

FY 2003 BUDGET REQUEST

FOR
OPERATING
AND
CAPITAL FUNDS

PREPARED FOR THE BOARD OF TRUSTEES SEPTEMBER 12 & 13, 2001

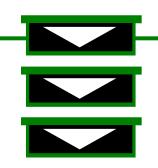


University of Illinois

CHICAGO · SPRINGFIELD · URBANA-CHAMPAIGN

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PREFACE

There are many contexts in which one can evaluate the success of budget-building efforts for universities. One, perhaps most obvious, is the absolute size and breadth of the budget itself: does the budget advance the institution's most important objectives? Is the budget sufficiently large and properly aligned to address multiple major needs simultaneously?

A second evaluative context might be the budget's relative strength vis-à-vis those at competitive institutions: does the budget permit the university to sustain—or better, advance—its competitive position among its peers? A third context might be diversity of sources of support: is the budget based on a single source, or does it include an array of sources, spreading the risk of reliance on a single source.

By any measure, and especially those suggested above, the operating and capital budgets secured for the University of Illinois for Fiscal Year 2002 are extraordinarily successful. Thanks to strong support from the Governor and Legislative leaders and the tireless efforts of the University's Trustees and staff, we garnered substantially improved financial support from the State. New operating and capital funds came from the regular higher education budget as well as the Governor's VentureTECH program. These varied sources of State support recognize the multiple missions the University undertake each year and particularly our role in economic development for the State as a whole.

In addition to a strong State increment, a new tuition program phased in over the next four years will provide resources to enhance the quality of education for all students, particularly at the undergraduate level. The additional tuition support will complement and extend the impact of new State resources. Moreover, the nationally competitive research strengths of U of I faculty continue to grow, as the very recent announcement of a major new grant for the National Center for Supercomputing Applications at Urbana, and the continued climb in national research funding rankings for the Chicago campus attest. And the generosity of U of I alumni and private and corporate donors has reached an all-time high, providing the resources necessary to extend the margin of excellence for our students, our academic programs and the facilities that support them.

Our State budget success came in contrast to fiscal constraints confronting many sister institutions across the Midwest and the rest of the nation as the economy cooled. New operating support for FY 2002 will enable the three campuses of the University to address salary competitiveness issues for faculty and staff; it will enable us to add new faculty not only in areas of central import to economic development such as

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engineering and information sciences, the life sciences, agriculture and the health professions, but also in areas of strong student demand such as business, the liberal arts and sciences, and especially in creation of the Capital Scholars program at Springfield. New attention can be devoted to enhancing the state-of-the-art for instructional technology and to provide increased access to electronic resources through the libraries at all three campuses. And even though a portion of our new support comes from additional tuition increases, we have taken firm steps to ensure that financial assistance resources are increased correspondingly.

On the capital budget side, our new resources also come from multiple sources and are equally strong. We can address the need for new space at all three campuses with more than \$200 million in incremental support for planning and construction of new buildings ranging from a classroom/office facility at Springfield to the Post-Genomics Institute, NCSA Building and Siebel Center for Computer Science at Urbana, and the Advanced Chemical Technologies Lab at Chicago. At the same time, we received continuing support in both the operating and capital budgets for repair and renovation at all three campuses.

Our budget-building efforts were remarkably successful for FY 2002. Can they be sustained for Fiscal Year 2003?

Certainly, we know that every budget development cycle is different. Economic circumstances change, and there are repeated signs that the slow-down that hit many states over the past year now affects the Illinois economy. The relative needs among the broad array of social and human services to which the state must attend also change over time, and the competition for scarce budget resources inevitably brings forward more deserving needs than new resources can support.

We recognize that budgets are always built in dynamic and evolving environments. At the same time, we appreciate the strong commitment from the Governor and General Assembly to maintain a top funding priority for education at all levels. And no matter how diverse a set of funding sources we are able to attract, it is a fundamental fact that support from the State will always be the central, single most important element that sustains our fiscal health.

Public universities of the size, scope and scale of the University of Illinois must secure sufficient resources to sustain continuous development across a wide-ranging spectrum of missions simultaneously.

We face enormous expectations from the public:

- The citizens of Illinois expect their University of Illinois to deliver top-quality instructional programs, especially to undergraduates. This expectation implies two fundamentally important obligations for those who lead the University. First, we must continually improve our undergraduate programs, assuring that they offer our students both top-quality content and a breadth of experiences which will enable them to understand the global nature of our world today and to be active and effective learners throughout their adult lives. Second, we must ensure that our undergraduate programs remain affordable to all who can benefit from them.
- At the same time, the research and development capacity of an institution like ours is a major
 economic development asset to all of Illinois. States across the country have recognized this
 essential fact of economic life, and have invested substantially in their own universities. These
 multiple missions must each receive support to ensure that investment in one does not come at
 the expense of investment in others.
- The need for learning now spans a lifetime. Businesses of the 21st century need workers skilled in today's state-of-the-art but also capable of adapting as the state-of-the-art changes tomorrow. We need new opportunities to learn in the workplace and in our homes as well as in classrooms, and we need them throughout our society.
- Technology has changed the way our world operates. As a new millennium begins, we are on the threshold of mind-boggling advances that hold great promise for attacking disease, producing food and even changing the nature of life. Whole new disciplines of study are being created and we must be attuned to them. At the same time we must examine the equally daunting moral and ethical challenges such technologies present.
- Finally, advances in technology and the need for continuous learning will change the organization of higher education. We can now deliver top-quality education on an anytime, anyplace basis, opening opportunities to those previously unable to access traditional on-campus experiences. Such options will extend higher education's reach, not replace residential programs. But they also present an array of structural and competitive issues to be addressed. New partnerships are possible among colleges and universities, the corporate sector and among the states. While essential for students bound by time or place, new modes of delivery can enhance traditional classroom and laboratory instruction as well. The challenge, as always, will be to test rigorously, examine continuously and choose wisely among exciting new prospects to make higher education more broadly accessible while preserving essential elements of a system widely acknowledged as the world's best.

Our budget proposals for Fiscal Year 2003 are framed in this context. The themes upon which our FY 2003 operating and capital budget requests are based align well with the complex issues now confronting our society, and with the full range of goals established within The Illinois Commitment, which sets forth the Illinois Board of Higher Education's planning parameters for all Illinois higher education. While we face a broad array of needs, we understand that we must find an equally broad set of

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mechanisms with which to address them. We remain committed to a careful and continuous analysis of our operations and the re-investment of existing resources to our highest priorities. While those needs are numerous, our attention focuses most sharply on those of greatest import. For example:

- The lifeblood of all great universities is its faculty. We must assure that the University of Illinois can attract and retain gifted faculty. We must be able to offer not only competitive salaries, but to address some of the demonstrably uncompetitive weaknesses in our benefits programs as well. We must provide state-of-the-art facilities and equipment to all programs. We must continue to address the issue of faculty capacity at all three U of I campuses. We must recover capacity lost during the fiscal constraints of the early 1990s while at the same time adding capacity in the areas of highest enrollment demand and those of greatest economic development promise. These objectives relate directly to The Illinois Commitment's goal to improve the quality of academic programs.
- We must strengthen our stewardship of existing physical facilities. We must assure that students have the best facilities possible in which to learn, and that our scientists and researchers have the best support possible for their inquiries. These objectives relate to The Illinois Commitment's goals for holding students to higher expectations for learning and for improving the quality of academic programs. Achieving adequate facilities for all our endeavors continues its ascent toward the very top of our priority list, even within an operating budget context.
- The University of Illinois must continue to play a leadership role in producing graduates in the areas of greatest workforce demand, and especially those in information technology and biotechnology. Likewise, the University must redouble its efforts to improve elementary/secondary education, including finding successful ways to address the growing teacher shortage in Illinois. These objectives relate to The Illinois Commitment's goals for economic development and for increasing the number of citizens in our academic programs.
- The University must continue the significant improvement in administrative infrastructure begun in FY 2001. Two components merit special note. One is the implementation of an Enterprise Resource Planning (ERP) system that will enable human resource, financial and student information systems to operate from a single database. More timely and accurate information will be available to managers at all levels of the University once the ERP is in place. Its implementation will require several years, and the dedication of literally hundreds of staff. We secured the first of three annual increments of \$2 million to begin the implementation process for FY 2002, and we seek the second for the coming year.

The second component concerns the University's capacity to address all forms of rising legal liability insurance needs. Increased claims for a variety of civil actions combined with the growing tendency to make substantial awards have presented the University with rapidly increasing insurance costs. Medical professional liability requirements present a special concern. We reallocated \$2 million for FY 2002 to address these costs, and we seek additional assistance for the coming year. These objectives relate to The Illinois Commitment's goal for improved productivity in operations.

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Our needs are many, and we recognize that they cannot all be met through additional State resources. We shall continue to shift funds from lower to higher priority programs, and to pursue every available source of financial support. But at the same time, the value to the State and to its citizens of increased support for higher education has never been clearer. Nor has the value of the unique contributions to the State that only the University of Illinois can make ever been more visible or linked more directly to the economic and social imperatives of the coming decades.

James J. Stukel President

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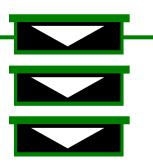
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INTRODUCTION



Introduction

Overview

The University of
Illinois received strong
support for FY 2002
from both the higher
education budget and
through Governor
Ryan's Venture TECH
initiative.

Unlike conditions in many other midwestern states, the economic health of the State of Illinois remained solid throughout the development of the FY 2002 budget, underpinning growth of just over \$980 million in new appropriations for Fiscal Year 2002—budget growth of 4.4% above final FY 2001 appropriations. Higher education fared well in the allocation of that new state funding, receiving \$157 million in new general funds tax support—an increase of 6.3%. The university sector of the higher education budget grew by \$87 million or 6.2%, and advanced beyond the overall average increase for higher education agencies (excluding retirement and health insurance) for the second time in two years. The University of Illinois received a total of \$48.6 million in new tax support, an increase of 6.4%.

As President Stukel notes in his preface, however, the real strength of the FY 2002 budget cannot be addressed through numbers alone. Concerned about the state's long-term capacity for economic development, one year ago Governor George Ryan created a new initiative to help harness the economic strengths that technology development can bring. This new multi-year program, Illinois VentureTECH, will help keep Illinois at the forefront of technology-based economic development. Recognizing that technological innovations often spring from the creativity of scientists and researchers at institutions like the University of Illinois, the Governor has recommended and the Illinois General Assembly has endorsed both new operating and capital budget projects that will enhance the University's abilities to expand it's federal and corporate research support. Moreover, VentureTECH projects and programs will enable the University to establish more effective and efficient linkages between its research results and the commercialization of new technologies.

Fiscal Year 2002 is the second year of the VentureTECH program, and it included these U of I budget advances:

• \$67.5 million to construct a Post-Genomics Institute facility in Urbana, along with an increment of \$1.6 million for additional scientific and support staff.

Strong economic development budget support came in addition to funds to meet regular budget objectives.

- \$27 million to construct a facility to house the National Center for Supercomputing Applications in Urbana, along with \$1.3 million in operating support for the facility.
- \$1.4 million for operating support for a Magnetic Resonance Imaging facility in Chicago, following a \$10 million construction appropriation one year ago.
- \$5 million to complete construction of a technology incubator at Urbana and \$800,000 to open and operate the facility.
- \$6.4 million to plan the Advanced Chemical Technologies Laboratory at the Chicago campus.

Both the Governor's recommendations and the General Assembly's concurrence with them reaffirm the importance of the University's statewide economic development role. Perhaps the most encouraging aspect of these funding actions is that they came in addition to the University's participation in the regular higher education budget process. The University can thus pursue a greatly strengthened economic development role without jeopardizing other equally important development needs in its more traditional missions of teaching, research and public service.

The University's budget strength was also enhanced through adoption of a new tuition initiative that will provide resources to complement what is achieved through the state budget. Students new to the Chicago and Urbana campuses will pay an additional \$500 in FY 2002, and will pay a second \$500 in FY 2003. The University has taken great care to set aside additional student assistance funding for those with financial need. This new program will mature over the next four years, bringing additional increments over that period.

Salary competitiveness was among the key budget issues addressed for FY 2002.

As was the case a year ago, the FY 2002 budget for the University of Illinois is characterized by critically important growth in State tax support, additional tuition revenue and significant internal reallocation to augment increases in tax and tuition support. Among the most significant budget advances achieved for FY 2002 is continued support for a program conceived by the IBHE and endorsed by both the Governor and the General Assembly to address salary competitiveness. This program, implemented for all public universities, provides additional resources for each university to address critical issues in recruiting and retaining top quality

Key budget advances for the current year included:

- Continued support of the IBHE's salary competitiveness program.
- \$2.7 million for Strengthening Academic Base initiatives
- Nearly \$1 million for library collection support.

faculty and staff. This additional incremental support will be matched by continued internal reallocation. The FY 2002 increment is the third of a five-year program aimed at raising the competitive salary ranking for Illinois universities among their national peer groups and at adding new faculty and staff in areas of greatest demand for program growth. Securing competitive salaries for all employee groups remains one of the most daunting challenges facing the University and the University of Illinois endorses the new initiative enthusiastically. Given the constrained budgets that many other higher education institutions are likely to face in FY 2002, it is possible that real progress can be made on the salary competitiveness issue for this year.

Other noteworthy elements of the University's FY 2002 operating budget include the following:

- \$1.4 million to continue the Faculty Excellence program and to create additional faculty positions at Urbana, helping to restore faculty capacity lost during the fiscal stresses of the early 1990s.
- \$1.1 million for additional facilities renovation support in the operating budget. These funds will help support basic computer infrastructure improvements at each campus.
- \$1.3 million for additional faculty positions in the health professions, liberal arts and sciences and business administration at Chicago.
- \$125,000 augmented by \$250,000 in additional tuition resources, for the Capital Scholars program at Springfield.
- \$1.75 million to cover operations and maintenance costs for new facilities.
- Nearly \$1 million for enhanced library collections, including new digital materials on top of a 3% price increase for all library acquisitions.

Two other FY 2002 budget actions hold special import for the University of Illinois, although they were not a part of the University's direct operating budget appropriation. First, the Council on Food and Agriculture Research (C-FAR) received an appropriation of \$15 million. The UIUC College of Agriculture receives approximately 80% of this funding, so it is a major enhancement of support for the campus.



In addition, the State Department of Agriculture received two appropriations related to University of Illinois Extension. The first provides \$10.8 million in state support to match contributions to U of I Extension from local county governments. A second provides an additional \$1.6 million to hire Youth Educators to advance the goals and objectives articulated by the Chancellor's Commission on U of I Extension four years ago.

The single most critical component of budget stability achieved over the last five years is solid State tax support.

The combination of support from multiple sources achieved over the past seven years has brought budget stability not seen during most of the 1980s and the first half of the 1990s. That latter period was characterized by State tax support following "peak and valley" cycles in which years of sharp increases, usually when taxes were raised were followed by years of sharp decline and sometimes outright budget reductions. When general tax support dropped, tuition increased significantly, but could blunt only a portion of the loss of tax revenue. Reallocation of existing resources occurred on largely an ad hoc basis from year to year in response to immediate budget problems.

Illinois long has confronted an array of social and human service funding needs so large that the State could not meet fully even the most pressing University budget requirements. Whether in children and family services, human services, corrections, health care, public aid, or elementary/secondary education, the list of fundamentally important but unmet resource needs grows each year and competition intensifies among agencies with compelling calls for added support.

A NEW BUDGET FRAMEWORK



Redirection of existing resources to meet high priority funding needs is an integral and ongoing part of the University's annual budget process.

For the University of Illinois, the early 1990s brought diminished State tax support with two years of outright reductions in combination with general tuition increases held to the level of inflation. What has changed substantially from the earlier period has been the University's determination to redirect resources internally. In earlier times, reallocations might have been made on an ad hoc basis to accommodate declining support, but with the expectation that the next year's funding from the State would improve. Now, however, the University has recognized the importance of adopting long-term budget planning strategies which include redirection of existing resources as an integral component augmenting tax and tuition support.

Within the framework of well-developed long-range plans, resources have been shifted at each campus from programs of relative lower priority to those of higher priority. The campuses have undertaken a fundamental reexamination of the uses of all existing resources and, perhaps most importantly, have concluded a comprehensive review of their overall academic directions. They have recognized that the danger of attempting to preserve all existing programs and operations in an era of fiscal constraint is that none can maintain the excellence and quality achieved over decades of prudent investment.

Successive years of modestly improved State tax support plus increases in general tuition revenue have combined with substantial reallocation of existing resources to produce stable budget advances. At the same time that the University has recognized the importance of addressing budget requirements via multiple sources, it is clearer than ever that the single most important source of budget strength remains State tax funds. Direct state support now represents less than one-third of the University's total operating budget and, in combination with tuition revenue, represents virtually the entire funding for instructional programs. Although tuition has absorbed a larger share of the University's total budget over the past decade, it still requires more than a 3% rise in tuition to equal a 1% rise in State tax support. The University of Illinois cannot sustain, let alone enhance its quality without a firm foundation of annual State support.

FY 2002 BUDGET OUTCOMES

For Fiscal Year 2002, this mix of positive improvement in budget sources has produced solid progress on the University's most important funding objectives. Tax support for the University increased. Additional tuition revenues were derived from two sources: general increases for all students and a set of special-purpose increases from which all income was specifically dedicated to improvement of instructional programs largely at the professional level. These increased tuition-based revenues were offset, in part, by a modest decline related to planned enrollment decreases at the Urbana campus, which experienced unanticipated enrollment growth in each of the last three years. In total, the \$73.7 million in incremental appropriated funds and new tuition provided growth of 7.3%.



As was the case a year ago, significant internal reallocation accompanied this increase in State support. A total of \$14.4 million was redirected, the equivalent of another 1.4% budget increase. The reallocations accomplished since FY 1995 are outstanding examples of program advances that are possible when incremental tax and tuition revenues are coupled with significant internal reallocation.

As in most years, reallocated funds were added in largest measure to help address the serious competitive salary gap facing faculty and staff at all three campuses. While final data for peer institutions will not be available for several months, projections indicate that competitive salary gains have been achieved for both faculty and staff. With the availability of the special increment for faculty salary competitiveness, noted above, solid progress is expected for the current year.

The following tables and graphs illustrate the changes in funding which higher education has experienced in the recent past. Funding improvements for the State's educational systems at all levels has frequently been cited as among the State's highest budget priorities and budget needs for education have played a central role in the justification for recent tax increases. A closer examination of actual State tax appropriations, however, reveals that education's share of the State budget today is well below its position prior to the income tax increase of 1989-1990. Table 1 illustrates that the budget share for higher education has dropped substantially since that increase was enacted, today resting at a level below that prior to the tax increase. For FY 2002, the share for elementary/secondary education improved slightly. In addition, appropriations for higher education grew by a solid 6.3% for FY 2002. Higher education's share of the total budget increased noticeably, rising to 11.4%, up from 11.1% a year earlier.

Table 1
State of Illinois General Tax Appropriations
(Percent Share of the Total)

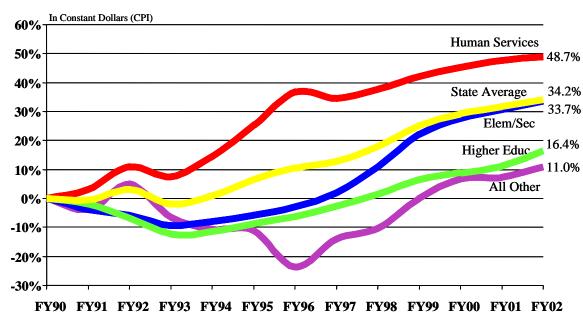
Elementary/	Higher	DCFS, Human Services,	Public	All
Secondary	Education	& Corrections	Aid	Other
28.8%	12.9%	10.7%	33.8%	13.7%
24.9%	12.0%	12.3%	31.5%	19.3%
26.7%	13.1%	12.9%	30.7%	16.6%
25.8%	13.0%	13.8%	31.5%	16.0%
24.4%	11.9%	13.8%	33.1%	16.9%
24.7%	11.8%	14.7%	33.1%	15.8%
24.3%	11.5%	16.0%	33.5%	14.7%
23.6%	11.3%	15.9%	35.4%	13.8%
23.5%	11.1%	29.8%	24.2%	11.5%
24.1%	11.3%	29.5%	22.5%	12.6%
25.1%	11.3%	29.1%	21.9%	12.6%
26.1%	11.2%	27.2%	22.3%	13.2%
26.3%	11.0%	25.9%	23.1%	13.7%
26.5%	11.1%	26.1%	22.9%	13.5%
26.6%	11.4%	25.8%	22.5%	13.7%
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During the same period budget shares for other human or social services have risen sharply. Just before the 1989-1990 tax increase, the State invested almost identical shares of its budget in higher education (13.1%) and the combined set of major human service agencies, which includes children and family services, human services and corrections (12.9%). By FY 2002, that relationship has changed dramatically. The three human service agencies together have climbed to a share of 25.8%, growth of 100%, while higher education has fallen to 11.4% and a decline of about 13%.

Changes in tax support among State agencies are further demonstrated by the trends shown in Figure 1, which illustrates tax funding shifts for State agencies since FY 1990 after appropriations are adjusted for inflation. Elementary/secondary and higher education support has exceeded that for most State agencies, which as a group have seen the real value of their appropriations increased by almost 11%. The significant boost to elementary/secondary education for FY 2002 has brought its budget experience nearly to the statewide average, after several years of belowaverage experience. In addition, FY 2002 represents only the fourth year since 1990

that higher education has experienced growth after adjustment for inflation. Fiscal needs of children and family services, mental health and corrections have seen budgets for those agencies soar by 50% even after accounting for inflation.

