-Champaign to accommodate growth in programs and services. Its present office facility is for sale and will be vacated by August 31, 1992.

The availability of the SURS facility presents an opportunity to address persistent space problems at the Urbana-Champaign campus. Consolidating Administrative Information Systems and Services (AISS) operations in a single location would improve working conditions, enhance operating efficiency, and release some central campus space for reassignment to other units. The University administration has reached a tentative agreement with SURS for the sale of their property to the University for the sum of \$1,210,000.

Mechanical Engineering Laboratory Remodeling (\$5,145,000)

The Mechanical Engineering Laboratory is a building of approximately 48,000 NASF constructed in 1905 with an addition in 1917. The continued use of the building was in question until the recent North Campus Master Plan prepared by Sasaki & Associates was completed. Sasaki & Associates recommended that this building be retained, forming the east edge of the Engineering Quadrangle. In that location it will serve the needs of the Mechanical Engineering Department, as well as other departments that are related in scope and educational content, such as Aeronautical and Astronautical Engineering.

This building was originally built as a part of the University Physical Plant and served in that capacity until the early 1950s. Because of the original construction and use of the building, major remodeling is required to bring it up to modern standards for laboratory and office space. The renovation will include either a complete roof replacement or a major renovation of the existing roof. The basic structure of the building is acceptable but the interior space needs upgrading. Recent internal remodeling has realigned the floor levels in the building to make them more accessible and useful for instructional laboratories, research laboratories, and office space. This project will develop the large open area and the crane bay area into specific laboratories and offices, which will require wall construction and a central heating and cooling system for the entire building.

The programs currently envisioned to occupy the space are in the fields of thermal sciences, thermal dynamics, and air and water flow research as well as other related research fields. It is anticipated that additional laboratories will be developed. These will be set up in approximately 780 to 900 square feet modules with central utility chases serving the rooms. This approach allows constructing rooms for current use with the ability to easily adapt them to future uses.

The current plan creates a lower office and wet laboratory level with at least one area being devoted to a high ceiling laboratory (two stories high) for use in fluid flows research. The second level will have 12 office/laboratories of less than 300 square feet each, 4 office/laboratories at 360 square feet, and 2 office/laboratories at 600 square feet. The proposed use will meet the current needs and requirements of the Mechanical Engineering staff with allowances for anticipated future growth. When the remodeling of this facility is completed, it will serve the Mechanical and Industrial Engineering Department's research needs in thermal sciences, thermal systems, and fluid and air flow research. There will be an equipment request in FY 1995 to support this remodeling request.

Pharmacy Laboratory Remodeling (\$3,655,000)

The Pharmacy Building, which was constructed in the 1950s, currently houses large instructional laboratories that are not well-suited to the needs of the instructional and research programs of the College of Pharmacy. The College's development program calls for updating of teaching and research facilities to meet current and future needs. The proposed remodeling includes the conversion of Room 440 into offices and smaller labs to support the teaching and research programs of the Department of Pharmaceutics. Additionally, Rooms 543, 546, and 547 will be remodeled to provide upgraded research facilities for the Department of Medicinal Chemistry and Pharmacognosy. Project work will include removal of existing lab equipment, floor tile, and piping systems. Improvements will include new lab benches, storage cabinets, sinks, fume hoods, water supply piping, moveable partitions, and workstations.

Repair and Renovation (\$4,353,000)

The following projects are requested for the Chicago Campus.

CHICAGO REPAIR AND RENOVATION PROJECTS	
Project	Budget Request
BSB and SEL Computer Instruction Facilities	\$ 619,000
Peoria Masonry and Window Repair II	436,000
CAHP Research Labs	192,000
AAUP Photography Studios	146,000
COM-Surgery Remodeling	314,000
Peoria Auxiliary Chiller	124,000
Rockford Standby Power and Supplemental Cooling	360,000
Roof Replacement	1,374,000
Campus Entrance/Building Identification II	338,000
AAB Classroom Upgrades	169,000
AAB Communications Design Remodeling	169,000
AAB Window Installation	112,000
TOTAL	\$4,353,000

Commerce Instructional Facility (\$6,800,000)

The Commerce Instructional Facility will be funded through State appropriations and a matching amount to be provided through College fund raising activities (private donor funds). This new building will provide significant relief to the critical space needs of the College of Commerce and Business Administration. The estimated project budget is as follows:

Estimated Bond-Eligible Funds Required in FY 1994	\$ 6,800,000
Estimated Non-State Funding (Gift)	6,800,000
Out-Year Equipment	500,000
TOTAL PROJECT COST	\$14,100,000

Space will be provided for the undergraduate and graduate programs of the College but will also benefit students across the campus who take courses offered by Commerce. The building will provide new facilities for 19 additional state-of-the-art classrooms (including one seminar room); the Commerce Placement Office, which provides student job placement services; and the MBA Program. In addition, space will be provided for the Executive Development Center (EDC) and faculty offices.

The building, when completed, will total 63,500 GSF (39,500 NASF). Space vacated in Commerce West and David Kinley Hall by the MBA and EDC programs and the

Commerce Placement Office will be used primarily in support of other Commerce undergraduate programs.

Ten of the nineteen classrooms will be entirely dedicated to undergraduate student education, with a total capacity of 590 students. The Commerce Placement Office space will house a resource center to provide students with information on prospective employers, student interview rooms and work areas, administrative offices, a lounge for recruiters, and storage. The MBA Program space will provide six classrooms (including one conference/seminar room), a student lounge, administrative offices, vending area, and storage. The EDC program will have its own 80 student classroom and lounge for professional short-course use. Graduate and executive student classrooms will support the undergraduate student program when they are not otherwise scheduled.

The Commerce Instructional Facility is programmed to contain the following types and amounts of space:

<u>Room Type and USOE Code</u>	<u>NASF</u>
Classroom (100)	18,050
Office (310, 315, 350)	17,420
Lounge (650, 660)	3,210
Storage (750)	820
TOTAL	39,500

The space provided by this project is contiguous with the College of Commerce and Business Administration's other buildings, as necessitated by the College's constantly expanding student population and the desire to provide a better, more comprehensive program to those students.