Figure 1
State Tax Appropriations Changes by Agency



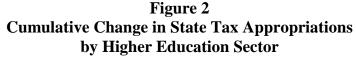
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FY 1990, after

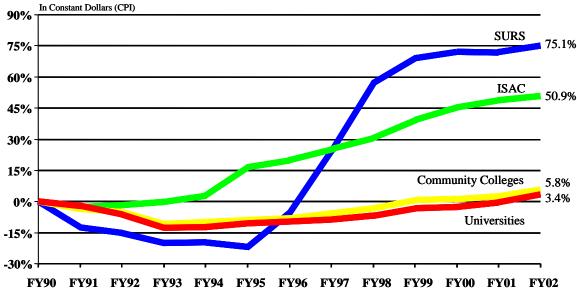
accounting for

inflation.

While faring better

Tax support has varied dramatically within the components of the higher education budget as well. Figure 2 displays changes in tax support among the four largest segments of the higher education budget: universities, community colleges, the Illinois Student Assistance Commission (ISAC) and the State Universities Retirement System (SURS), again adjusted for inflation. The sharp growth in ISAC support is clearly evident, driven upward by changes in the maximum award which students can receive, an ever-expanding cadre of students seeking financial assistance and tuition and fee increases in public and private universities and community colleges. Other financial aid programs such as Merit Scholarship Grants, Information Technology Grants and the Illinois Incentive for Access program have also contributed to the sharp rise in ISAC funding.







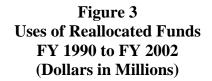
Within the higher education budget, appropriations for ISAC and SURS have captured increased shares of the funding since FY 1990 after accounting for inflation.

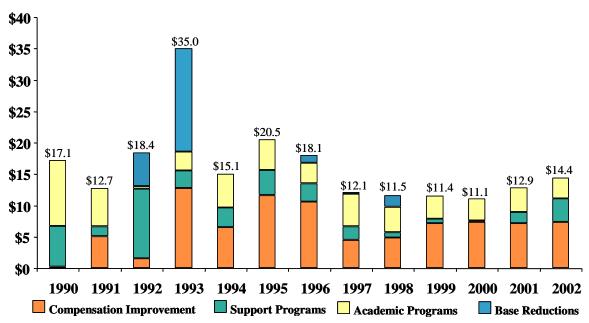
Yet as strong a trend as ISAC has shown, the most significant factor highlighted in Figure 2 is the dramatic growth experienced in SURS funding between FY 1995 and FY 2002. Responding to new legislation setting out a multi-year plan to bring SURS support in line with its obligations to employees who are or will retire from the State's public colleges and universities, SURS has received a significant but absolutely essential budget boost to preserve the strength of the retirement program serving higher education.

Even with improved investment earnings, changes in accounting practices mandated by federal agencies, refinements in assumptions affecting long-term forecasts for pension liabilities and the creation of optional retirement plans, the growth rate in SURS support will continue to be significant for at least the next eight years, after which it reaches a plateau, as the General Assembly and Governor follow the legislative mandate to correct past years of serious underfunding. While essential, this mandated growth in SURS support will further constrict the funding available for other segments of the higher education budget.

BUDGET TRENDS IN PERSPECTIVE: REALLOCATION

As has already been emphasized, the University responded to its decline in budget share primarily through a comprehensive review of academic and support programs, priorities and a corresponding reallocation of existing funds. Since FY 1990, more than \$210 million in existing resources have been redirected to high priority academic programs or returned outright to the State via budget cuts. Figure 3 illustrates the size of the reallocations accomplished annually since FY 1990 and identifies the principal uses of reallocations each year.

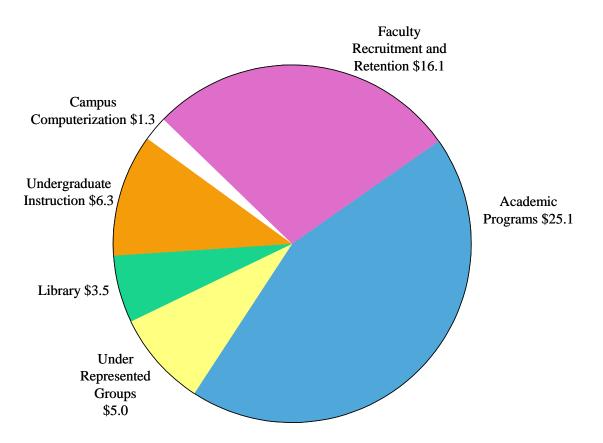




Given the University's paramount need to address faculty and staff salary competitiveness, it is not surprising that compensation needs have claimed the largest single share of reallocated accomplishments. More than 40% of the total reallocation achieved since FY 1990 has been devoted to this requirement. Another 12% has been required for outright budget reductions, while the balance has been divided among academic and support programs (including covering unavoidable cost increases in areas such as Medicare payments to the federal government and statutory sick leave payments to employees leaving University service).

Among academic program reallocations, those for general instruction have received more than half of the redirected funds. The campuses have sought to add new sections of courses facing significant enrollment pressures or created new initiatives such as the Discovery Program at Urbana-Champaign which brings senior faculty and new freshmen together in small class settings early in the students' programs. Faculty recruitment and retention efforts have captured another 28% of the reallocation pool, including special salary initiatives, laboratory remodeling and upgrades, equipment purchases and so on. As reflected in Figure 4, library initiatives and minority student recruitment and retention efforts round out the major categories of program reallocations.

Figure 4
Reallocation for Academic Programs
FY 1990 to FY 2002
(Dollars in Millions)



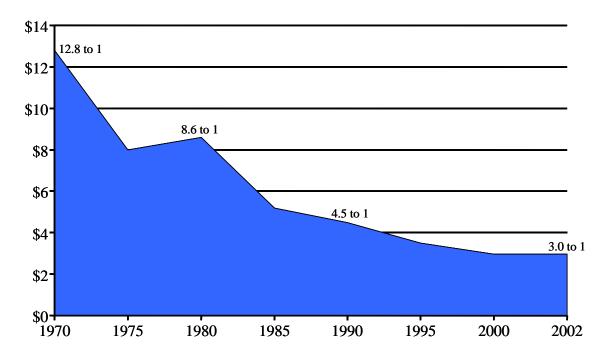
BUDGET TRENDS IN PERSPECTIVE: TUITION

Since FY 1980 tuition revenue has become a much more visible component of the University's total appropriated funds budget as students and their families have been asked to share the burden of offsetting declining State support. For the decade of the 1990s, however, general tuition increases remains at approximately the level of economic inflation. During the same period the University has trimmed budgets internally by more than \$2 for every \$1 generated through additional tuition increases.

It requires a 3% tuition increase to make up for the loss of 1% in State tax resources.

As illustrated in Figure 5, thirty-two years ago the University received over \$12 in State tax support for each \$1 in tuition revenue it collected from students. Today, that figure has dropped to approximately \$3.

Figure 5
State Support Per Tuition Dollar
FY 1970 to FY 2002



Tuition increases for FY 2002 take two forms. General tuition rate increases of 3% at Chicago, 4% at Springfield, and 5% at Urbana have been implemented. In addition students new to the Chicago and Urbana campuses will pay an additional \$500 in FY 2002 and in FY 2003. For FY 2002 the \$500 increase to incoming

students will generate almost \$9.5 million in program dollars for the campuses. These funds are earmarked towards enhancements in student systems associated with the UI-Integrate project, financial aid and program improvements in the liberal arts and sciences, commerce and other undergraduate programs.

SUMMARY OF THE FY 2003 BUDGET REQUEST

The University's FY 2003 operating budget request includes three broad categories. First is a modest "continuing components" section, which includes salary and cost increases, funds to meet unavoidable cost increases related to mandatory payroll items and additional resources to operate and maintain new facilities. A second section identifies two statewide initiatives in higher education advocated by the Illinois Board of Higher Education for all public universities. The first of these initiatives continues critically important support for recruitment and retention of faculty and staff. The second documents the need to expand operating budget support for facilities renovation needs, even with the substantial rise in the amount available to address those needs in the current year.

A final section of the request identifies academic program initiatives which would strengthen the academic base, increase the availability and application of technology for students and faculty and increase the University's links to the State of Illinois. Sustaining competitive compensation for faculty and staff remains the University's paramount budget requirement. Continuing internal reallocation efforts along with steady State support over the past six years have yielded discernible improvement in salary competitiveness for both faculty and staff. For FY 2002 our compensation improvement request includes support for both direct salaries and for benefits improvements. A 3% increase is sought for employee salary increases, an amount which, when combined with the statewide initiative for recruitment and retention of critical faculty and staff noted above should prevent further erosion in competitiveness. It is essential that additional reallocation accompany these incremental advances, since serious competitive gaps remain for faculty and other employee groups.

New for the FY 2003 request is a proposal to bring all higher education employees who participate in the State Universities Retirement System (SURS) to parity with

those in the State Employees Retirement System (SERS) with respect to the retirement share paid by the employer and the employee. For those participating in SURS, both the employer and employee currently contribute an 8% share. In contrast, for those participating in SERS, the employer share is 12% while the employee share is 4%. To achieve parity between SERS and SURS participants, the University requests a four-year program in which a 1% share would shift each year from employee to employer contribution so that at the end of four years the employer share for SURS participants would be 12%, as it is now for SERS participants, and the employee share would be 4% for those in both systems.

Price increase requests are set at levels to meet projected inflationary rises for goods and services and to meet estimated growth in mandatory payroll-related areas such as Medicare and Workers' Compensation. No attempt is made in these areas to address the impact of nearly a decade without attention to the erosion which inflation, even at low annual levels, exacts on the University's academic support base when its effects cumulate.

Many of the academic program initiatives center on bolstering the University's ability to preserve and extend the lifeblood of all major academic enterprises: its faculty.

The "continuing components" also include a relatively small increment to support operations and maintenance costs associated with newly constructed or significantly remodeled space. In total, if fully funded these budget advances for continuing components represent a budget increase slightly under 4%—a very modest advance, particularly in light of forecasts for continued economic strength and stability for the State.

The FY 2003 request continues the precedent set in FY 1999 to augment support for facilities renovation from its uneven and uncertain status in the capital budget with a more stable, secure component in the operating budget. A growing backlog of deferred maintenance projects combined with the need to address normal deterioration in building systems, the need for functional alteration of space as academic programs change and the pace of technological progress grows more rapidly annually make it critical that a reliable source of funds is available. Several Illinois institutions have elevated this concern near the top of their priorities and the University of Illinois joins in the call to continue to address this need in the operating budget.

Support for facilities renovation continues to require a stable, secure place in the Operating Budget.

In his Preface, President Stukel highlights several essential academic program priorities for the FY 2003 request. He stresses that the lifeblood of all great universities is its faculty. The University of Illinois must continue to address the issue of faculty capacity at all three U of I campuses, recovering as well as adding capacity in the areas of highest enrollment demand and those of greatest economic development promise.

Also receiving special emphasis is the stewardship of existing facilities. Students must have the best facilities possible in which to learn, and our scientists and researchers must have the best support possible for their inquiries. In addition to continuation of this facilities renovation program, the University seeks to begin a new, multi-year program to address major remodeling needs through the operating budget, as well as through the more traditional route of the capital budget. Given the constraints of the capital budget and competition from high priority new facilities, it is imperative that the University begins to address major remodeling requirements on a regular basis. Sixteen million dollars are sought for the initial phase of this operating-budget-based major remodeling program—by far the largest single request item, other than the general salary increase request. At full maturity the facilities renovation program should reach between \$20 and \$30 million per year, providing the resources to ensure at least one major remodeling project is underway at each campus each year.

New resources must be found to help blunt the impact of nearly a decade of erosion in the academic support base due to inflation.

Other academic program initiatives are organized around three broad themes that include strengthening the academic base, particularly in areas of greatest student demand for additional courses, improving the acquisition and utilization of technology and expanding the University's linkages to the State of Illinois. Many of these center on bolstering the University's ability to preserve and extend the lifeblood of all major academic enterprises: its faculty. Additional faculty positions are sought to enable each campus to respond to enrollment pressures, adding new courses or new sections of existing courses. Extending the availability of computers and other instructional equipment and supporting new efforts to apply computing technology to all areas of instructional activity also receives significant attention, as does the need to begin to recover lost capacity in library materials in both print and electronic forms. Moreover, as emphasized by President Stukel in many forums,

support is sought for additional endeavors which would expand the University's role in service to the people of Illinois.

Finally, the operating budget request includes three addenda, the first describing the State Universities Retirement System (SURS), the second describing developments affecting U of I Extension and the third describing special budget needs in the Division of Specialized Care for Children (DSCC). Following the report of the Chancellor's Commission on Extension, the University acknowledges that additional resources are required if U of I Extension is to fulfill its mission to the maximum. At the same time, the University strongly endorses the Commission's principle that funds to improve the statewide mission of U of I Extension "...should not be put in competition with budget priorities of the campuses of the University of Illinois...." (Report of the Chancellor's Commission on Extension, December 11, 1996, page iv.) Because of State budget constraints, price increases for DSCC have not been available since 1990. Continued provision of DSCC services requires an infusion of program funds. To this end, the discussion of SURS funding, the Commission on Extension funding recommendations and DSCC program needs are addressed separately.

The full FY 2003 operating budget request is outlined in Table 2, which follows.

Table 2 FY 2003 Operating Budget Request

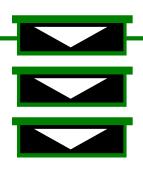
I.					
		% of FY 2002 Base *			3.89%
	A.	Compensation Improvements - 4%		\$32,883.7	
		1. Salary Improvements - 3%	\$24,662.8		
		2. Benefits Improvements - 1%	8,220.9		
	B.	Other Payroll Costs		\$980.0	
		1. Medicare	\$429.4		
		2. Workers' Compensation	550.6		
	C.	Price Increases		\$7,005.3	
		1. General Price Increases - 3%	\$4,020.8		
		2. Utilities Price Increase - 4%	2,066.7		
		3. Library Price Increase - 5%	917.8		
	D.	O & M New Areas		\$1,012.4	
		1. Chicago Projects	\$323.4		
		2. Urbana-Champaign Projects	689.0		
II.	Sta	tewide Initiatives in Higher Education			\$10,220.9
	A.	Recruitment and Retention - 1%	\$8,220.9		
	B.	Facilities Renovation Support	2,000.0		
III.	II. Academic Program Initiatives **				\$10,600.0
	A.	Strengthening the Academic Base	\$6,365.0		,
	B.	Investing in Instructional Technology	2,425.0		
	C.				
IV.	V. Academic Program Initiatives (University-wide)				\$22,000.0
	A.	Major Remodeling Fund	\$16,000.0		, , , , , , , , ,
	В.	Online Instruction	500.0		
	C.	P-16 Programs	1,000.0		
	D.	IGPA Programs	500.0		
	E.	UI-Integrate	2,000.0		
	F.	Liability Insurance	1,000.0		
	G.	Economic Development	1,000.0		
		al Request	1,000.0		\$84,702.3
	100	-			•
		% of FY 2002 Base *			7.87%
v.	V. Statewide Programs			\$1,230.0	
VI.	VI. Addenda			\$3,650.0	

All numbers are dollars in thousands.

^{*} FY 2002 Base: \$1,076,426.0

^{**} See Addendum II for discussion of funding request for the U of I Extension, Addendum III for discussion of funding request for DSCC.

OPERATING BUDGET REQUEST FOR FY 2003



CONTINUING COMPONENTS



SALARY AND BENEFIT INCREASES

(\$32,883,700)

Overview



The overall quality of the University of Illinois, as measured by numerous academic assessments, places it among the nation's top institutions of higher education. As a national leader, the University faces a dual dilemma: to sustain its national standing it must remain competitive in its ability to attract and retain top-quality faculty, staff and students. Yet that same national prominence marks the University of Illinois as a prime target for other institutions seeking to enhance their own quality through recruitment of new faculty members. In the last decade, the Urbana campus in particular has lost numerous tenure-system faculty to competitors. The University must remain active in the market for top-flight faculty or risk falling behind. Other states have experienced good financial times of late and some are projecting enormous growth in college age population. This situation has only exacerbated the competition for superior faculty.

To avoid diminishing quality, the University of Illinois must retain talented faculty and staff; vying in a national marketplace, it must attract the best-qualified candidates to fill new or vacated positions; and at the same time, it must increase the productivity and morale of current employees. The University's compensation levels are the primary, though not exclusive, mechanism which affects the ability to attract and retain personnel at all levels.

The national market for faculty salaries accelerated in FY 1999, FY 2000 and FY 2001 undermining half a decade of State and University efforts to recover from the loss of competitiveness sustained in the early 1990s.

For the past eight years, the University has received salary increments that approximated inflation experience and, by supplementing these increments with funds generated through internal reallocation, or other programmatic resources, the University has been able to provide modest salary programs in each year. However, during the lean years between FY 1991 and FY 1994, the University's annual salary increment averaged less than 1%. At the same time, inflation grew by more than 3% while the University's primary competitors averaged 4% salary growth in each year. Consequently, the University's salary standing plummeted and earlier progress toward building a comparative advantage crumbled. From FY 1995 to FY 1998, the deterioration of competitiveness was halted and restoration begun, but the magnitude of the erosion was such that past levels of competitiveness remained out of reach. Unfortunately, the national market for quality faculty and staff accelerated in

FY 1999, widening the salary gap further. In FY 2000, the University took a small step toward competitiveness, but gave back that gain in FY 2001. Further progress may prove elusive if the market continues as it has in the last three years.

As with other budget priorities, the University's efforts to achieve competitiveness rely heavily on a combination of internal reallocation and strong State funding. Generating additional support for faculty and staff salaries through internal reallocation of resources is a high priority. Internal reallocation in concert with increased State funding enabled the University to improve its competitive position each year from FY 1995 through FY 1998. However, while strong State support and internal reallocation continued in FY 1999, FY 2000 and FY 2001, the University's progress in faculty salaries stalled due to large faculty salary increases among peer institutions. Fortunately, the competitiveness of staff salaries relative to their state employee counterparts was maintained.

Despite steady state support, ongoing reallocation efforts and continuation of the IBHE's statewide salary program in FY 2001, salary competitiveness advances have occurred with agonizingly slow progress.

Clearly, this duo of internal reallocation in harmony with strong State support can be effective, but the degree to which it succeeds depends on whether the University's pooled resources outmatch those of chief competitors. In FY 2001, faculty salary increases averaged about 5% at the University. Initial expectations of a large boost to competitiveness were based on the assumption the market for faculty salaries among the University's peers would increase around 4%. In reality, the market increased almost 5%. Similarly, the impact on competitiveness of the FY 2002 salary program may be offset by increases in the market among the University's peers, although the relative strength of the University's overall budget outcome for FY 2002 suggests, with cautious optimism, that competitiveness may improve more in FY 2002 than in previous years. The University is committed to building its competitive position through ongoing internal reallocation, but real progress can be achieved only if State budget allocations are adequate to keep pace with the market now and in the future.

As discussed below, faculty salary standing is a concern throughout the University. Two campuses, Chicago and Springfield, have barely achieved competitive rankings near the medians of their peer groups. A median ranking is not sufficient for the quality achieved at the University of Illinois. Furthermore, the composition of the

peer group for the Springfield campus reflects neither the nature nor the quality of that institution in the context of its standing within the University of Illinois. The salary ranking of the Urbana-Champaign campus failed to improve in FY 2001, due to the market forces noted earlier. These trends did little to strengthen UIUC's ability to attract and hold faculty of world-class stature and gain a competitive edge. Fortunately, additional funds to support UIUC's "retaining critical faculty" initiative were provided by the State in FY 2002. The funds will be used differentially to relieve the vulnerability of those faculty in competitive areas who are top-quality and unquestionably undercompensated. Although the boost will have a favorable impact upon UIUC's ability to grow excellence by cultivating a world-class faculty, the brisk pace of the national market leaves the campus vulnerable to outside forces. The campus is dedicated to reestablishing its competitive position and will continue aggressively reallocating internal resources. Strong State support now and in the future is crucial for the success of this goal. Continued progress towards rebuilding UIUC's competitive position while sustaining and improving it for UIC and UIS is essential for the coming year.

To assess the University's competitive standing among its peers, numerous salary analyses are performed annually. Due to the varied nature of the University workforce, separate analyses are performed for academic employees and staff. Salaries for academic employees are assessed through comparisons with peer institutions, while staff salary comparisons are made with appropriate employee groups in the State and regional markets. The discussion which follows provides background information concerning the University's competitive position.

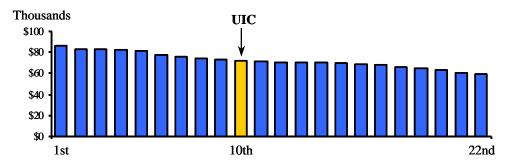
FACULTY SALARIES

To assess Illinois' position in the national market for faculty salaries, the Illinois Board of Higher Education (IBHE) established groups of peer institutions in 1985. Through a complex statistical process, 1,534 senior institutions were divided into 41 peer groups based on similar characteristics, including enrollment levels, types and numbers of degrees conferred, funding levels and detailed faculty characteristics. With the merger of Sangamon State University and the University of Illinois, the old peer group for the Springfield campus is no longer fully appropriate. However, this

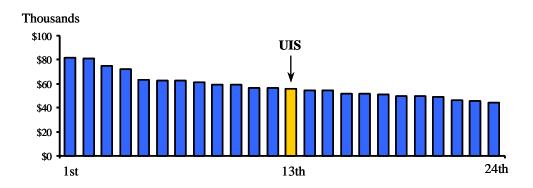
peer group will be used until a new peer group more suitable to Springfield's evolving academic mission is established.

The competitive standing of each campus indicates how well faculty salaries have fared relative to their peers in the IBHE comparison group. In FY 2001, faculty salaries at UIC ranked just above the middle of their peer group while faculty salaries at UIS ranked just below the middle of their peer group. Figure 6 illustrates UIC's and UIS's intermediate competitive position relative to their IBHE comparison groups.

Figure 6
FY 2001 Competitive Standing among Peers
UIC and UIS

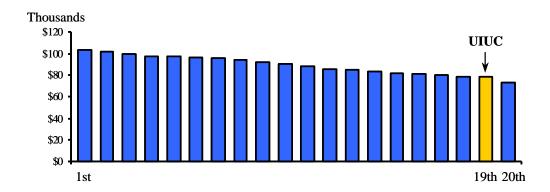






Although the Urbana-Champaign campus is among the nation's most academically competitive institutions, salaries for faculty at UIUC remain mired near the bottom among its comparison group. Figure 7 illustrates UIUC's weak position relative to its IBHE peers.

Figure 7
FY 2001 Competitive Standing among Peers
UIUC



Salaries for faculty at UIUC remain near the low end among its IBHE comparison group. Current projections indicate that the University will continue salary improvements in FY 2002, but these may be insufficient to keep pace with regional and national markets. The budget passed by the General Assembly and approved by the Governor provides 3% in incremental funding for faculty and staff salary increases. An additional 2% was awarded for hiring and retaining critical faculty and staff. Universities must provide 1% matching funds from local sources. The University's top competitors are expected to average nearly 5% for faculty salary increases. The University will again redirect existing funds to augment the State increment, aiming to avoid any further loss of competitiveness, but real improvement will come only if and when the University's salary increase program exceeds those of our chief competitors.

FACULTY SALARIES BY DISCIPLINE

Another way to gauge faculty salary standing is to examine salaries by discipline from FY 1987 through FY 2001, years in which salary levels were affected dramatically by funding fluctuations. This review identifies areas of growing difficulties for both the UIC and UIUC campuses. Competition for top quality faculty has become particularly intense in high demand disciplines at both campuses. The University has experienced increased difficulty attracting and retaining key faculty in these high demand areas, as well as in areas of lesser demand.

The study compares faculty salaries by academic discipline for public institutions in the American Association of Universities Data Exchange (AAUDE) peer group. The AAUDE serves as a consistent reference group for which detailed salary data by discipline are available and by which changes in salary competitiveness over time can be gauged. Institutions included in the AAUDE study are:

Arizona	Kansas	Oregon
Colorado	Maryland	Penn State
Florida	Michigan	Purdue
Illinois-Chicago	Michigan State	Texas
Illinois-Urbana-Champaign	Missouri	Virginia
Indiana	Nebraska	Washington
Iowa	North Carolina	Wisconsin
Iowa State	Ohio State	

Table 3 displays data for 13 disciplines at the Chicago campus and comparable data for 18 disciplines at the Urbana-Champaign campus. Table 3 summarizes average salary data by discipline reported for FY 1987 (prior to the "no salary increase" policy of FY 1988), FY 1994 (the last year of the "no or low salary increase" period of FY 1991 to FY 1994) and FY 2001. Also summarized is the University's comparative ranking relative to other AAUDE institutions for each year of the study. For each discipline category, only those institutions reporting data in all three years of the study are included.

Table 3
Faculty Salary Study by Discipline FY 1987 to FY 2001

University of Illinois at Chicago and AAUDE Institutions

Weighted to UIC Distribution of Faculty

	Number	FY 1987		FY 1994		FY 2001		Change
	of	UIC		UIC		UIC		in
<u>-</u>	Schools	Salary	Rank	Salary	Rank	Salary	Rank	Rank
Architecture	17	\$34,233	14	\$49,772	12	\$60,452	8	6
Business	22	45,451	11	67,143	16	97,865	14	-3
Education	23	33,773	10	46,915	13	65,587	8	2
Engineering	20	47,921	2	61,272	12	86,079	4	-2
Foreign Languages	23	33,250	11	44,041	15	59,361	9	2
Letters	23	34,622	11	46,259	13	60,933	8	3
Mathematics	23	42,184	12	55,408	22	76,791	15	-3
Philosophy	23	41,405	4	51,430	6	61,265	6	-2
Physical Sciences	23	42,846	6	55,116	19	71,119	16	-10
Psychology	23	41,351	9	50,655	18	68,599	9	0
Social Sciences	23	37,882	14	50,991	18	67,430	12	2
Social Work	15	36,274	9	45,621	11	57,800	9	0
Visual and Perf. Arts	23	33,340	7	43,318	10	60,001	6	1

University of Illinois at Urbana-Champaign and AAUDE Institutions

Weighted to UIUC Distribution of Faculty

	Number	FY 1987		FY 1994		FY 2001		Change
	of	UIUC		UIUC		UIUC		in
-	Schools	Salary	Rank	Salary	Rank	Salary	Rank	Rank
Agriculture	15	\$40,698	6	\$54,879	9	\$73,435	9	-3
Architecture	17	38,858	7	45,797	13	65,035	8	-1
Business	22	52,341	3	73,695	6	107,617	10	-7
Communications	21	36,213	5	48,426	4	66,219	8	-3
Computer & Info	19	50,285	7	66,216	8	92,367	4	3
Education	23	41,424	5	51,435	12	67,228	7	-2
Engineering	20	53,995	2	68,284	7	92,392	3	-1
Foreign Languages	23	38,917	6	48,333	11	60,868	9	-3
Home Economics	15	32,947	6	44,503	10	69,306	3	3
Law	18	69,147	3	87,844	6	117,991	7	-4
Letters	23	35,365	7	46,674	16	66,506	8	-1
Mathematics	23	46,480	11	58,921	17	74,490	11	0
Philosophy	23	33,758	12	43,797	21	61,600	13	-1
Physical Sciences	23	51,512	1	66,529	3	86,357	1	0
Psychology	23	44,929	3	60,715	3	84,657	5	-2
Social Sciences	23	41,945	9	54,067	15	73,528	9	0
Social Work	15	38,342	7	45,200	11	56,977	8	-1
Visual & Perf. Arts	23	36,360	7	43,019	18	56,710	10	-3

As clearly shown by the data, budgetary constraints in the early 1990s had a detrimental impact on the competitiveness of University of Illinois salaries for many disciplines. Although strong State funding beginning in FY 1995 enabled a degree of recovery in most disciplines, many still remain at a competitive disadvantage due to severe funding constraints imposed in FY 1991 to FY 1994. It is worthwhile noting that University of Illinois competes for faculty in many disciplines with the private sector. This has brought about an unexpected rise in starting salaries causing salary compression and the consequent need for additional reallocation.

At UIC, six disciplines (Architecture, Education, Foreign Languages, Letters, Social Sciences and Visual and Performing Arts) improved their FY 1987 ranking. However, salary rankings lag FY 1987 levels for 5 of the 7 remaining disciplines. These were: Business, Engineering, Mathematics, Philosophy and Physical Sciences. Rankings were unchanged in Psychology and Social Work.

At UIUC, only two disciplines (Computer and Information Sciences and Home Economics) improved their FY 1987 ranking. However, 13 of the 18 disciplines lag their FY 1987 levels of competitiveness: Agriculture, Architecture, Business, Communications, Education, Engineering, Foreign Languages, Law, Letters, Philosophy, Psychology, Social Work and Visual and Performing Arts. UIUC's ranking recovered to its FY 1987 position in Mathematics, Physical Sciences and Social Sciences.

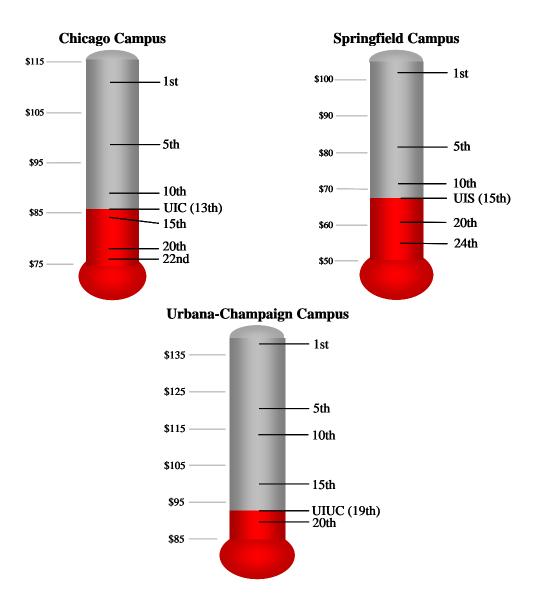
It is clear past declines in State funding hurt the University's ability to remain competitive for high quality faculty and staff, although this impact has been greater in some disciplines than in others. Many disciplines continue to suffer from a loss of competitiveness. It is critically important for the University to continue on the road to recovery in these disciplines and to improve overall salary competitiveness. Gains made in the last few years can be quickly eroded if strong State support cannot be sustained for FY 2002 and beyond.

BENEFIT ENHANCEMENT

Total compensation represents the combination of average cash salary and employer contributions to fringe benefits. The University's lack of competitiveness in total

compensation weakens its overall competitive standing. Figure 8 shows FY 2001 average total compensation for faculty in the ranks of Professor, Associate Professor and Assistant Professor at the three U of I campuses and their IBHE peers. UIUC fares poorly next to its peers, while UIC and UIS rank in the middle of the pack. The Chicago campus ranks 13th among its 22-member group, Springfield ranks 15th of 24 and Urbana-Champaign ranks 19th of 20. Chicago gained three spots over FY 2000, while Springfield lost two spots. Urbana-Champaign stayed in the same uncompetitive position.

Figure 8
FY 2001 Faculty Average Total Compensation
U of I Campuses and IBHE Peer Groups
(Dollars in Thousands)



Relatively low employer contributions for fringe benefits compound the effects of low salary levels on the University's ability to attract and retain critical faculty. Consequently, the total compensation package must be considered a vital part of an overall strategy to strengthen the University's competitive position.

Moreover, since January 1992 the State of Illinois has paid member contributions to the State Employees Retirement System (SERS), equal to 4% of salary for regular SERS members. If such a policy were implemented in 1% increments over four years for University of Illinois employees who are members of the State Universities Retirement System (SURS), it would help address the above-noted total compensation disadvantage versus the University's peer institutions. The first-year's cost of such a program would be \$12 million on an "all funds" basis and \$8.2 million for the state funded personal services base for the entire University.

Continued efforts to improve salary competitiveness are an essential annual budget priority.

Budgetary constraints in prior years have produced salary programs which have kept pace with inflation but which were below the University's top competitors. Thus, the University remains vulnerable to erosion of competitiveness. Incremental funds totaling \$32.9 million are requested in FY 2003 for faculty and staff salary increases to keep pace with the market and avoid any loss of competitive gain. In addition, the Illinois Board of Higher Education in FY 2000 initiated a statewide 5-year plan to enhance the ability of all Illinois public universities to compete with their peers for top-quality faculty and staff. Consistent with that plan, the University's programmatic request (described in detail later) includes an additional \$8.2 million to recruit and retain key faculty and staff.

STAFF SALARIES

The goal of the University of Illinois salary program for Civil Service employees is to be competitive with State of Illinois counterparts and local markets. Each year, the University conducts internal studies comparing salaries of University staff with those of State agencies as well as other employee groups in State and regional markets.

The University continues to maintain parity in pay ranges with State counterparts for most salary classes. Continuing actions related to parity include:

- Systematic assessment of deficiencies,
- Adjustments to salaries of employees paid below comparable State rates and
- Changes in pay plan ranges.

Table 4 illustrates pay ranges for selected University classes and their State counterparts.

Table 4
Salary Comparisons among State Comparison Groups
For Selected University of Illinois Employment Classes

	University of Illinois		State of	Illinois	% Over/Under		
	FY 2001		Decembe	er, 2000	State Class		
	Min.	Max.	Min.	Max.	Min.	Max.	
Chicago Campus							
Secretary IV	\$23,464	\$34,733	\$23,459	\$31,568	0.0%	9.1%	
Staff Nurse II	\$36,941	\$70,283	\$39,660	\$51,864	-7.4%	26.2%	
Accountant I	\$26,939	\$47,627	\$28,188	\$39,444	-4.6%	17.2%	
Library Clerk II	\$19,116	\$28,296	\$20,196	\$26,556	-5.6%	6.1%	
Urbana Campus							
Secretary III	\$20,871	\$32,130	\$22,860	\$30,660	-9.5%	4.6%	
Storekeeper II	\$29,679	\$31,395	\$27,288	\$34,680	8.1%	-10.5%	
Accountant I	\$26,943	\$47,085	\$28,188	\$39,444	-4.6%	16.2%	
Kitchen Laborer	\$20,010	\$27,248	\$20,160	\$26,460	-0.7%	2.9%	

Table 4 illustrates pay ranges for selected University classes and their State counterparts.

For FY 2001, the University received funds sufficient to provide a general pay increase program of 3% for all employee groups, with additional internal reallocation to address special merit, market or equity concerns. In comparison, the State of Illinois contract provided for a 3% increase plus \$125. In FY 2001, the University will continue to monitor State comparability.

The University uses data from recognized regional and statewide sources as a point of comparison for employees in the Open Range pay plan. Changes in market salaries are monitored annually using survey data from sources such as Pay Data Service and Mercer Information and Technology Survey. In FY 2001, the University program (3% average) for staff was slightly less than market range increases (3.26% to 4.1%).

Purchasing power comparisons are made using data from the Bureau of Labor Statistics, including sources such as the Employment Cost Index. The compensation costs for civilian workers (not seasonally adjusted) were up 4.2% for the year ending December 2000. The compensation costs for State and local governments increased 3.0% for the year ending in December 2000. The University increase of 3.0% was slightly less than the Employment Cost Index increases. Benefits for staff employees are monitored for comparability with the private sector, top quality institutions and local employers.

STATE UNIVERSITIES RETIREMENT SYSTEM

The health of the State Universities Retirement System (SURS), as well as the University's relative competitiveness among peer institutions with respect to retirement benefits, has been a matter of prime concern for many years for both individual employees and for leaders within higher education institutions and the SURS system. Any discussion of fringe benefits improvements for higher education in Illinois must include a strong call for adequate funding of the SURS program to ensure that existing benefits will remain secure. Action taken in FY 1995 by the General Assembly and the Governor to implement a long-term funding plan to strengthen pension funding for all State employees is a most welcome improvement. Law now mandates increases for SURS. FY 2002 is the 7th of a 15-year span of significant increases necessary to compensate for past funding deficiencies. For this year, SURS received an increment of \$9.2 million. Addendum I contains a more complete discussion of the SURS funding situation.

It should be understood, however, that while achieving and maintaining adequate funding for SURS remains a key concern for FY 2003 and beyond, funding improvements for SURS will not, in and of themselves, improve either the benefits available to University employees or the University's competitive position among peer institutions. It is urgent that the University moves forward on both fronts. The adequacy of SURS fiscal support must be assured. So, too, must improvements in the University's competitive position in total compensation be achieved.

PRICE INCREASES

 $\overline{(\$7,985,300)}$

Overview

The University requests funding each year to keep pace with expected price increases in the commodities and services required for operation. Insufficient funding for these price increases requires the University either to reallocate already limited internal resources or to reduce the scope of academic support, either of which inhibits efforts to enhance quality academic programs and services. In formulating its annual request for price increase funding, the University identifies four separate price increase components, tailoring each to the unique characteristics of the commodities or services under consideration:

Inflation has eroded the University's budget base by more than \$36 million since 1990.
Although inflation has been low, price increase support from the state has been absent for over a decade.

General Price Increases

Although the State has sometimes recognized the impact of inflation upon the costs for goods and services, appropriations for this purpose have been non-existent for over a decade. Although inflation has abated in recent years, general price increase funding, which has not been provided since FY 1990 lags inflation by a wide margin, putting increased pressure on the University's ability to support its instructional and research programs adequately. Inflation has eroded the University's budget by \$36.2 million since 1990.

• Utilities Price Increases

The University's budget for utilities faces continued compounding pressures from insufficiently funded new areas growth, non-existent utilities support for new programmatic initiatives and infrequent price increases for the utilities base. While an increment for utilities was granted for FY 2002, it is imperative that a following increment be appropriated to meet continued increases in utilities costs.

• Library Price Increases Price

increases for library acquisitions have been particularly severe in recent years, far outpacing general inflation. As more information resources become available in electronic formats, a significant additional financial burden is placed upon the libraries. The State has recognized the need for a differential library price increase with special funding in 10 of the last 15 fiscal years. Despite these efforts, the Libraries of the University of Illinois are struggling to maintain the current quality of their collections and service levels appropriate to students and faculty.

• Other Payroll Costs

The University has faced increasing requirements for specialized payroll-related expenditures without receiving commensurate funding to cover them. Payouts for federally mandated Medicare contributions have placed additional stress on the University's budget in recent years. Despite significant cost reduction efforts, Workers' Compensation requirements continue to escalate. Increases in funding are essential to provide for these unavoidable expenditures.

In the sections that follow, each of these price increase needs is discussed in detail, including the analytical methods used to determine the amount of each request.

GENERAL PRICE INCREASES – (\$4,020,800)

The University's requirements for general price increase funding are determined through a comparison of past funding levels with inflation and several economic indicators. In addition to historical comparisons which show cumulative gains and losses to inflation, economic forecasts are used to project the impact of inflation for the coming budget year.

The diversity of University activities suggests that no single market indicator can adequately predict the effect of price increases on the University as a whole. For the purpose of the general price increase request, three inflationary measures are presented to assess the impact of price increases on University activities. All of these indicators are of the "market basket" variety; combining differentially weighted cost components into a single index. Holding the type and quantity of a commodity in the market basket constant over time provides an indicator of changes in the resources required to maintain a constant level of consumption over the period.

Gross National Product (GNP) Implicit Price Deflator Defines that portion of the overall GNP growth which is attributable to factors other than real growth in the production of goods and services in the economy.

• Consumer Price Index (CPI) (Less Energy)

Measures the change in actual prices paid by urban households for items such as food, housing and transportation. Energy costs are excluded since a separate utilities cost increase request is defined in the following section.

Higher Education Price Index (HEPI)

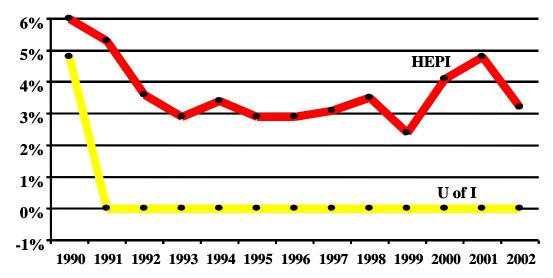
Measures changes in the level of general expenditures made by colleges and universities from current funds for items supporting instructional programs and departmental research activities. Sponsored research and auxiliary enterprise expenditures are excluded from HEPI.

A comparison of University funding levels to these measures shows a strong positive relationship among these inflation indices and considerable differences between the price increases estimated by these indicators and University

appropriations over the last decade. Specifically, the University has received no general price increase funding in the past twelve years, the last one being in FY 1990. In FY 1990, the general price increase did not exceed the Higher Education Price Index, as shown in Figure 9.

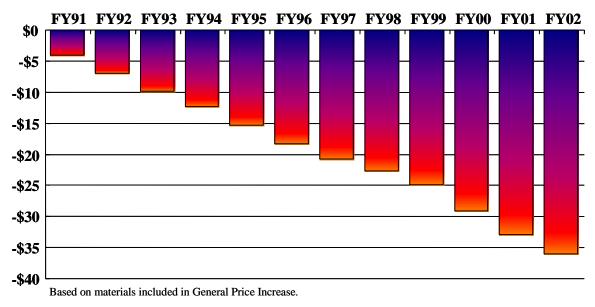
Figure 9
Annual Inflation Increases
versus General Price Increase Appropriations

Even with relatively low recent inflation experience, the University has lost over \$36 million to the impact of inflation since 1990.



Budget recisions in FY 1988, FY 1992 and FY 1993, combined with zero general price increase support since FY 1990, have seriously eroded the academic support base of goods and services which underpin the University's instructional and research activities. While internal reallocation has been used to cover unavoidable increases in the most pressing of these goods and services, the University's academic support base has been seriously eroded and now has reached a gap of \$36.2 million, as measured against the Consumer Price Index shown in Figure 10.

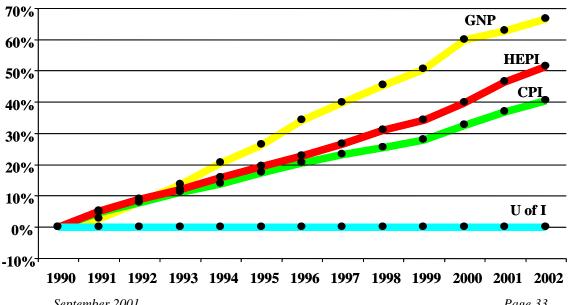
Figure 10 **Cumulative Loss in Purchasing Power** (Dollars in Millions)



The loss in purchasing power for general goods and services has reached \$36.2 million in the current year.

A review of the widening gap between inflation and University appropriations is displayed in Figure 11. This graph illustrates the wide disparity between actual general price increase appropriations to the University and inflation levels as estimated by GNP, CPI and HEPI indicators for FY 1990 through FY 2002. The University estimates a FY 2003 increase of 2% to 3% (CPI and GNP indices).

Figure 11 **Cumulative Inflation Increases** versus General Price Increase Appropriations



For FY 2003, the general price increase segment of the budget request seeks to obtain funding sufficient to halt further losses to inflation. Based on this, a general price increase of 3% or \$4,020,800 is sought.

UTILITIES PRICE INCREASES - \$2,066,700

By any reasonable measure, the University's utility base support has seriously eroded over the past decade.

Utilities funding requirements are formulated from expected costs for the individual components that comprise the total state utility budget of the University of Illinois. For FY 2003 these commodities and utilities rate increases yield a projected composite price increase of 4%. This is a \$2.07 million dollar increment above the FY 2002 utilities base for all the campuses of the University of Illinois.

Over the years, the University's budget for utilities absorbed the costs of unfunded new areas growth, programmatic expansion and coped with the lack of regular budget increases to cover annual cost expenditure increases. For FY 2001 the utilities base was unable to cover all the actual expenditures for utilities, and failing the delivery of a special appropriation to cover this deficit, the University will of necessity be required to make a non-recurring reallocation of programmatic funds to cover the multi-million dollar shortfall.

The winter of 2000-2001 witnessed unprecedented rates of increase and record setting highs for the price of natural gas. This price spike was caused primarily by high demand that grew with the expanding economy. For example, natural gas provides sole source viability for many production processes and heating uses, i.e., no alternates are available for fuel switching. Demand also increased from a return to a more normal temperature pattern that deviated from prior warmer winters. Price pressures on the supply side contributed, too. Prior to the winter of 2000-2001, a period of very low prices had depressed exploration and storage levels were at a near term low as the heating season began.

In FY 2001, the University experienced an average increase of 83% more per MMBTU of natural gas than the prior year. Recently prices have fallen and it is expected that such highs will not be reached again in the near term. Storage levels are up to more comfortable levels, the number of production rigs in use is at a recent high, and dual fuel capabilities, where possible, have been instituted as price

protection against natural gas price increases. Therefore, the projected price increase that the University of Illinois anticipates paying for its natural gas requirements in FY 2003 is estimated to be 5% higher than the cost that will be expended in FY 2002.

As with natural gas, fuel oil storage stocks and production have caught up to some degree with the demand for this commodity. At the Chicago campus, fuel oil remains the most economical alternate fuel and its use in FY 2001 offset an almost \$800,000 natural gas cost exposure. It will remain as an alternate fuel-switching tool and as a constituent contributor to the price of campus steam production, it is estimated to be 4% higher than in FY 2002.

As in past years, coal, as the primary alternate fuel at the Urbana-Champaign campus, has continued to contribute a significant amount of cost offsets. In FY 2001, an all-time high coal burn of approximately 110,000 tons precluded a potential net natural gas expenditure of \$10.7 million dollars. It must be noted that coal burn cost avoidances are already in the utility base, however, this figure highlights the major difference in the unit cost of each fuel that was realized in the winter of 2000-2001. The University's ability to burn coal was a major tool of cost containment. It is clear that this fuel's viability will remain. Currently, competition for this commodity is rather stable and thus it is expected that overall, coal costs will remain flat relative to prior years or increase not much more than 1% over FY 2002 prices. However, with the passage of the Illinois Resource Development and Energy Security Act in the Spring of 2001, legislation worth \$3.5 billion in incentives to develop Illinois' coal resources, together with expanded nationwide interest in clean coal technologies, it may be noted that as the concomitant demand for the commodity expands, future prices would be expected to begin to increase at more market-driven rates.

Fuel market increases make a utilities price increase an essential component of the FY 2003 budget.

As electricity has begun to be deregulated throughout the nation, the elimination of the purchased fuel adjustment mechanism has placed the fuel charge for the actual commodity, now based on market sector prices, in the price that the consumer pays for electricity. While it was initially thought that the major cost during the transition period to a deregulated market would be the stranded capital costs recouped in rates charged to consumers, it is now, rather, the cost of the actual commodity. The news

in California of soaring electricity prices, hitting pricing peaks of \$1,000 per megawatt, is in part a response to the passing on to the consumer the actual market driven production and demand costs for electricity. In the Midwest, because of the high proportion of nuclear generation based electricity rather than a high proportion of fossil fuel based generation, it is expected that cost increases for electricity will be relatively reasonable compared to other parts of the country. For FY 2003 it is expected that the University of Illinois will experience increases in cost in the range of 3.5% to 4% for its purchased electricity.

Expenditures for water and sewer continue to remain relatively stable as a result of effective contract negotiation and the still regulated nature of these services. In these instances, rate increases are more easily anticipated and programmed into the budget. Combined, it is estimated that increases at all campuses for both these services will range between 3% and 4%.

A year ago in the FY 2002 budget request, a list of effective and efficient utilities management initiatives were enumerated to demonstrate the work that had been done to control utilities expenditures. It was, however, pointed out that all of the cost avoidances from these initiatives had been subsumed within the base and that the level of expenditures that the University experienced for utilities was in stasis. However, there are presently numerous effects rippling and compounding throughout all energy markets, impacting consumers with rate increases beyond expectation and provoking budget problems simply based on the fundamental economic principle of supply and demand.

The prophecy of that last sentence came to be reality during FY 2001, with an end result of a multi-million dollar, non-recurring budget reallocation in order for the University to meet its obligations. While an increment for utilities was granted for FY 2002, it is imperative that a following increment of 4% be appropriated for FY 2003 to meet continued increases in utilities costs. As noted last year, it is no less true now that, "Current price projections are underscored by...uncertainties caused by an energy market more globally oriented and less inclined to governmental regulation."

LIBRARY PRICE INCREASES – \$917,800

The Libraries of the University of Illinois are requesting a 5% increase in their materials budget to ensure that the Libraries can maintain the quality of their collections and fulfill their missions to students, faculty and researchers at the campuses and throughout the state. There are several important factors in the current environment that place the Libraries at risk, including high inflation rates in the cost of scholarly materials; a burgeoning increase in the number of electronic resources now considered vital to the campuses' teaching, learning and research needs; and the growth in interdisciplinary studies and new programs in areas in which the Libraries have not previously collected. These factors continue an erosion of the collections that began more than fifteen years ago. Additional support to mitigate these factors is vital to maintain the high quality of the Libraries' collections.

The Chicago (UIC) Library, that serves the largest university in the Chicago area, holds over 6.5 million items. UIC's special collections include a wide range of research materials on the history of Chicago. Chief among these are the Jane Addams Memorial Collection, Corporate Archives of the Chicago Board of Trade, records of A Century of Progress International Exposition, 1933-34, records of the Midwest Women's Historical Collection, records of the Chicago Urban League, the R. Hunter Middleton Chicago Design Archives, and 10,000 rate books, prints and maps that comprise the Lawrence Gutter Collection of Chicagoana. The Libraries of the Health Sciences, one of the largest such units in the nation, is the regional library for 893 medical libraries in 10 states.

The Library at Springfield (UIS) supports students with a collection numbering more than 522,000 volumes, 2,300 periodical subscriptions, nearly 2,500 films and videotapes, 1,600,000 microforms and 190,000 government publications. The UIS Library's special collections unit houses an oral history collection containing interview tapes and transcripts from more than 1,200 persons whose memories touch on important themes in the social, economic and political history of the State. The UIS Archives is the location of the Illinois Regional Archives Depository, collecting county and municipal records from 14 central Illinois counties in support of research focusing on local history and genealogy.

The University of Illinois at Urbana-Champaign (UIUC) Library is a major educational and cultural resource for the University and the State of Illinois. Strong and unique collections have long been a hallmark of the UIUC Library. With a collection of more than 21 million items, it is one of the world's great research libraries. Distinguished collections in areas as diverse as American history, chemistry, English literature, engineering, mathematics, music and Slavic languages and literature attract and support the work of distinguished faculty and students. Special collections, including holdings on John Milton, William Shakespeare, Marcel Proust, Carl Sandburg, James B. Reston, H.G. Wells, Mark Twain and Shana Alexander (the most recent gift), further enhance the Library's greatness.

The Libraries play an important role in Illinois by providing materials and information services to citizens of the state, both onsite and through their local libraries. They also play a role in the global community, often serving as host to visiting scholars from around the world who have come to use the Libraries' rich resources. Their collections have been instrumental in developing and supporting research and scholarship in many crucial areas.

Many publishers have recently begun to offer their materials in electronic formats. As more materials appear in electronic form, demands for them strengthen. In addition to convenience, the accessibility of electronic material is essential for distance education programs and their searching capability makes them critically important in numerous disciplines. Over the last several years, the Libraries have inaugurated a program to enhance development of their collections with some of the electronic materials now routinely expected by faculty and students. These materials include additional abstracting and indexing services which provide access to the scholarly literature at the campuses and other institutions, and new collections of electronic journals, electronic texts and other recently-developed types of materials accessible online. At present, electronic journals average between 10% and 30% more in cost than their print equivalents. Because many electronic items cannot be purchased, but may only be available through license agreements, ongoing access to them cannot be assured. In most cases, user needs and the Libraries' mission to provide access in perpetuity to the materials in which it invests require that both electronic and print subscriptions be maintained.

In addition to maintaining on site the strongest collections possible to meet their users' needs, the Libraries are also committed to providing access to collections owned by others, supplementing traditional interlibrary borrowing methods with electronic access and article delivery services. New methods of electronic document delivery can help offset the cost of expensive, low-use print journals, but the delivery costs of a single article are quite high. However, these types of electronic resources do make available enough choices for the Libraries in providing access to information to justify their carefully considered purchase.

The cost of purchasing materials in traditional and electronic formats continues to rise annually at rates well above the Consumer Price Index. Major factors for continuing double-digit price increases include increasing output from the world's scholars, increasing control of the market by commercial publishers and the demand for electronic materials to which perpetual access is not assured, thus requiring continuing purchase in print formats also. These increasing prices, coupled with inconsistent collection funding over the past fifteen years, have seriously compromised the quality of the Libraries' collections. Among the members of the Association of Research Libraries (ARL), Library materials expenditures declined from 8th in FY 1985 to 22nd in FY 2000 at UIUC. In FY 1985, Figure 12 shows the UIC and UIUC Libraries materials expenditures ranked 12th and 2nd, respectively, among the thirteen Committee on Institutional Cooperation (CIC) member libraries. By FY 2000, the UIUC Library's rank had dropped from 2nd to 6th behind Michigan, Penn State, Indiana, Minnesota, and Ohio State while UIC's rank retained its low ranking.

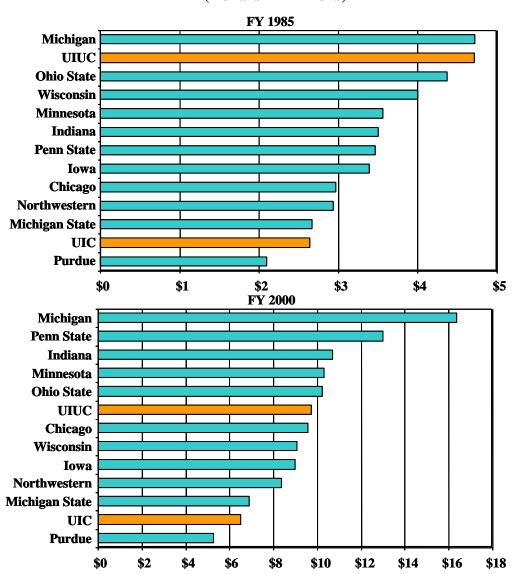


Figure 12 CIC Library Materials Expenditures (Dollars in Millions)

Inflation of scholarly journal prices has become so significant that high inflation rates in any given year could devastate the Libraries' collections budget. Because of escalating production costs, increasing output from the world's scholars and the unusually high price inflation of many foreign scientific and technical journals, the cost of purchasing materials for the Libraries continues to rise dramatically every year. For more than a decade, the Libraries have cancelled a large number of journal titles, trying not only to balance the journal budget in the face of extraordinary inflation but also to protect funds with which to purchase monographs, electronic

resources and other materials. Nonetheless, the Libraries' ability to purchase new books and important electronic products continues its steady decline.

The special value of the Libraries' collections lie in the unique strengths of their holdings for students, scholars and users throughout Illinois, the nation and the world. Now and in the future, continuing and stable financial support is absolutely critical to fulfill the educational and scholarly needs of the campus, to enhance access to collections in other libraries, to exploit the potential of electronic information and to fulfill their role as the libraries of last resort for the citizens of Illinois. To meet these challenges successfully, the Libraries require an increase of 5% in FY 2003 to offset expected continued inflation and to keep pace with the demands of their users.

OTHER PAYROLL COSTS - \$980,000

Medicare and Social Security Contributions

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Medicare cost increases present mandatory, unavoidable budget requirements. In recent years, the University of Illinois has faced increasing expenditure requirements related to payroll. While some of the extreme stress on Federal Medicare has been relieved through three years of major reallocation, pressure remains on Workers' Compensation and, to a lesser degree, Social Security contributions. Currently, the University is required by federal law to match new employees' contributions to Medicare and for certain employees, to Social Security.

Effective April 1, 1986, the federal government mandated participation in the Medicare system by all newly hired State and local government employees not covered under the Social Security system. These employees and their employers are responsible for equal portions of the FICA Medicare Tax of 1.45% of gross pay. Additional legislation, effective July 1, 1991, requires employees not covered by the State University Retirement System to participate in the Social Security system.

In FY 1995, federal legislation removed the cap on the FICA Medicare Tax. In prior years, the tax of 1.45% was capped at \$135,000 of gross pay. The FY 1995 legislation removed the cap and allows the 1.45% tax on the entire gross payment. This action, with an effective date of January 1, 1994, significantly increased Medicare expenditures for the second half of FY 1994 and subsequent years.

Since FY 1987, expenditures have grown at a rapid rate with substantial increases in FY 1992, FY 1994, FY 1995 and FY 1996 as a result of the changes in Social Security requirements and as newly hired staff replace those exempt from Medicare requirements. Although appropriations for these costs also have increased, they have been insufficient in the last several years to meet full needs. In FY 1996, the University was forced to reallocate approximately \$1.3 million simply to match projected expenditures. Table 5 details annual appropriations and expenditures along with each year's percentage growth rate.

Table 5
Appropriations and Expenditures
for Medicare and Social Security Costs
(Dollars in Thousands)

Fiscal			% Change in
Year	Appropriations	Expenditures	Expenditures
1990	\$1,718.0	\$1,740.5	0.0%
1991	1,718.0	2,261.7	29.9%
1992	2,743.7	3,323.5	46.9%
1993	3,473.7	3,644.0	9.6%
1994	3,492.0	4,277.3	17.4%
1995	4,417.3	4,850.0	13.4%
1996	5,967.3	5,982.0	23.3%
1997	5,967.3	6,086.6	1.7%
1998	6,141.5	6,267.3	3.0%
1999	6,302.7	6,754.1	7.8%
2000	6,491.8	7,580.5	12.2%
2001	6,686.6	8,589.2(est.)	13.3%

The FY 2001 appropriation is \$6,686,600 for the combined Social Security and Medicare requirements. In FY 2002, expenditures are expected to continue to rise. An increment of \$429,400 is requested for the FY 2003 appropriation. Because it is a federal mandate, this is truly an unavoidable increase for the University.

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 to University employees. Table 6 details the State appropriation to the University compared to actual expenditure claims. In the last eight years, the University has

been forced to reallocate funds to cover increased claims. Strenuous efforts to control costs have helped reduce the impact of cost increases, but the University continues to face growing exposure in this area.

Table 6
Appropriations and Expenditures for Workers' Compensation (Dollars in Thousands)

Fiscal			% Change in
Year	Appropriations	Expenditures	Expenditures
1990	\$ 1,670.2	\$ 2,343.9	0.0%
1991	2,685.0	2,665.0	13.7%
1992	2,087.9	2,087.9	-21.7%
1993	2,193.5	2,193.5	5.1%
1994	2,986.3	3,001.1	36.8%
1995	2,986.3	3,291.0	9.7%
1996	2,986.3	4,258.6	29.4%
1997	3,365.0	3,598.9	-15.5%
1998	3,365.0	3,727.0	3.6%
1999	3,466.0	3,686.8	-1.1%
2000	3,466.0	3,727.1	1.1%
2001	3,570.0	3,713.0	-0.4%
2002	3,570.0	4,000.6	(est) 7.7%

For the last several years, the University has utilized the assistance of an actuarial firm to establish an appropriate level of funding for Workers' Compensation. The firm's methods for estimating projected claims and resulting outlays have proven to be very accurate. Actual claims for FY 2001 were \$3,713,000 while the State appropriation was \$3,570,000 creating a shortfall of \$143,000. Actuaries have projected payments for FY 2002 to be \$4,000,600 and \$4,120,600 for FY 2003. The University has created extensive programs and incentives to control and reduce costs in the last several years. Even with the success of these programs, additional resources are required. For FY 2003, \$550,600 for workers' compensation is requested.

OPERATION AND MAINTENANCE OF NEW AREAS

(\$1,012,400)

Campus Levels: *UIC* (\$323,410) *UIUC* (\$688,990)

The FY 2003 request for funding of the operation and maintenance of new and significantly remodeled areas supports eighteen facilities across two campuses of the University of Illinois. Total space to be supported is approximately 300,000 gross square feet. The majority of these facilities represent significantly remodeled areas within existing buildings, but by the very nature of the reconfiguration and enhanced use will demand an incremental cost in operation and maintenance services.

The FY 2003 request for new areas is heavily weighted towards incremental needs; therefore the cost per gross square feet is not high, on average. For the State and the University, this could be considered a 'good' year, because the anticipated shortfall (that is the amount of funds required versus the amount of funds appropriated) will presumably be narrow. Regardless, a repetitive, albeit brief, argument must be made again this year opposing the IBHE's practice of no longer fully funding the utilities costs of new areas and funding the other functions at a statewide average cost per gross square feet (gsf). The differences in funding of each category together with the complete lack of funding for certain projects altogether contributes to real deficiencies that must be absorbed by the University budget. In certain circumstances this requires reallocation of funds away from programs in order for the University to pay its bills (witness the FY 2001 utilities base deficit) or to defer maintenance only postponing certain expenses which are sure to grow larger through neglect.

The above serves as a brief warning about the potential for dire consequences for the University if future funding for large energy intensive projects are served only by average appropriations. Examples of such facilities include the College of Medicine Research Facility at UIC and the Post Genomic Institute at UIUC, two among many, all projected to come online within the next few years.

For FY 2003 the requirement to support the operation and maintenance of new facilities and significantly remodeled space totals \$1,012,400. Eighteen facilities, as shown in Table 7, require either full or partial funding of the annual costs for operation and maintenance.

Table 7
FY 2003 Operation and Maintenance
Requirements to Support New Areas

Project	GSF	Total Annual Cost	\$/GSF	Date of Occupancy	Months	FY 2003 Amount
Chicago						
Student Services Building	33,800	\$215,880	\$ 6.39	9/02	10	\$ 179,900
Neuropsychiatric Institute Remodeling	58,710	483,200	8.23	9/00	3	120,800
Police Station	28,000	90,840	3.24	4/01	3	22,710
Sub-total						\$ 323,410
Urbana-Champaign						
Expanded Child Development Lab	23,000	\$172,460	\$ 7.50	8/02	12	\$ 172,460
Subsonic Aerodynamics Laboratory	5,200	64,310	12.37	5/02	12	64,310
Mumford Hall & Bevier Hall Remodeling	7,000	19,690	2.81	8/02	12	19,690
Animal Sciences Lab Lower Level Remodeling	7,900	28,730	3.64	9/01	12	28,730
Ceramics Building Remodeling for RTMO	7,800	21,930	2.81	7/01	12	21,930
Education Building Phase III and IV Remodeling	8,000	27,140	3.39	7/02	12	27,140
Metallurgy and Mining Bldg Phase II Remodeling	12,000	43,640	3.64	8/02	12	43,640
Architecture Building Remodeling	3,400	9,560	2.81	9/01	12	9,560
Architecture Building Studio Remodeling	10,000	23,890	2.39	8/02	12	23,890
Roger Adams Lab Remodel 216/219/Admin	2,010	7,310	3.64	9/00	12	7,310
Law Building Remodeling	5,000	14,060	2.81	9/01	12	14,060
Main Library Phase I and II Remodeling	20,145	39,620	1.97	8/02	12	39,620
Engineering Sciences Building Renovation	30,000	218,190	7.27	11/02	8	145,460
Environmental and Ag. Sciences Bldg Remodeling	9,500	34,545	3.64	11/02	8	23,030
Vet Med Basic Sciences Bldg Renovation	14,700	96,320	6.55	1/03	6	48,160
Sub-total						\$ 688,990
TOTAL						\$1,012,400

CHICAGO PROJECTS

Student Services Building

Located within the Student Services building is 33,800 gsf of space occupied by Jewel Foods. This leased space will be acquired for University use and no longer rented in the fall of 2002. Initially this space will be used as surge space for academic and administrative units. Permanent programming will be developed after some time of University occupancy but it is anticipated that the level of use will not change substantially beyond the requirements that are being requested now, a level of use along the lines of administrative or classroom use. Scheduled for occupancy

in September 2002, ten months of operation and maintenance support is requested in FY 2003, a total cost of \$179,900.

Neuropsychiatric Institute Remodeling

Funded for partial support in FY 2001 and FY 2002, the FY 2003 request is for the final three months of support of this major renovation and remodeling project.

Operation and maintenance of this facility supports 58,710 gsf of space to help meet the teaching, research and clinical needs of the Department of Psychiatry. The final three months of support for this facility totals \$120,800.

Police Station

Funded for the majority of support in FY 2002, a small shortfall \$22,710 is required to fully meet the annual costs to support the 'other' needs of this facility. The 24-hour operation schedule of the Police Station makes it somewhat distinct from the more common type of teaching or administration facility. Continuous operation makes great demands on a facility and as such, it is imperative that this final funding requirement of \$22,710 be met in FY 2003.

URBANA-CHAMPAIGN PROJECTS

Expand Child Development Lab

This new facility expands the Child Development Lab enabling the lab to serve twice as many children as they currently do. The existing facility will continue to be used for older pre-school aged children. The new facility with 23,000 gsf will serve children infant through three years old. Instruction and research is conducted by faculty graduate students in many areas related to various aspects of physical, social, emotional and cognitive development of children. Indoor spaces include the following: classrooms, teacher offices, observation rooms, research room, kitchen, laundry and multi-purpose/gross motor room. Outside playground space is also programmed for the facility. With completion slated for summer of 2002 a full years of funding is requested at \$172,460.

Subsonic Aerodynamics Laboratory

This new facility will replace the existing Warehouse One Building, which is over 80 years old and has long since passed its useful life. Warehouse One currently houses the engineering aerodynamic test lab (wind tunnel). The proposed new facility is for a pre-engineered metal building of approximately 5,200 gsf programmed to specifically meet the requirements of the Aero Test Lab. Subsonic aerodynamics research is conducted in the laboratory's three subsonic wind tunnels.

Research is currently underway on low Reynolds number airfoils, motor sports aerodynamics and propeller aerodynamics. Set for completion in the late summer of 2002 a full year of operations and maintenance support at \$64,310 is requested.

Mumford Hall & Bevier Hall Remodeling

With the completion of the ACES Library, spaces will be vacated in Mumford and Bevier Halls. This space will be available to the College of Agricultural, Consumer, and Environmental Sciences (ACES) for remodeling into much needed administrative and programmatic space. This remodeling effort will consist of the addition of walls, new ceilings and floor coverings; heating, electrical and networking system modifications; air conditioning and removal of stack shelving in certain areas. Targeted for completion in August of 2002 a full twelve months funding of \$19,690 is requested.

Animal Sciences Laboratory Remodeling

This 7,900 gsf remodeling is rehabilitation of old underutilized storage space into computer lab and office space. The remodel will include the upgrade of all finishes in the space; those include new walls, floors, ceilings, lights, fire detection and repression. The remodeling is scheduled to be complete in late 2001 therefore a full twelve months of funding at \$28,730 is requested.

Ceramics Building Remodeling

The project will remodel the third floor of the Ceramics Building for several College of Engineering units. The remodeling will consist of upgrading all finishes in the space. Those finishes include the following: walls, ceiling, carpet, tile, paint, new voice and data services and HVAC. This remodel will allow for consolidation of several units with similar missions into one contiguous space. \$21,930 is requested for a full year support for the 7,800 gsf.

Education Building Phase III and IV Remodeling

The College of Education is making a concerted effort to become a national and international leader in the area of instructional technology and research on learning using technology. The project is part of the College's "Technology Cluster" in the basement and first floor of the Education Building. This will allow for group and individual instruction, along with research to occur in the educational technology field. In addition to these rooms, it is desired to do some work to the basement corridor and toilet rooms. This project will remodel 8,000 gsf. Typical work to be performed by this project includes new wall, ceiling and flooring finishes; new lighting; enhanced power and networking capabilities; computer projection

capabilities; built-in storage; and in some areas, teleconferencing capabilities. Slated for completion in summer 2002 a full years funding of \$27,140 is requested.

Metallurgy and Mining Building Phase II Remodeling

The Metallurgy and Mining Building occupied by the Department of Material Science and Engineering is going through a phased approach to refurbishing outdated facilities, especially old lab spaces. This project will rehabilitate 12,000 gsf of the older labs into new research labs and office space. This renovation will include upgrading electrical capacity, lab utilities such as compressed air, natural gas and hot and cold water, lighting, HVAC and the introduction of new fume hoods. Scheduled for completion in the summer of 2002, twelve months of funding is requested at \$43,640.

Architecture Building Remodeling

This remodel project rehabs some very low use outdated instructional lab space into 3,400 square feet of office space for the Fine and Applied Arts Administration. The area has not seen a remodel or upgrade in over forty years. The space will see new wall construction, ceiling, flooring, lighting and voice and data connections. The fire alarm and sprinkler system will be rehabilitated to comply with current code. Work is scheduled to be complete in late 2001 and \$9,560 is required for twelve months of incremental operations.

Architecture Building, Studio Remodeling

Over the years, the building has undergone several upgrades and remodeling to meet changing demands. The demands of the current uses of the building and the technology necessary to keep the School competitive with others around the country have exceeded what is available within the building. This request involves funds to upgrade electrical capacity for computer and air conditioning usage, increase capacity for data networking of studio and computer spaces, upgrade and increase amount of air conditioning delivered within the building to key areas such as the Temple Buell Architecture Gallery and general cosmetic refurbishing of many spaces that currently have very poor finishes. Scheduled for completion in the summer of 2002, a full years worth of funding is requested at \$23,890 to accommodate this 10,000 gsf remodel.

Roger Adams Lab Remodeling

This remodel project will refurbish two labs, comprising roughly 2,010 in the Roger Adams Laboratory. These chemistry wet labs have seen very little rehab over the last thirty year period. The work will include all new finishes, lab casework and

benches, some fume hoods, electrical and lighting, HVAC and communications work. Scheduled for completion in Summer of 2000, twelve full months of incremental operations and maintenance are requested, a total of \$7,310.

Law Building Remodeling

The focus of this remodeling project is the upgrading of 5,000 gsf of academic and student spaces that could not be addressed in the Law Building Addition and Remodeling project. The College has a computer ownership requirement of all students and the classrooms and study areas are inadequate in regard to power and network capabilities. This remodeling project upgrades the power and network access as well as lighting in these classrooms. Additionally, a central hub in the College, the student locker and mailbox area, will be remodeled to better serve the needs of today's students. This area is heavily used and does not properly accommodate handicapped students and the larger female population that was not evident many years ago when the space was programmed. Work is scheduled to be complete in the fall of 2001 and therefore a full year of incremental funding is requested at \$14,060.

Main Library Remodel Phase I - II

Currently, the fourth floor houses four departmental libraries. Each unit is a discrete space, providing services independently of the other units. This remodeling will move these units to the second floor and shift technical processing activities and administration from the second to the fourth floor. The shift will move departmental libraries into closer proximity with each other and the Main Library Reference Room. This arrangement will greatly enhance the ease of access to the resources in these libraries for the users. It will be particularly beneficial to those individuals whose research draws upon the resources of more than one departmental library. The remodeling will include electrical, lighting, HVAC and some wall reconfiguration to improve operating efficiencies. A full twelve months of incremental funding is requested at \$39,620.

Engineering Sciences Building Renovation

This space renovation will consist of converting the existing space into appropriate research facilities for the Department of Physics, including seminar and conference rooms, research offices, computer rooms, areas for major work groups and open discussion areas. The remodeling will rehab the Engineering Sciences Building

tower area which is a six-story portion of the building. Total square footage totals

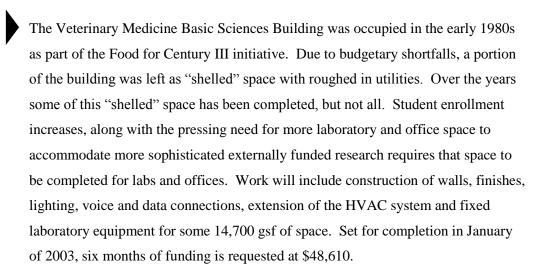
30,000 with eight months of funding required at \$145,460.

Environmental and Agricultural Sciences Building Remodeling



This project will finish the remodeling of the former Veterinary Medicine Building. The demolition and third floor completion were funded by state dollars. A federal grant has been used to remodel the lower three floors to house the National Soybean Center. This project will complete the remodeling of offices and laboratories on the ground and first floor in the connection link, and the old diagnostic laboratory areas, roughly 9,500 gsf. All windows that have not yet been replaced with new energy efficient windows will be replaced by this project. Set for completion in November of 2002, eight months of funding at \$23,030 is requested.

Veterinary Medicine Basic Sciences Building Renovation



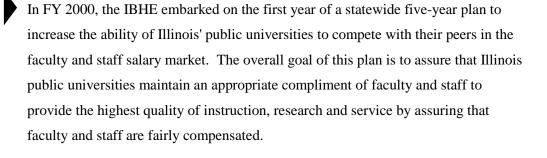
STATEWIDE INITIATIVES IN HIGHER EDUCATION



RECRUITMENT AND RETENTION

(\$8,220,900)

Overview



The IBHE has embarked on a 5-year plan to increase the ability of Illinois' public universities to compete with their peers in the faculty and staff salary market. While crucially important, the availability of strong economies in states across the country has meant that peer institutions have advanced more rapidly than originally forecast.

In addition to funding for at least 3% annual salary increases for all faculty and staff, the IBHE recommended that each state public university receive funding equal to 1% of the total personal services base to recruit and retain critical faculty and staff in high demand areas, such as information technology. Funds may also be used to provide performance-based salary incentives, provide incentives for campus-based early retirement programs, offset statutory early retirement costs and other activities supporting campus recruitment and retention programs. Public universities are expected to match these additional state funds for recruitment and retention with an equal amount of reallocation resources. As a result of this initiative, the IBHE hopes that faculty salaries at all Illinois public universities will reach their peer group median in FY 2004. Fortunately, the General Assembly and Governor provided the funds requested by IBHE in FY 2000, FY 2001 and FY 2002, the first three years of the program.

Continued support for the IBHE's plan is crucial if the state's public universities are to compete successfully with their peers for quality faculty and staff. This support became even more crucial for the University of Illinois as a result of market trends since FY 1999. The weighted median salary of each IBHE comparison group serves as a benchmark to assess competitiveness in the national market. Figure 13 displays the weighted average salary of full-time instructional faculty in the ranks of assistant professor and above at each University of Illinois campus as a percentage of the weighted median salary of each peer group since 1985. In general, salaries for these faculty at UIC have been slightly above its IBHE peer group median, while those at UIS have slipped to below the median. Faculty salaries at UIUC remain mired far below its peer group median.

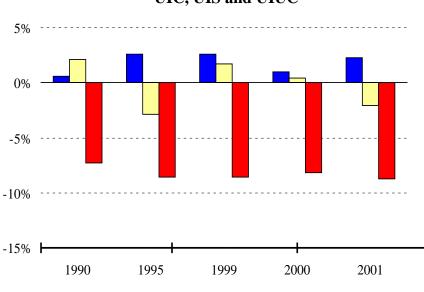


Figure 13
Distance from IBHE Peer Group Median
UIC, UIS and UIUC

Caution should be used when comparing faculty average salaries over time among institutions. Year-to-year changes in those averages may not correspond precisely to salary increase policies in particular years, largely due to faculty turnover.

□ UIS

■ UIUC

■ UIC

Perhaps the best example of this occurred in FY 1993 when the University of California System offered an early retirement incentive program combined with a 0% salary increase policy to combat the state's budget crisis of the early 1990s. A large number of senior faculty took early retirement, causing average salaries across the System to decline, when the salary policy created an expectation that they would not change. This decline was particularly sharp at the University of California at Berkeley, which fell several spots in the IBHE peer group for UIUC.

Generally speaking, numerous other factors may also influence average salary growth—disciplinary structure and emphasis, promotion patterns and institutional interpretations of survey instructions, for example. The main point to consider when interpreting faculty average salaries is that changes in the faculty mix-in rank, experience, discipline, etc.—may produce growth rates that differ from the salary increase policy by a percentage point higher or lower, or possibly more in some cases.

Figure 14 compares FY 2000 and FY 2001 average salaries of full professors at UIUC and its IBHE peer group. The reason for the failure to catch the median can be traced to very rapid growth in average faculty salaries at some peer institutions. The University of North Carolina had the highest growth, while University of Rochester had the lowest. The mean percentage change for the group was 5%. UIUC's 4.4% ranked 16th, trailing (among others) such important regional competitors as the University of Chicago, University of Wisconsin and Washington University in St. Louis.

UIUC and IBHE Peers \$125 5.3% 4.3% 2000 2001 4.0% 4.8% % indicates growth rate \$115 6.0% 4.5% 4.5% 5.2% \$105 Dollars in Thousands 5.0% 4.3% 4.6% 4.5% 1.6% \$95 7.6% 5.2% 4.4% 7.0% \$85 \$75 Chicago Yale Duke Texas NYU Penn UCLA **USC** Brown UIUC Washington Columbia Northwestern Cal-Berkeley Wash U (St L) Michigan Cal-San Diego North Carolina Rochester Wisconsin

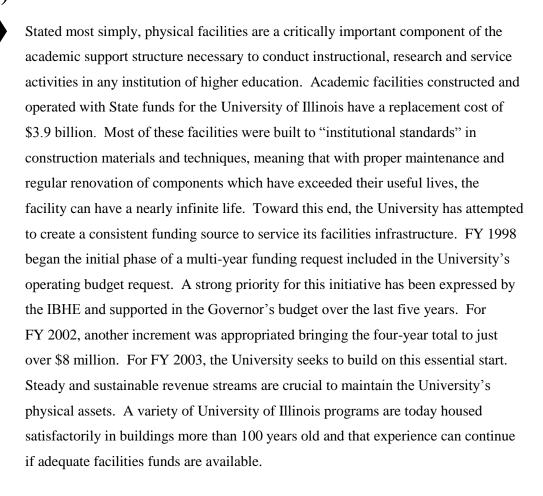
Figure 14 FY 2000 and FY 2001 Professors' Average Salaries

These figures illustrate the difficulty the University faces when attempting to gain parity in an accelerating faculty salary market. The IBHE's five-year plan calls for all Illinois public universities to receive an additional 1% increment for recruitment and retention of key faculty and staff. Thus, the University requests \$8.2 million to implement the IBHE's initiative in FY 2003, to be matched by an equal amount from institutional sources.

FACILITIES RENOVATION SUPPORT

(\$2,000,000)

Overview



THE NEED

Three factors contribute to the need for annual attention to the configuration and quality of the physical facilities supporting any academic program:

Two-thirds of state constructed space was built prior to 1970.

Replacement Needs

Normal use inevitably causes wear and tear on building systems and components to the point at which their useful lives are exceeded and they must be replaced. This process is frequently described as depreciation and is universally recognized. If proper annual maintenance is not available for building systems, their useful lives are shortened. If replacement of worn-out building systems is not completed on a timely basis, significant backlogs of deferred maintenance needs arise, eventually resulting in larger and more costly major remodeling requirements.

Realignment Needs

The needs of academic programs vary over time. As enrollments shift among

STATEWIDE INITIATIVES IN HIGHER EDUCATION FACILITIES RENOVATION SUPPORT

fields of study, space needs change with them. As the state-of-the-art within fields of study changes, so too do the facilities needed to support new activities. In some cases, the entire functional use of space must shift to accommodate changes within or among academic programs.

Without an annually sustainable source of funds to support facilities renovation, the State's investment in college and university facilities is at risk.

Renewal Needs

Technological advances can render both facilities and equipment obsolete, sometimes at rates far exceeding their physically useful lives. The application of computing to every discipline within a university and the dizzying pace at which computing power, speed and applications continue to evolve is the most obvious example of such a change.

Several types of funding are required to meet the range of facilities operating, maintenance, renovation and replacement needs which universities confront annually. In Illinois, day-to-day operations and maintenance costs are funded through the annual operating budgets of colleges and universities. Major remodeling and new construction funds come from capital budget appropriations with annual sales of bonds which customarily carry 25-year debt retirement obligations. At this time, funds to address minor remodeling needs most often associated with the factors outlined above also come from capital budget sources. Optimistically, the University hopes to continue the multi-year program started in FY 1998 until a critical mass of funds are in place to maintain a sustainable source of funds for facilities renovation.

Why is a recurring source of support for facility renovation required? There are at least three important reasons:

- 1. Public colleges and universities in Illinois have accumulated backlogs of deferred maintenance projects reaching tens of millions and in some cases hundreds of millions of dollars per campus. The State's investment in college and university facilities is at risk.
- 2. Once fully implemented, an operating budget based facilities renovation program would permit institutions to plan, schedule and complete minor remodeling projects more rapidly, more efficiently and less expensively than the present capital budget based program permits. Funding such projects from annual operating budgets would enable the State to devote its bond-funded activities to major remodeling and new construction needs.
- 3. The capital budget offers an uncertain and uneven level of support for renovation projects, which must compete with other capital needs for major remodeling and new construction.

SPACE REALIGNMENT, RENEWAL AND REPLACEMENT SR³

Approximately twenty-five years ago the University of Illinois defined the need for an operating budget based source of funds to address annual space renovation requirements. Using historical reviews of the useful lives of all building components, the University developed a formula based approach to provide an estimate of the annual expenditures which an institution would need for regular replacement of components which had exceeded their useful lives (such as roofs, heating, ventilating and cooling systems and so forth) and which could also address the annual need for reconfiguration of space to address new functional requirements brought on by changes in academic programs. This approach was termed Space Realignment, Renewal and Replacement or SR³.

The University has devised a formula-based approach to determine the annual investment necessary to keep facilities in adequate condition.

The SR³ formula is based on the assumption that certain building components (foundation, superstructure and exterior skin) have an infinite life, while other components need replacement on a predictable life cycle of normal use. Providing an annual allocation of one-half of one percent of the replacement cost of the facility is sufficient to address these needs. In addition, however, for academic facilities some provision must be made to address the need for functional changes in space and other programmatically driven space reconfiguration requirements. Adding these needs to the building component replacement requirements raises the annual amount necessary to meet SR³ requirements to two-thirds of one percent of the building's replacement cost.

The SR³ approach thus requires that an institution keeps an accurate inventory of the space it has and that it computes the replacement costs of all of its facilities by type of space. Fortunately in Illinois, the Capital Development Board and Board of Higher Education have worked together to provide institutions with construction cost estimates for the various types of space which colleges and universities require and with inflation estimates needed to escalate those costs for future construction timetables. Summing the SR³ requirements for all the facilities on a campus establishes the amount which an institution should spend each year to make certain that its academic facilities are functionally appropriate for the programs it offers. For the three campuses of the University of Illinois for Fiscal Year 2003, the SR³ requirement is \$21 million.

SR³ Proven Effective

In 1979, the University of Illinois undertook a major restructuring of the debt for its auxiliary facilities and created an entity known as the Auxiliary Facilities System. An integral part of the debt restructuring was the initiation of an annual space renewal and replacement component in the operating budgets of all auxiliary facilities. Since auxiliary facilities do not face the same need for functional reconfiguration of space to meet changing academic program needs that academic facilities must address, the annual Auxiliary Facilities System space renewal and replacement requirement equals one-half of one percent of the facilities' replacement costs. This requirement represents a first dollar operating budget commitment for all University of Illinois auxiliary facilities. It has been in place over 20 years and it provides the best documentation possible for the effectiveness of the SR³ philosophy and approach to effective facilities maintenance. As a group, University of Illinois auxiliary facilities today are significantly better maintained

For two decades, the University has demonstrated the effectiveness of SR³ in keeping its auxiliary facilities in good working order.

The Illinois Board of Higher Education (IBHE) has endorsed many of the principles embodied in the Space Realignment, Renewal and Replacement approach. For more than a decade IBHE has recommended and the General Assembly and Governor have supported a capital budget based Repair and Renovation (R & R) program which uses the SR³ formula approach to allocate funds among institutions for minor remodeling projects defined with considerable flexibility by the institutions. Unfortunately, the capital R & R initiative has been funded at approximately one-third of the annual need which the SR³ formula prescribes for each institution. A backlog of critically important R & R projects is growing to near crisis proportions, emphasizing dramatically the need for regular, recurring attention to facilities renewal, realignment and replacement requirements.

FY 2003 OPERATING BUDGET REQUEST FOR FACILITIES RENOVATION

than the University's academic buildings.

The need for an operating budget based program which can address a variety of facilities needs facing the University of Illinois has grown to the point that its priority matches the need for new or expanded academic program funds. For FY 2003 the University of Illinois will continue the program and seek to add

STATEWIDE INITIATIVES IN HIGHER EDUCATION FACILITIES RENOVATION SUPPORT

incremental funds necessary to fund the SR³ formula. For FY 2003, the University seeks \$2 million for the sixth year of this multi-year initiative.

SR³ is simple, straightforward, equitable, comprehensive and cost effective. Funds provided under this program would be used to meet facilities needs arising in three distinct areas:

- 1. To accelerate the attack on a burgeoning backlog of deferred maintenance projects centered on building system components well beyond their useful lives.
- 2. To address functional changes in space configuration caused by program changes or state-of-the-art changes in instruction and research. Upgrading class laboratories would be a significant element in this category.
- 3. To address continually changing infrastructure needs to accommodate changes in technology.

The University strongly believes that the SR³ formula approach is the most effective mechanism to implement an operating budget based facilities renovation program. The SR³ approach offers numerous advantages, which include the following:

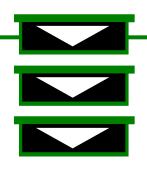
- SR³ is simply defined and easily understood. Its components (amount of space maintained with State funds, space inventory by type, replacement costs) can be easily computed by all colleges and universities and are elements which institutions, the Board of Higher Education and legislative and executive agency staff are very comfortable and have dealt with for a number of years.
- SR³ is easy to implement. All of its components are already in place at all public colleges and universities participating in the capital budget R & R program.
- SR³ is equitable to all institutions regardless of size or complexity.
- SR³ effectiveness and impact is demonstrable, since it has been in place for over
- 20 years in the University of Illinois Auxiliary Facilities System.
- SR³ is less costly than the current capital budget system, since it improves efficiencies in project planning, scheduling, completion and it requires no debt service.
- SR³ is easily audited through a review of individual projects planned and completed.

STATEWIDE INITIATIVES IN HIGHER EDUCATION FACILITIES RENOVATION SUPPORT

With five years of funding secured the transition period to fully implement an operating budget based program has begun. A period of several years will be required to adapt to annual spending on facilities improvement projects on the order of magnitude provided by the SR³ approach. In addition, some reappropriation mechanism will eventually be needed to ensure that funds made available for facilities improvements in the early years of the program could be fully expended on projects which might require several months of planning and up to one year after that to complete. As the program becomes fully operational, it is expected that a portion of each year's appropriation would be devoted to planning and design for future projects, which would allow construction to start as soon as the new fiscal year began.

Finally, it is still desirable that an operating budget based facilities improvement program would complement the existing capital budget based R & R program while the existing backlog of deferred maintenance projects is reduced. Once the SR³ program is fully implemented in the annual operating budget at an appropriate level of support, it could be expected that it would replace the capital R & R program. The capital budget could then be devoted to major remodeling projects and new construction initiatives.

ACADEMIC PROGRAM INITIATIVES



STRENGTHENING THE ACADEMIC BASE

 $\overline{(\$6,365,000)}$

Overview

The University of Illinois has identified several goals sharply focused on preserving and extending its value to its students and to the people of Illinois:

- To strengthen the ability of the University to attract and hold faculty of world class stature
- To develop specific programs of teaching, research and service required for adaptation to the changing environment
- To fully fund maintenance of the existing physical assets of the University
- To preserve the affordability of an Illinois education
- To enhance the quality of core course offerings
- To improve student recruitment and retention services

All of these points are addressed very directly in the overall budget proposal. All are of immediate concern in the priorities for strengthening the academic base at the University of Illinois.

FACULTY EXCELLENCE

The strength of the University of Illinois at Urbana-Champaign is in its faculty. Traditionally, academic units have been able to build and maintain their strength through hiring junior faculty, many of whom go on to develop national and international reputations as leaders in their fields. In order for this strategy to work, however, there must be a constant renewal of faculty through hiring new assistant professors to replace their retiring senior colleagues.

The Faculty Excellence initiative at Urbana aims to rebuild faculty strength and fill gaps left by the lack of new faculty recruitment in the early 1990s. The goal is to restore 150 tenure system faculty lines. Emphasis is being placed on strategic growth in information technology, biotechnology and the arts and humanities, while also capitalizing on targets of unusual opportunity. Through the end of FY 2002, Urbana had received \$8.1 million in state support for Faculty Excellence.

Thirty-three new experienced faculty members have been recruited with these funds, 25 offers to prospective new faculty members have been approved and an additional six faculty recruitments have begun.

The FY 2003 request includes an additional \$1,000,000 for Faculty Excellence. These funds will enable the campus to sustain momentum in rebuilding the faculty. At the same time, the request is moderate in recognition that recruitment of talented mid-career scholars takes time and some of the significant new funding received in FY 2002 may remain available for recruitment in FY 2003.

It is critical to continue this important initiative. More than anything else, the quality of the faculty will determine whether the campus' strategic plans for enhanced excellence and disciplinary leadership can be brought within reach. The leverage provided by Faculty Excellence funds is essential to the campus' ability to compete for some of the very best faculty who will play key roles in maintaining and enhancing our tradition of excellence in future years.

In the longer term, it has become clear that the goals of Faculty Excellence will require a more concerted effort than originally expected when the program was begun in 1996. The market for academic leaders in growth fields has been unusually dynamic, with numerous universities pursuing goals similar to those of Urbana. The effect has been to increase the salaries and start-up costs required to attract the best talent. Urbana now estimates the costs of Faculty Excellence at closer to \$15 million, of which \$8.1 million have already been received from the State.

EMPLOYMENT, TRAINING AND BUSINESS NEEDS

The Illinois Commitment's first goal maintains that higher education will help Illinois business and industry sustain strong economic growth. Technology is quickly changing the U.S. economy and there are many unknowns about its future. Pragmatism requires that Illinois maintain a well-trained and diversified workforce. Technology itself is opening up many job opportunities in business and engineering as well as changing the nature of the way many other professions are being conducted. Higher education needs to "respond proactively" by training all students in technology which is now so deeply embedded in many professions.

Business

The UIC campus must anticipate and respond to the needs of employers and students. In order to meet increased student demand and address accreditation issues, the College of Business Administration must continue to extend access to courses. Additional funds are required to address demand in Management Information Systems, Information Decision Sciences and Finance. New program and campus funds have been allocated towards building faculty ranks in the College. Additionally, the campus is engaged in a vigorous capital campaign for the new Business Administration building that will be located in the South Campus area.

Engineering

Continued employer demand for technically proficient staff and rapidly increasing student demand for courses in computer science and electrical engineering continue to outpace internal efforts to supplement the number of faculty. The College of Engineering hopes to supplement internal reallocation efforts and campus funds with additional new program funds to address these needs.

Architecture and the Arts

Courses offered by the College of Architecture and the Arts must remain at the cutting edge of technology. Experimentation with new media happens first in the arts. Further, the architecture and arts professions and industries are leading the way in the reliance upon specialized visual and audio digital tools across the full array of disciplines. Digital tools now being developed will quickly become mainstream. UIC must offer students access to these technologies.

Nursing

The continuation of efforts to meet societal demand for trained nurses and nurse leaders is of the utmost importance. The shortage stems from former hospital downsizing coupled with a renewed focus on disease prevention and primary care, critical care, labor and delivery (involving older new mothers), emergency care among an older population, and growing numbers of patients with acute and chronic illnesses.

University educated nurses holding a BSN are the most desirable as the complexity of health care delivery increases. The need for nurse leaders is also growing, with those holding an MSN the best qualified to manage the growing numbers of unlicensed personnel in health care. UIC's College of Nursing has already begun to address the shortage with innovative recruitments and educational plans. A program of study that enables RNs to complete a baccalaureate degree with the option to

advance to a master's degree program is in place. Partnerships with the highest ranking community colleges to target their best graduates for entry into the post-RN baccalaureate degree are an important component. Additional faculty members are required to meet increased student demand.

Public Health



UIC is positioned to perform important research in the areas of environmental epidemiology and health management. Collaboration between the School of Public Health and the College of Business will lead to efficiencies in the management and administration of important societal issues and to the education and training of new health care economists and administrators. As the population ages, injury and disease prevention, and health care economics and administration will become even more important in the overall coordination and management of health care. Over the past several years managed care has become a widespread factor in the attempt to manage costs and coordinate patient care. The method is not problem free however, and the exploration into the efficiency, cost effectiveness and health outcomes must continue.

COMMERCE AND BUSINESS ADMINISTRATION NEEDS

Reflecting both the quality of its lead departments and national enrollment trends, the UIUC College of Commerce and Business Administration (CBA) has for some time been experiencing intense enrollment pressure. This pressure has placed the College's faculty under great strain to accommodate demand for their classes. Class sizes have been increased and offerings of elective courses have been reduced. Average class size in the College is 52.7 students, the highest by far of any college on the UIUC campus. In 100- and 200-level (that is, undergraduate only) classes, average section sizes are 66.2 and 78.1, respectively. Despite the large size of its classes, CBA must turn away many students every semester. At this point, near the end of the current summer enrollment period for fall 2001 classes, CBA has had to turn away 14,607 student attempts to enroll in its classes because of lack of capacity.

In order to meet demand for its classes, reduce class sizes to more responsible levels and take advantage of opportunities to improve and enhance its programs, CBA needs a significant infusion of new resources. These resources will enable recruitment of additional faculty in what is one of higher education's most

competitive and difficult recruitment areas. New resources will also enable retention of existing outstanding faculty members in the face of constantly growing competition from other business schools and the private sector.

With new resources, CBA will be able to improve and expand its MBA program and also expand its Executive MBA program for the Chicago market. The College's MBA programs are comparatively underdeveloped and under-funded. With the ability to recruit and retain outstanding faculty, CBA can be expected to move to improve the quality of its MBA programs which in turn will yield increased tuition revenue to support further enhancement of CBA programs.

Elements of the FY 2003 CBA initiative are stressed in the new 5-year plan, *New Opportunities in a New Century: Major Goals, Projects and Challenges for the University of Illinois, 2001-2006.* They are singled out for attention in the FY 2003 request because of the urgent need for prompt action to address them.

BIOTECHNOLOGY

Two years ago, UIC proposed a major multi-year investment initiative that would impact multiple units and programs related to biotechnology. Utilizing UIC's strengths across multiple colleges, the biotechnology initiative includes areas of development such as magnetic resonance imaging, structural biology, organic chemistry, biophysics, molecular medicine, genomics, nutraceuticals, epidemiology and bioengineering. These areas of investment are interdisciplinary in nature and will facilitate collaboration among multiple colleges. UIC has received \$2 million for this initiative. The campus is requesting the third year of support for this initiative at a level of \$0.6 million.

The College of Applied Health Sciences has reallocated funds towards the recruitment of prominent faculty in the area of nutraceutics. Unregulated dietary supplements continue to grow in popularity. However, there is much to be discovered about their safety, efficacy, and how they interact with prescription and non-prescription drugs. Advances in the means to substantiate claims of the efficacy of existing products and the discovery of novel ones will be possible with new program funds.

Biomedical epidemiology and biostatistics address questions regarding the causes and prevention of disease, prolonging life and improving quality of life in patients with existing diseases, and choosing treatments and lifestyle options that influence post treatment outcomes. The UIC School of Public Health is positioned to continue important research in these general areas, as well as more specific areas such as HIV/AIDS and TB.

The Colleges of Dentistry and Engineering are collaborating on genetic tissue engineering research. The goal of regenerative therapy is to stimulate the growth of replacement bone tissue and blood vessels damaged by periodontal disease.

The Cancer Center within UIC's College of Medicine is a pivotal campus-wide effort. Through joint faculty appointments with Dentistry, Engineering, Applied Health Sciences, Liberal Arts and Sciences, Nursing, Pharmacy, and Public Health, the Center will address cancer prevention methods and diagnosis and treatments issues. Examples of collaborative efforts include the following. The College of Dentistry will work to address the issue of the population not receiving proper screenings for early detection of oral cancers. The program will include research into these cancers, as well as an effort to raise awareness about risk factors, prevention and early detection among practitioners and patients alike. The College of Applied Health Sciences will be engaged in the development of a cancer rehabilitation program. Research will lead to improvements in quality of life relative to the speed and overall level of rehabilitation.

INFORMATION TECHNOLOGY

Instruction and research in the science and technology disciplines are pivotal to UIC's goal to become the nation's model urban public research institution. With appropriate support, UIC will be positioned to maintain the rapid growth in federal and corporate funding, promote new liaisons with industry and trigger start-up companies. Interdisciplinary approaches will provide the best outcomes for teaching and research in such areas as visualization and imaging, informatics, and genomics. UIC requests \$0.5 million to continue these cutting edge initiatives.

Instructional Technology



The visualization and imaging initiative for instructional technology will be interdisciplinary. Faculty within the College of Engineering will focus on the development of new acquisition and image processing techniques. Computer aided diagnosis and treatment planning tools for brain pathologies will be explored. College of Medicine faculty will spearhead advances in MRI technology within a state-of-the-art facility utilizing the nation's most powerful magnet.

Understanding the structure and function of gene products, the regulation of gene expression and the network of molecular interaction will have a direct impact on our fundamental understanding of biology. Bioinformatics is an interdisciplinary approach to these issues that utilizes computer science, math and statistical methods within a biological and chemical context. There are countless new opportunities for the manipulation, control and modification of the interface at the molecular level with implications for disease gene discovery, molecular diagnostics, drug design, metabolic engineering, bioconversion, biosynthesis and biodegradation. Academic programs in this area will provide a new generation of researchers capable of using computational analysis to solve important engineering problems arising from new frontiers of biology and medicine at the molecular level. Further, advances in data mining and database development are expected critical this post-genomic environment.

Pharmacogenomics builds on the foundations in natural product research, cancer research, drug development and delivery, outcome assessment, and new models of pharmacy practice. Faculty members are studying the genetic mechanisms of individual responses to drugs, environmental chemicals and stresses. This includes the study of genes and the proteins the genes encode, and the impact on the body's response at the molecular level. Impact will be seen in the areas of: chronic disease treatment such as cancer, asthma, sickle cell anemia; the treatment of increasingly resistant infectious agents and drug resistant tumors; and the discovery of active compounds in natural products and improved metabolic impact testing. In addition, improvements will be made in drug delivery at the molecular level, drug absorption tracking, and the metabolism and excretion of drugs. This new knowledge can mean immediate impacts on the safety and efficacy of drugs.

Library Base



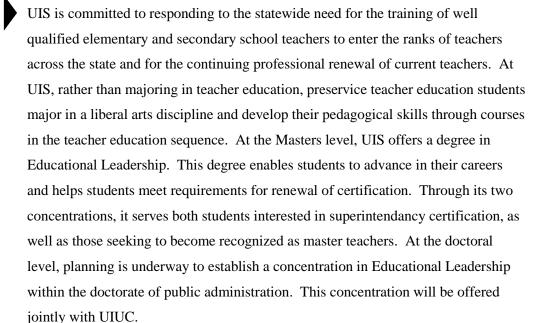
The UIC Library must keep pace with campus efforts to invest in additional nationally recognized scholars, the trend towards online library resources, and increased demand for on duty library personnel. The demand for web-based journals in the science disciplines and engineering is of special concern. Efforts are in place to begin to address these issues through consolidation of the health sciences learning resources and campus reallocation. Additional program support will allow UIC's Library to offer the necessary materials and services as the campus progresses towards reaching its potential.

CAPITAL SCHOLARS

The UIS campus vision calls for achievement of excellence in the liberal arts areas of undergraduate education, complemented by a lively extracurricular intellectual, social and cultural life. The Capital Scholars program will offer an important contribution toward the achievement of that goal by enhancing academic programs in the liberal arts and sciences and by attracting capable new students. The requested funds will be directed toward building the faculty base, as well as continued strengthening of the infrastructure of services needed for a more residential campus.

ACADEMIC NEEDS

Teacher Education



The effectiveness of teacher education programs depends, in part, upon maintaining good working relationships with K-12 schools. UIS maintains strong ties to K-12 public education in the city of Springfield through the Springfield Public Educational Partnership, an organization whose purpose is to foster in collaborative efforts related to lifelong learning. Currently, student demand exceeds the staffing resources available to the undergraduate and graduate programs for teachers. Funds are requested to make additional investments in these programs.

Liberal Arts

Building expertise and strong academic programs, including intensive student learning communities, in ethnic and religious studies will be a focus within Liberal Arts and Sciences over the next years. Interest by scholars and students alike in numerous areas including, but not limited to, African American, Native American, Latino, Asian American, Middle Eastern, Catholic, Jewish, Mediterranean, and gender studies is growing rapidly. UIC is exploring an option of a learning community in German Studies, and a scholarship of engagement program in Latino Studies that involves the local Latino communities in research efforts and outcomes. Further, collaboration with the planned urban studies concentration will occur with many of these areas of study.

Graduate Education

In keeping with the UIS Vision Statement, the campus intends over the next several years to "strengthen its graduate programs to meet the criteria of quality and distinction." Enhancement of the faculty base is integral to this effort. In addition, improving graduate education will be achieved by strengthening the governance of graduate education and by improving the administrative processes supporting graduate education and the graduate assistantship programs. This request includes funds for staff support and operational strengthening.

Graduate assistantships can be used by universities to strengthen graduate programs by attracting non-local, high caliber students to their programs. This request includes new funds to enhance the graduate assistantship program with the aims of attracting students from a wider geographic area and enhancing graduate program quality.

Online Education



UIS has become recognized both within Illinois and nationally as a leader in online education. The campus offers three complete online degree programs–M.S. in

Management Information Systems, M.A. in Educational Leadership with a concentration in Master Teaching and Learning, and a B.A. in Liberal Studies. Over fifty online courses have been developed and approximately one third of the faculty has been involved in developing and teaching online courses. In response to the IBHE's degree completion initiative, UIS proposed development of an additional online degree program, the bachelor of business administration to complement the three already being offered. UIS' community college partners have expressed a strong desire to see the campus offer this degree. In FY 2002, the IBHE approved \$100,000 for initial development of courses for this degree. This request is for additional staffing and for support services needed to deliver all of UIS' online programs.

PUBLIC AFFAIRS INITIATIVES

UIS is a nationally recognized leader in public affairs research and service. During FY 2000 UIS' Institute for Public Affairs (IPA) received grants and contracts totaling in excess of \$13 million, the highest level in the institution's history. The IPA currently has two formally recognized research centers, the Illinois Legislative Studies Center and the Center for Legal Studies. The two centers focus respectively on applied research and training related to the legislative and judicial branches of state government. While the Institute engages in extensive research and service for the executive branch, it lacks a center specifically focused on such activities. In preparation for formally requesting such a center, the campus established an Office of Policy and Administrative Studies (OPAS) to provide the record of achievement that would justify establishment of a new research center. OPAS was staffed entirely by existing personnel, with the Executive Director of IPA serving as its director. In just two years, the Office of Policy and Administrative Studies has been awarded grants totaling \$7.5 million, amply demonstrating the potential of a formal research center devoted to policy and administrative studies to achieve national recognition.

INFRASTRUCTURE NEEDS

UIS is making progress in guiding degree programs toward systematic assessment of learning outcomes and use of the data emerging from such assessment for program improvement. However, further progress could be achieved by increasing the

staffing by establishing a revolving fund to support improvements in the assessment process. The goal of the funding would be to move programs toward fuller integration of assessment of learning outcomes into curricular development process. UIS continues to refine its program review process. Self studies are examined by college curriculum committees, reviewed by the graduate or undergraduate and graduate council, with recommendations made to the Provost and the Campus Senate. This process would be enhanced by establishing a revolving fund to support recommendations for program enhancements directly linked to the program review process.

The goals for UIS include development of a faculty who are active scholars. In keeping with this goal, UIS has seen a steady increase in the scholarly output of its faculty. Funds are needed, however, to ensure that this positive trend continues. Additionally, the campus recently revised the post-tenure review process with the intent of ensuring the continued vitality and productivity of senior faculty. Funds are also needed to support developmental activities emerging out of post-tenure reviews. Funds requested will provide increased support for faculty development and faculty scholarly activities for both junior and senior faculty. With the inauguration of the Capital Scholars program, faculty has become increasingly aware of the need to establish programs to support student research and scholarly activities. The requested funds will also support student scholarly activities.

Strengthening the colleges' ability to support faculty is central to achieving the level of academic excellence sought by the University of Illinois. UIS colleges need increased support to meet their growing responsibilities in student advising, academic planning, faculty oversight and budget control. The campus will direct funds in this category to the hiring of key staff members to aid in this developmental effort.

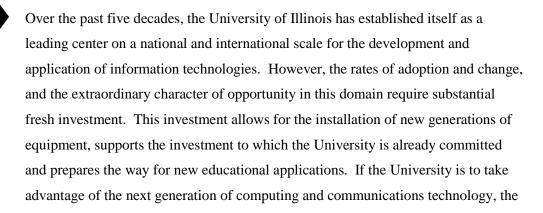
Correcting salary inequities has been identified as a priority in UIS planning documents since 1993. Based on a comparative analysis of civil service salaries conducted in FY 2001, the campus and university administration have identified the extent of civil service salary deficiencies at UIS. An effort to establish comparable information for academic professionals is currently underway. This request will partially address the deficiencies in civil service salary.

INVESTING IN INSTRUCTIONAL TECHNOLOGY

State of Illinois must make a substantial investment now.

 $\overline{(\$2,425,000)}$

Overview



Technology facilitates learning in the classroom with new opportunities for learning with tools like e-mail, which allows for easier communication between faculty and students, multi-media technology that allows teachers to illustrate complex ideas more clearly and directly, and online courses enabling people everywhere to take advantage of unique educational opportunities. However, one of the most interesting changes seen across disciplines is beyond technology being used as a teaching or communication tool: the complete integration of technology into academic and professional disciplines. It is this integration, which mandates that academic programs make certain technologies available to students. Acquiring mastery of certain academic and professional disciplines absolutely requires a certain facility with these technologies. The University of Illinois has a responsibility to offer students the opportunity to participate at this level. Along with this responsibility comes new financial obligation to support the technology required.

TELECOMMUNICATIONS INFRASTRUCTURE

The UIUC campus' 1980s telecommunications infrastructure, built in bits and pieces over time with no provision for its maintenance and regular upgrading, is rapidly approaching the limits of its capabilities. The current network is based on obsolete wiring, last generation fiber optics and electronics that can no longer keep pace with the needs of innovative faculty and students who require a modern communications infrastructure in order to do their work. The use of the network grows several

hundred percent each year, and this explosive growth is certain to continue. Moreover, the ongoing diffusion of technological innovations in teaching and research all across the campus demands an infrastructure that is as dependable as the telephone system and provides for modern, flexible services, such as the ability to deliver multimedia materials of all sorts to students in hundreds of classes per day. Video and audio streaming, whether part of an innovative foreign language class or collaboration of world-class faculty, is more and more a basic expectation among our faculty and students. These requirements and the availability of the powerful, low cost servers to inject massive amounts of educational information into the network are overtaxing our campus infrastructure, rendering it not only slow but also susceptible to failures during overload periods. UIUC is lagging visibly behind many of its peer institutions in addressing this need. We must take aggressive and systematic steps now if we are to catch up with our peers and to move again to a position of leadership in the use of this technology in teaching and research.

To accomplish what is essential will require \$17 million in new capital funds to upgrade the infrastructure over a 4-5 year period to one competitive with our peers, along with a pool of \$9 million in recurring funds to maintain the infrastructure's capability into the future. Some of the needed funds will come from the tuition increase; other funds may be allocated on a nonrecurring basis to address critical problems on an *ad hoc* basis. But the magnitude of the need means that success in this area will require additional State funds. We are requesting an initial \$1 million from the State in FY 2003, as a first step in a multi-year initiative to produce recurring funds for continuous network upgrades to keep pace with innovation. What is at stake are not only the campus' enviable position as an international leader in information technology research and development but also our future aspirations for the quality of our programs of teaching and research across the full range of disciplines.

INSTRUCTIONAL UPGRADES

UIS equipment budgets in the sciences have been level funded for over ten years. Although the campus received substantial one-time funding for purchase of laboratory equipment when the Health Science Building opened in the early 1990s, that equipment is now outdated. During this same period, the campus has

experienced substantial growth in the sciences, with enrollments in the sciences tripling in the past decade. Majors such as psychology, computer science and communication now make more extensive use of instruction in laboratory settings than in the past. Additionally, with expansion of general instructional computer laboratories, the revolving fund for replacement of those computers is no longer adequate. Funds requested in this category will be directed toward meeting instructional laboratory equipment needs.

Personal computers become rapidly obsolete and should be replaced on a regular basis to maintain functionality. Seven years ago UIS established a revolving fund to replace on a four-year cycle faculty desktop computers and the computers in student computer laboratories. The faculty component of this program is administered by the colleges and has worked well to ensure that faculty have computers appropriate to their computing needs. The campus does not, however, have a similar revolving fund for administrative computers, either in Academic Affairs or Student Affairs.

INFORMATION RESOURCES

The University Library at Urbana-Champaign is a priceless, world-renowned resource for faculty, students, scholars around the world and the people of Illinois. It faces the need to negotiate a technological revolution in storing, retrieving and providing access to information and materials. If the UIUC Library is to preserve and enhance its usefulness as a resource for 21st century teaching and research, new support is needed. Some of the dimensions of the technology revolution that must be negotiated are the following:

- Progress in Web-based information delivery has fueled expectations of faculty and students for direct and immediate access to the sources needed for research, teaching and learning;
- Faculty have become reliant on full-text sources, particularly during the last year, and they recognize that their colleagues elsewhere have gained a competitive edge by having resources on their desktops that are not available at Urbana;
- Electronic books have entered the marketplace;

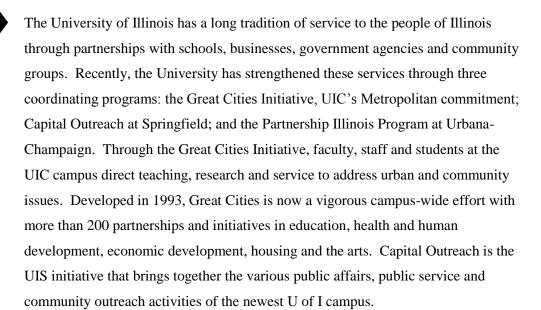
- Image databases are becoming more common and more important; and
- Multimedia Web delivery looms in the near future.

The UIUC Library must have sufficient new funding to keep pace with peer institutions in the provision of online materials and to take advantage of new developments in information technology. Specifically, we have critical needs in the areas of scientific and technical materials (including providing desktop access to the key journals and their backfiles), humanities scholarship and primary source materials (including new Web accessible text resources that will provide unprecedented research support for humanities scholars) and incorporating essential technological enhancements to abstracting and indexing services, newspapers, basic reference materials, statistics and business sources. These basic needs are critical to UIUC's highest priority initiatives in science and technology and in the humanities and the arts, as well as to increasingly technology dependent teaching and research in every sector of the campus. The costs involved far outstrip UIUC's capacity to respond without new, dedicated resources. In order to enable us to make significant progress toward meeting these needs, a special allocation of \$1 million for FY 2003 is requested.

INCREASED LINKS TO THE STATE OF ILLINOIS

 $\overline{(\$1,\!810,\!000)}$

Overview



In 1995, UIUC initiated Partnership Illinois to bring faculty expertise across the University to bear on the technological, economic, social and cultural challenges facing Illinois. Partnership Illinois goals are to raise awareness of current UIUC services and to respond to current and developing state needs in an efficient and coordinated manner.

OUTREACH AND SERVICE

Important external connections are built and maintained through UIC's efforts to fulfill its academic, research and public service missions. Graduates enter the workforce and contribute to the State's economy. Research outcomes impact technology, the economy and health care. Outreach and public service activities support the social service infrastructure. The UIC academic colleges request funding to pursue important programs designed to respond to societal needs and are aligned with the strong commitment to UIC's Great Cities mission.

Center for Urban Teacher Preparation

As the leading supplier of teachers for Chicago schools, UIC will address a critical shortage of qualified teachers for underserved urban public schools. A proposed Center for Urban Teacher Preparation will be a collaborative effort involving the Colleges of Education, Liberal Arts and Sciences, Social Work, and including

participation by the health science colleges. The objective of the Center is to supply more and better teachers to city schools that serve poor, predominantly minority students. Efforts to recruit underrepresented faculty to teach in the teacher preparation programs are already underway. A major new initiative within the Center will be towards alternative routes to teacher certification, especially in areas of teacher shortage such as science, literacy and special education.

The Center will implement and evaluate teaching and learning models in urban public schools that include social workers as part of the teaching team and engage parents as active partners in the education of their children. Faculty research on kinship care, the child welfare system, bullying and the prevention of youth violence will also contribute to the urban teacher preparation model.

The College of Liberal Arts and Sciences will be an active participant in the efforts to provide more qualified teachers for the local public school system. Teacher preparation scholars will be hired to continue the momentum in English, math, chemistry and history. Research efforts will focus on cognition, instruction and teacher development. A greater understanding of how language is acquired and improvements in language instruction in the Chicago Public Schools, especially in Spanish teacher education, will be vigorously pursued.

Engagement with the Community



The Great Cities commitment will be reaffirmed as a campus-wide mission by strengthening linkages and partnerships between the community and our 15 colleges and by increasing the visibility of all of UIC's projects. We will invest strategically in those initiatives that establish UIC's position as the model public urban research university, engaged with and integral to the community. We will affirm that reputation within the Chicago area through consultative relationships with governmental agencies, civic and community organizations, cultural institutions, and other entities. Additionally, we will offer more Great Cities opportunities in the curriculum, especially for undergraduates.

An important component of the Great Cities ideal includes significant outreach and public service efforts. The Jane Addams College of Social Work will build a revised curriculum around families and community building. Community service sites are being added to the field internship program and new curricula will provide improved

access to part-time and working students. Additional state funds will enhance internal efforts to accomplish these goals and build the faculty to ensure continued accreditation.

The College of Dentistry will improve teaching and service delivery by engaging in community dental health outreach efforts, implementing an innovative new clinic model and revising the oral health curriculum. The first Surgeon General's Report on Oral Health in America confirmed that oral disease is disproportionately impacting the poor and minority populations of our country. There are 150 million Americans living without dental insurance. Dental caries is the most common childhood disease affecting 50% of children 5 to 7 years old. Asthma, the second most common childhood disease, affects 11% of this same age group. Recent reports from UIC's Illinois Center for Health Workforce Studies indicate that only 25% of Illinois dentists participate in Medicaid reimbursement programs. This contributes to a situation in which only 33% of Medicaid eligible children are receiving dental care. To address this situation the College will partner with community-based clinics and state and local agencies to expand access to oral health care to underserved populations.

The College of Urban Planning and Public Affairs will be the degree granting college for a new interdisciplinary undergraduate concentration in urban studies. The program will offer instruction and practical research experience in the study of cities and their broader metropolitan environments. Collaboration is planned between urban planning, engineering, architecture, art history, economics, criminal justice, sociology, political science, statistics, ethnic studies and public health. Students will receive applied research experience during their course of study through work with on-campus research centers, non-profit organizations, private developers and governmental agencies. Students will graduate prepared to pursue graduate study, or contribute as professionals in fields such as public service, community planning, and urban development.

PARTNERSHIP ILLINOIS

Partnership Illinois has done a lot with little money and, with a new infusion of funds, the momentum that has been created will continue. A formal report on the

impacts of the program, including the external funds leveraged by the program, will be completed by the end of the summer. Although the grants have been small, they have enabled important partnerships and leveraged change in many external organizations. The FY 2003 budget request is organized around two program areas:

Support Partnership Illinois Connections

Campus units and faculty members have created ongoing connections and linkages with communities, non-governmental organizations and governmental agencies for the purposes of community and economic development. PI connections addresses critical issues affecting Illinois' future, including the "digital divide." Our external partners in these activities expect a stable, long-term commitment from us. New funds will provide the support necessary to continue and expand our partnerships and begin integrating these connections into the ongoing public service programs of the respective colleges.

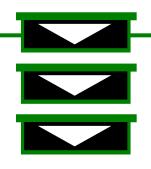
Extend the Partnership Illinois Strategic Initiatives Program Strategic *Partnership Illinois* Initiatives provide seed grants that link the research and education base of the campus with the needs of the State. Funding will extend the program of small grants that link our colleges to new partners engaged in improving conditions for children and families, expanding ways for communities to use the arts, addressing issues of safe food and water and clean air, enhancing good government and stimulating community and economic development.

UNIVERSITY OF ILLINOIS EXTENSION

University of Illinois Extension is a vital part of the University's outreach and education programs providing essential information for people across the State of Illinois. U of I Extension has the unique responsibility to link the people of Illinois with the research and information resources of the land-grant university system. This responsibility makes U of I Extension a fundamental part of the University's outreach mission as well as a significant statewide asset.

Funds are requested for faculty subject matter experts that will provide necessary effective program scope, innovation and quality in the four U of I Extension program areas. The four core program areas are agriculture and natural resources, youth development and 4-H, family and consumer sciences and community and economic development.

ACADEMIC PROGRAM INITIATIVES (UNIVERSITY-WIDE)



MAJOR REMODELING FUND

(\$16,000,000)

Overview



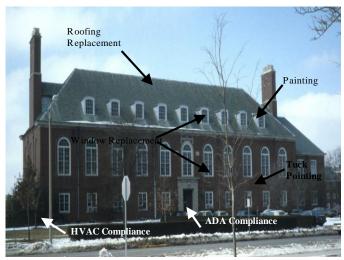
As highlighted in the section of Facilities Renovation Support, the University has a significant deferred maintenance backlog. Over the past four years the State has been supportive of the University's efforts to address facility renovation projects which are under a million dollars within the University's budget rather than using the State's capital budget and bonding authority. The SR3 formula estimates that the University should be spending between \$21 million (at one-half of one percent of replacement value) and \$29 million (at two-thirds of one percent of replacement value), for the existing academic buildings on all 3 campuses. The state has been appropriating approximately \$10 million from the capital development fund to the University for repair and renovations. The University is allocating another approximately \$11 million towards this effort as well. Each of the campuses are also funding deferred maintenance projects. The University of Illinois is close to achieving a steady amount of deferred maintenance funding as required by the SR3 formula. These funds are used for smaller projects in buildings which have a specific deficiency, environmental or structural concern. This program has been successful in halting the significant increase in deferred maintenance projects at the University.

However two-thirds of the University of Illinois' major buildings are at least 30 years old. Many are between 50 to 100 years old and have never had a total building overhaul. At times leaking roofs have been fixed and individual systems upgraded, but this is a bandage approach. A look at the University capital priority list shows a large number of buildings in need of a major remodeling and reprogramming effort. UIUC priorities are Lincoln Hall, Freer Hall and Burrill Hall while UIC priorities are the old College of Medicine buildings and building envelope repairs. The University of Illinois is proposing a new program, to tackle deferred maintenance as well as renewal and realignment needs of each building as a single project, rather than looking at individual systems. Figure 15 shows different remodeling and reprogramming issues. When a structure has reached a mature age, wherever possible, it is more efficient to look at the entire interior of a building for lead paint removal, asbestos abatement, air flow/air quality issues, floor replacement, ADA compliance issues, efficient heating, lighting and energy conservation issues.

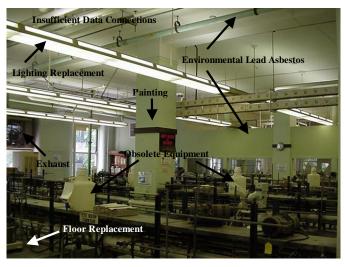
Technological changes have led to rapid obsolescence of telecommunication and power lines. Older buildings often were not designed for the computer and information age. Additionally regulations have changed concerning materials used, design layouts and accessibility. A major renovation may create an opportunity to look at the skin of the building, roof replacement, window replacement tuck-pointing and exhaust hood quality. At the same time, it is also possible to look at reprogramming or realigning the space for other purposes. With many science laboratories and buildings over 40 years old, the building is no longer equipped to do state-of-the-art research, instructional and laboratory space is outdated and used inefficiently. For example, fume hoods that were built for post-war wet lab research are no longer sufficient to contain the hazards associated with bioengineering and biochemistry. Thus a building may be put to better use as an administrative, instructional, or a different type of research facility.

Figure 15 Major Building Renovation Fund





Interior R & R - Research lab



ACADEMIC PROGRAM INITIATIVES (UNIVERSITY-WIDE) MAJOR REMODELING FUND

A prime example of a recent complete building remodeling project is the renovation and restoration of Engineering Hall at the Urbana-Champaign campus. This building was constructed as a state-of-the-art facility in 1894. Over the next century HVAC, telecommunications and other systems were added, but the facility was never given a comprehensive make over. The building no longer satisfied program or space requirements of the college. Funding was found from a variety of sources, including private donors and State capital funds. During the renovation projects, all occupants of the building were moved to other facilities. The building skin was sand blasted, windows refitted and the interior gutted. All of the infrastructure, HVAC, water, power and data communications were brought up to modern standards. The architectural integrity of the building was kept intact, and in many cases, restored to its original luster. The first floor classrooms offer state-of-the-art presentation equipment with student computer and placement labs added. The administrative units and conference areas on other floors have been completely remodeled with modern infrastructure and distance education facilities added to the building, bringing a 106-year old building into the Internet age. After this \$15.4 million restoration, the clock on deferred maintenance was essentially reset. This is but one example of the restoration of an aging building renovating potentially serviceable facilities that are encumbered by basic deficiencies.

Finding capital funds for remodeling has always been difficult. While the University has taken its stewardship role seriously, for a variety of reasons including competition from new building projects, funding through the State's capital budget for this type of renovation has not achieved highest priority. This new multi-year operating budget program proposed here would provide funding for major remodeling and restoration of the campus core for each of the campuses in the operating budget as a recurring appropriation. As new high tech laboratories are put in place around the periphery of each campus core, the center of the two large campuses are in need of new infrastructure, modern classrooms and faculty facilities that lend themselves to greater efficiencies of energy, cost and use. Remodeling a major area of a building or an entire building at one time reduces the costs of the remodeling project and disruptions of the building. The University is requesting \$16 million for the first year of a multi-year program to restore the campus core. Ideally, over time this operating budget-based source for major remodeling would grow to at least \$30 million annually—an amount sufficient to keep two to three major

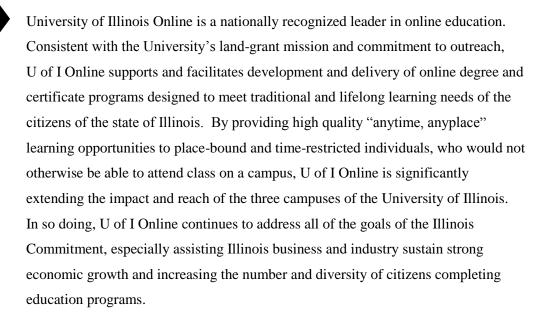
ACADEMIC PROGRAM INITIATIVES (UNIVERSITY-WIDE) MAJOR REMODELING FUND

remodeling projects under way simultaneously on each of the large U of I campuses. Combined with a continuing high priority for major remodeling within the capital budget, over a five-year period this program could lead to a significant re-building of both large campuses.

ONLINE INSTRUCTION

(\$500,000)

Overview



Since its inception in 1997, U of I Online has provided financial assistance, guidance and support to units on the three campuses of the University of Illinois for the development of online degree and certificate programs. The degree programs span a wide variety of fields, including liberal studies, teacher education, management information systems, computer science, electrical engineering and health professions education. Similarly, the certificate programs range from e-commerce to firefighter certification to health information management. All of these programs are intended primarily for off-campus students, and, although a few require one or two campus visits each semester, the majority are delivered entirely over the Internet. A complete list of the online courses and programs is available on the U of I Online website at: http://www.online.uillinois.edu.

During the 2000-2001 academic year, there were more than 7,500 enrollments in over 380 online course sections offered through U of I Online. Today, U of I Online is the single largest provider of online courses and programs in the catalog of the Illinois Virtual Campus, with 397 of the 1,709 online courses (23.2%) and 28 of the 71 (39.4%) of the online programs listed. Few, if any, of the University's online degree and certificate programs would be in existence were it not for substantial financial support from U of I Online in the form of development grants during the

start-up phase of each program. These grants cover the one-time costs of converting an existing degree or certificate program to an online format or creating a new online program. Program startup costs typically include faculty release time, employment of graduate and undergraduate assistants, compensation of programmers and technical support staff and purchase of hardware and software.

To ensure continued growth and success of the U of I Online initiative, the University must continue to invest in the development of promising, new online academic programs, particularly in high demand program areas that meet the traditional and lifelong learning needs of citizens in Illinois. Through internal reallocation, U of I Online has provided more than \$1 million per year in development grants to the campuses for each of the past four years. All of the funding for these grants has come from non-recurring University resources and several large grants from the Alfred P. Sloan Foundation. However, due to other high priority University initiatives, the former level of internal reallocation cannot be sustained. Only through an infusion of new recurring dollars can the University of Illinois expand the number, breadth and reach of its online programs. Beginning in FY 2002, U of I Online will have a recurring budget of \$100,000 to support online program development on the three campuses. The recurring funds will cover just 14% of the roughly \$700,000 already committed in development grants for new and continuing programs in FY 2002. In FY 2003 and future years, with average development costs running \$25,000 per course, U of I Online's program development budget will, at best, yield four or five new online courses per year, or one complete master's degree program every two to three years unless additional funding is secured.

Another priority of the U of I Online initiative is marketing, not only of the individual online programs, but also the "U of I Online" brand. Increasing enrollments in online programs are essential to long-term sustainability, and individual units on the campuses often do not have the specific expertise needed to market their online programs to the appropriate audience. Similar to the central role it plays in the area of faculty development, U of I Online assists the campuses by gathering competitive market information, conducting market research studies, consulting with program coordinators about marketing issues, developing turn-key marketing plans and infrastructure for online programs, and identifying appropriate

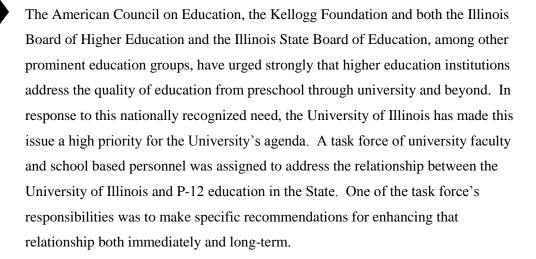
strategic partners. Development of comprehensive marketing approaches is critical in meeting the full potential of online degree and certificate programs. With new program funds, U of I Online will be able to expand the scope of its marketing efforts in critical areas.

In the proposed \$500,000 budget, the bulk of the request would be used for program development funds, with a smaller amount allocated to marketing. The University of Illinois foresees great potential for U of I Online to expand over time to meet the educational needs of place-bound and time-restricted learners throughout the state of Illinois. However, this potential cannot be reached without additional support for the development of new programs in high demand areas.

P-16 PARTNERSHIP

 $\overline{(\$1,000,000)}$

Overview



A major finding of the task force was that there is a need for systemic collaboration, rather than the current situation in which K-12 and higher education institution function in very separate modes. The task force recommended four arenas in which the University can work toward a systemic approach to P-16 education:

- University relationships with schools, from preschool through secondary school;
- University relationships with other higher education institutions, including community colleges;
- University participation in systemic P-16 reform statewide; and
- Capacity building at the University itself, making necessary institutional changes to support a P-16 initiative.

During FY 2002, a steering committee composed of prominent educators and corporate leaders will follow up on the recommendations of the task force by determining:

- How to put in place a system for ongoing comprehensive data collection on what the three campuses are doing in the full range of P-16 activities, systemic and non-systemic;
- The appropriate structure of a distributed center that would locate responsibility for a sustained high profile P-16 effort at the central University level, but at the

same time share that responsibility appropriately with the three campuses and their respective colleges;

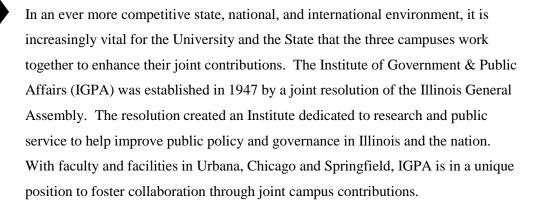
- The specific nature and anticipated value of a P-16 portal recommended by the Task Force and how it would be implemented; and
- The optimal rationale, timing, planning, and funding of a P-16 Summit, to engage stakeholders statewide.

During FY 2003, the steering committee would begin implementation of the task force's recommendations. The proposed center will be established with a director, as well as a part-time web master to oversee the data gathering operation and support the director in using technology to enhance links between schools, universities and across levels of education. A key initiative will be a competitive grant program to encourage collaboration between University of Illinois faculty and school personnel, with the intent of fostering development of model initiatives that promote meaningful P-16 interactions. The P-16 Summit will take place to engage stakeholders statewide.

INSTITUTE OF GOVERNMENT & PUBLIC AFFAIRS

 $\overline{(\$500,000)}$

Overview



This request will enhance IGPA's cross campus research and service in public policy and governance by investing in faculty and programs that complement the distinctive capabilities of each campus and that promote cooperation and collaboration across campuses. For this goal to be realized, it is important to increase the number of faculty affiliated with IGPA, particularly on the Chicago and Springfield campuses. It is also essential to expand our collaborative, cross campus efforts to provide state and local government with significant background information and research on critical public affairs issues, such as our Public Policy and Management Luncheon Series, conferences on land use, tax increment financing (TIF), changing welfare, and our recent report, The Challenges of Human Cloning for Public Policy in Illinois. This request will support faculty and programs in the following areas:

Technology

The world of technology is changing rapidly and affects all areas of society. IGPA could make a major contribution to the social, policy and ethical issues of technology by investing in faculty experts in the areas of the impact of technology, technology assessment and law and technology. Three new faculty positions are requested in order to develop the appropriate strength in technology policy. One position would be in the area of information technology and the law; two would be in biotechnology or agriculture.

Health and Human Development

Health policy has been a central issue in this country for several years. This policy area includes issues of cost, quality, and, in particular, the problem of access to health care for the poor and working poor. The UIC campus included IGPA in its strategic priority for developing faculty strength in health economics, public policy and human development. Closely related to health are issues of poverty, child well being and race. This request would allow additional faculty positions targeted to health economics, social welfare and poverty issues.

Environment

Illinois and the nation face important environmental issues concerning land use, urban sprawl, water and energy. UIUC and UIC are strengthening their capacity in environmental studies. The goal for IGPA is to provide economic, ethical and policy expertise on environmental issues. This request would allow for additional work on land use, urban sprawl and energy regulation issues.

State Politics and Public Finance

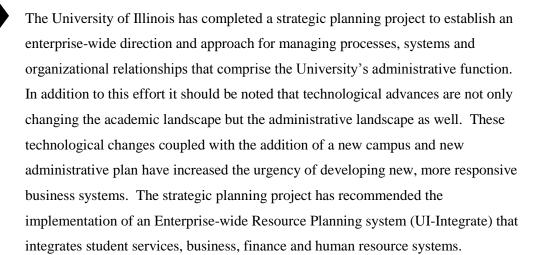
Over the past two decades, state and local government has become more innovative and expanded its authority and influence over public policy and public finance. IGPA has a long tradition of sharing with state and local officials its unique faculty expertise in state level politics and state and local public finance. Three additional faculty positions would allow the Institute to expand this strength and present additional programs for decision makers. This request includes the development of a joint IGPA/UIC program in Metropolitan Public Finance. Given the importance of taxation and other incentives for retaining and attracting business and industry, this expertise is central to the economic development mission of the university and the state.

The world is rapidly changing and public policy and governance issues continue to arise in areas unknown just a few years ago. Faculty and programs in these new areas are essential for IGPA and the University to maintain their fine tradition of public policy research and service and to meet the challenges of an increasingly competitive environment.

UI-INTEGRATE

 $\overline{(\$2,000,000)}$

Overview



UI-Integrate would entail the purchase of a software package from a single vendor which would include the capability of integration between three major functions; student systems, human resources and financial systems; and create common processes and data for all three campuses by function. To give but one example for the need of this approach, currently 121 student systems have been identified between university and campus systems. Of this, only six systems are used at two or more of the campuses. All of the current student systems are a mixture of purchased and internally developed administrative systems. They are on a mix of hardware and software platforms and require excessive repetitive manual entry and maintenance. These highly fragmented systems are reliant on technology, which in some cases dates back 30 years and requires antiquated expertise of a few people. The oldest of these systems still in production is the UIUC Student Accounts Receivable system, for which the code was developed in the mid 1960s. Application and recruitment systems are in similar dire circumstance requiring constant attention and may soon cease to function completely. These systems are already impacting the ability of the University of Illinois in its student recruitment efforts. The goal of UI-Integrate would be to create a single demographic record of a person, create worklists to replace a paper intensive process, improve the course registration system, create self-service web access for students and faculty and improved functional capabilities of a fully integrated system. Additionally, UI-Integrate would allow for much easier upgrades of software as improvements come along,

allow for greater flexibility and assessment in reporting and create an opportunity to re-engineer current processes and practices. A graphic image of the spider web of systems is shown in Figure 16.

Current

| Rank/Class | Student | Warchouse | Control Pile | Control

Figure 16 Tangled Net of Systems

There is a danger in not acting now to upgrade and standardize the administrative systems. The costs are large, as the University will not be responsive to change due to the large number of disparate systems. Applications become frozen and eventually start to fail. An analogy could be in deferred maintenance terms, the systems have served well for more than a generation, but the roof is leaking, the infrastructure is failing and the facility no longer meets the expectations of the students, faculty and staff. Continued patching the roof is no longer an option.

CHAMPS

The UI-Integrate system implementation will involve major software and hardware changes, network upgrades in major buildings and telecommunication hubs, significant temporary personnel costs and strategic changes in business practices. The non-recurring costs are estimated at approximately \$165 million, with an additional recurring cost of \$5 million per year. Major internal realignments of

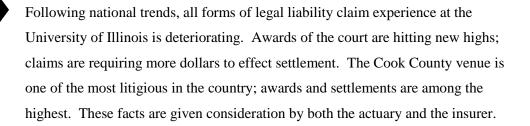
funding and other institutional funding mechanism plans are being implemented to help pay for UI-Integrate.

UI-Integrate system implementation will substantially improve administrative services, especially for student systems, substantially improve the efficiency of business functions, substantially improve the reliability of administrative systems and eliminate the risk of major business system failures. In FY 2002, the first two million dollars of this 3 year program was allocated from state funds. In FY 2003, the second year of the program, two million dollars is requested to help proceed on the purchase of software and key consultants for the process of UI-Integrate implementation.

LIABILITY INSURANCE

 $\overline{(\$1,000,000)}$

Overview

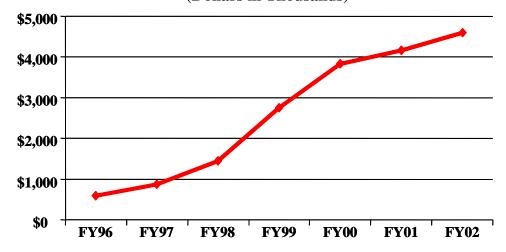


The University of Illinois maintains a Board Legal self-insurance program to cover the cost of claims made for personal injury. Personal injury includes claims of discrimination, wrongful termination, civil rights violations, failure to educate, etc. The funding costs for the Board Legal program have escalated from \$0.6 million to \$4.5 million during the period FY 1996 to FY 2002. This rapid increase is due to:

- Defense costs of cases in which resolution is problematic due to the personal nature of issues involved.
- Actuarial funding recommendations influenced by national trends, proliferation of class-action suits, frequency of punitive damage awards, the decisions of the Supreme Court and the Chicago location—a highly litigious venue.

Using the funding requirements of the past five years as an indicator, it is expected that funding needs will continue to increase into the near future. Figure 17 shows Board Legal Funding.

Figure 17
Board Legal Funding
(Dollars in Thousands)



Loss control for Board Legal liability is difficult; the type of claim is varied, the source of claims is scattered and the frequency is low, but costs can be high for a limited number of claims. Current loss control programs are general in nature, with peer-to-peer dispute resolution being the most recently initiated program. The University has approximately 27,000 FTE employees and 65,000 students. An average of 20 to 50 claims is filed each year, a frequency less than .01%.

In FY 2002, the University allocated \$2.6 million to the Legal Liability fund. The University will continue to attempt to control the acceleration in costs arising from this area through training, awareness and by procedures. However, the University is requesting \$1.0 million for Legal Liability funding.

ECONOMIC DEVELOPMENT

(\$1,000,000)

Overview

The University of Illinois continues to be bedrock for technology advancement in the engineering, life sciences, medical and information technology sectors. For example, some of the products available worldwide developed from the University of Illinois technologies include web browsers, CAVE virtual reality products, NAPRALERT™ medicinal plant property database, PLATO®, Eudora® electronic mail system software, medical imaging software, high oil corn, babesiosis vaccine for dogs, TICE™ tuberculosis vaccine, plasma display panels used in personal computers and flat screen TVs, semi-conductor components for cellular phones and satellite dishes, multi-drug resistance and cancer drug therapies, genetic suppressor elements and libraries, and drug screening tools.

The University's role in economic development has been further elevated by the substantial investment in its research infrastructure through Governor Ryan's VentureTECH Program. The University of Illinois research campuses in Chicago and Urbana are poised to take advantage of this investment and increase their impact on the state, regional and national economies through the transfer and commercialization of both existing and developing technologies. The funds requested for economic development will provide opportunity to strengthen and expand technology generation and commercialization activities at the Chicago and Urbana-Champaign campuses.

UNIVERSITY OF ILLINOIS AT CHICAGO

With two new multi-tenant incubation and graduation buildings planned in the next two years, a director for Chicago Technology Park programs is needed to manage growth, marketing and coordination of all services to multi-tenant facilities. The Executive Director of the Illinois Medical District Commission also serves as President of the Chicago Technology Park Corporation. Currently, the Research Center (university owned incubator) is managed by a Research Center Coordinator whose salary is co-funded equally by UIC and Illinois Medical District. This position is housed under Illinois Medical District while personnel benefits are provided by UIC.

Illinois Medical District funds that are provided through a direct line item from the state budget can then be used to enhance the growth of the Chicago Technology Park and secure at least one additional professional staff and other support staff to assist in day-to-day incubation and coordination needs of resident companies. These positions should report to the director of the Chicago Technology Park.

Knowledge management is key to evaluating technology, identifying potential licensees, performing valuation for early stage technologies, identifying funding sources and effectively negotiating with licensees. With the proliferation of commercial databases, public domain information and internal university information, a professional research position is needed to identify, capture, synthesize, present and provide support to Office Of Technology Management staff and research development staff. A secretarial/paralegal position is also needed to work with Office Of Technology Management and support Assistant University Counsel's efforts with Office Of Technology Management and intellectual property matters.

State-of-the-market information searching tools are needed by Office Of Technology Management staff to effectively evaluate technical, commercial and patentability of invention disclosures; identify potential licensees; perform valuation; and identify potential funding sources. Information provides valuable feedback to university inventors, assists in developing viable patent strategies, and provides advantage in negotiating an effective license.

Marketing technologies and technology transfer requires quality communication with potential licensees, partner organizations and faculty researchers. These types of marketing tools may include videos, website upgrades, intellectual property tutorials, representation at technology events and conferences, and contact with potential licensees. Each Office Of Technology Management Director will have \$10,000 to use to accomplish a set of goals (i.e., \$10,000 each for Directors of Intellectual Property for Engineering, Medicine, and Pharmacy; and \$10,000 for Director of Economic Development). In addition, \$10,000 will establish a Faculty Fund for Corporate Relations. This fund can be used by faculty for travel related expenses to initiate or enhance relationships relative to a disclosed technology and it's licensing.

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

A key new marketing strategy for UIUC technology will be through the Internet. Funds are requested to construct and maintain the UIUC Office Of Technology Management website and specific college/unit websites for worldwide display and marketing of our technologies. In addition, UIUC will contract with selected private sector technology marketing internet service providers to complement Office of Technology Management's direct website marketing.

A key component to efficient technology transfer is for technology transfer and business development professionals to have presence in the major colleges. This enhances relationships with inventors, which leads to increased technology identification and proactive technology management. Funds are requested to help offset Office Of Technology Management salary expenses for implementing the decentralized technology transfer model in the Colleges of Engineering, Agricultural, Consumer, and Environmental Sciences, Liberal Arts and Sciences and a location near the center of computer and software development.

Funds are requested for a new marketing position at the UIUC Research Park. This individual will provide research on prospect companies, follow-up on corporate contacts, contact database development related to the University's corporate strategy, and production of the newsletter and print materials. Currently, the Research Park Director is making the corporate contacts and will continue to do so. However, there is no staff support for these critical marketing support and research activities. This position would allow more contacts to be made and more rapid follow-up for each contact thus greatly expanding the marketing effort.

Funding to continue the development of the Web page and for the production of a video marketing segment on the Research Park, which would be distributed via CD-Rom, will greatly enhance the Park presence and its marketing effort. The CD-Rom will be combined with other presentations from campus to customize information for corporate prospects.

Initially the Incubator facility will have seven or eight laboratories fit out when the building is constructed. Additional recurring funds are requested to provide for

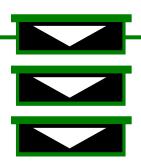
shared equipment for start-up companies and additional lab fit out in the incubator over time. Equipment would include fume hoods, casework and such items as a cold room, autoclave, centrifuge and sub-zero freezers.

UNIVERSITY ADMINISTRATION

The Urbana-Champaign and Chicago campuses have diverse, active research programs in biotechnology, bioengineering and biomedicine that present significant opportunities for collaboration. Intercampus collaborations that leverage the complementary expertise and facilities of the two campuses could greatly enhance the chances for success of multi-investigator, interdisciplinary research proposals to both the federal government and private industry.

To foster the formation of cross-campus (UIC-UIUC), collaborative, interdisciplinary research programs in biotechnology, the Vice President for Economic Development and Corporate Relations, in collaboration with the UIC and UIUC Provosts and Vice Chancellors for Research, has established the Inter-campus Research Initiative in Biotechnology (IRIB). The IRIB solicits proposals for interdisciplinary research in biotechnology that will (1) require close inter-campus collaboration of faculty from UIC and UIUC; and (2) have as a goal the development of a significant inter-campus research program that will ultimately be sustained by federal funding. Funds are requested to expand and maintain the inter-campus research initiative in biotechnology.

STATEWIDE PROGRAMS



INTRODUCTION

Overview

For a number of years the University of Illinois has operated a variety of programs with statewide scope and function, funded through annual grants from the IBHE's Higher Education Cooperation Act (HECA) program. A year ago, the IBHE concluded a major evaluation of HECA programs and processes. One conclusion from that evaluation was that funding for long-standing programs supported annually over a multi-year period with annual HECA grants that were intended to be sustained from year to year should, where appropriate, be shifted to direct institutional appropriations. HECA grant funding would then be able to be focused more sharply on new initiatives, pilot or experimental programs, etc.

As a consequence, when FY 2002 appropriations were approved, a total of \$2.2 million in State tax support that had previously been supported by annual grants through HECA was instead appropriated directly to the University of Illinois to support a total of eight programs with statewide scope and function. Those programs included the following:

At the University of Illinois at Chicago:

- Hispanic Mathematics and Science Education Initiative (\$112,000)
- Illinois Laboratory Access Network (ILAN) (\$65,000)
- Chicago Collaborative for Excellence in Teacher Preparation (\$50,000)

At the University of Illinois at Springfield:

• Enhancement for Minority Students Interested in Teaching (\$90,000)

At the University of Illinois at Urbana-Champaign:

- Illinois Satellite Network (\$125,000)
- Faculty Summer Institute on Learning Technologies (\$100,000)
- The "New" Institute for Competitive Manufacturing (\$60,000)

At the University Administration:

- Illinois Virtual Campus (\$500,000)
- Illinois Online Network (\$240,000)
- Illinois Digital Academic Library (\$870,000)

With the shift of these programs to the University's recurring operating base funding, the responsibility for seeking incremental support for them falls to the University. Reflecting those requests within the University's annual budget request document is the most appropriate place for them to be placed. At the same time, University staff have made clear to the IBHE that requests for incremental support for programs that serve statewide audiences and functions should not be seen as competing directly with the University's regular requests for expanded/improved academic programs that are included in other portions of the FY 2003 request.

ILLINOIS DIGITAL ACADEMIC LIBRARY

(\$580,000)

Overview

The Illinois Digital Academic Library (IDAL) is administered by the University of Illinois on behalf of nearly 150 Illinois higher education institutions, and serves over 730,000 students, faculty and staff statewide. IDAL exemplifies the University's mandate to be "at the service" of citizens throughout Illinois. It supports both the research and instructional components of the University's public service mission. IDAL directly benefits all three campuses of the University, as well as serving the University's mission as a leader and resource in higher education throughout Illinois.

IDAL moved from grant funding to a permanently funded program of the University's Office for Planning and Budgeting in FY 2002. An \$870,000 adjustment to the University's base budget was made to fund the program's activities. IDAL requests that the University seek an additional \$580,000 in annual funding from the state in FY 2003 to continue the growth of the program.

IDAL's mission is to identify, evaluate and provide high quality, full-text, electronic library resources for all academic institutions in Illinois. IDAL provides seven full-text databases currently: EBSCO Academic Search Elite, EBSCO Business Source Elite, EBSCO Health Source, EBSCO Newspaper Source, netLibrary electronic books (1,400 titles), HarpWeek, and the Oxford English Dictionary Online.

- IDAL delivers these databases statewide at a cost of approximately \$1.50 per student per year.
- It would have cost the University approximately \$425,000 over the last two years, if the three campuses of the University had purchased the resources that IDAL provides at no direct cost to the libraries,
- Statewide, over two million searches have been conducted in IDAL databases in the last year and the Chicago and Urbana campuses are among the heaviest users of several databases.
- IDAL databases are valuable resources for distance learning programs.

IDAL requests that the University seek expanded FY 2003 funding from IBHE, in order to add additional, core electronic resources to the program. The total request is for \$580,000 in new funding for FY 2003.

- In a survey of academic institutions of all types, the Chicago Tribune Online is the most frequently requested resource. IDAL has negotiated an extremely attractive price for the Tribune and seeks \$400,000 in new funding to provide this database statewide.
- IDAL can deliver the Tribune statewide for approximately 49¢ per student per year.
- This price represents a cost saving of over \$48,000 per year to the libraries of the three campuses of the University.
- IDAL seeks to add the Oxford University Press' American National Biography (ANB) database to its current offering of the Oxford English Dictionary. Acquisition of the ANB requires \$90,000 in additional funding.
- The three University libraries would avoid \$15,500 in annual costs if the ANB were provided by IDAL.
- IDAL seeks to add McGraw-Hill's AccessScience database to its offerings. This product comprises the full-text of the Encyclopedia of Science and associated publications. It is a core resource at the undergraduate level and would be highly desirable for use in distance courses. Acquisition of AccessScience requires \$90,000 in additional funding.
- The three University libraries would avoid \$15,500 in annual costs if the AccessScience were provided by IDAL.

Total Request: IDAL requests that the University submit a total budget request of \$1,450,000 for the IDAL program administered by the Office for Planning and Budgeting. This would represent a recurring incremental request of \$580,000 above current year appropriation levels for IDAL.

ILLINOIS VIRTUAL CAMPUS

(\$500,000)

Overview

The Illinois Virtual Campus (IVC) is an online directory of distance education opportunities offered by colleges and universities across the state. The IVC, managed by the University of Illinois on behalf of the IBHE, currently lists 59 certificate and degree programs and over 2,700 course listings (1,700 Internet-based) in the IVC online catalog, all offered by 61 two- and four-year higher education institutions in Illinois. IVC offerings range from individual credit and noncredit courses, professional certificate programs and complete baccalaureate and graduate degree programs. A survey just completed by IVC on behalf of the IBHE indicates that Illinois colleges and universities reported enrolling 37,705 enrollments in 2,615 distance education courses during the Fall 2000 term. Internet courses accounted for the largest portion of distance education enrollments with 13,582 enrollments. An analysis of the distance education enrollments by residency showed that the overwhelming majority of the students were from Illinois. This survey is a good indicator of the online activity from Illinois colleges and universities and the increasing need for appropriate support services for online students.

It is the network of Student Support Centers that makes the IVC stand out from other online universities. Students who pursue educational opportunities through IVC's provider institutions have access to advisors, computers, library resources, technical assistance and testing services in the Student Support Centers. At present, student support centers exist at all 40 Illinois community college districts, ensuring that every Illinois citizen has a local place to go for support while taking an online course. The IVC site on the World Wide Web (which includes an online student resource center) can be found at: http://www.ivc.illinois.edu. In addition to the online catalog and the 40 centers, IVC has provided financial assistance to thirteen different projects developed by Student Support Centers through special initiative grants, thus increasing the amount of rich resources available to online students through the IVC website.

In just under three years, IVC has become a recognized leader as a statewide virtual organization, both in the state and nationally. The IVC was created through a HECA grant and supported as such since FY 1999. The IVC was successful in

moving Student Support Center funding out of the HECA grant program and into each community college's state budget line for FY 2001. The University of Illinois was successful in moving IVC funding from a HECA project to a University of Illinois funded project beginning FY 2002. To ensure continued growth and success of the IVC initiative, IVC must increase both resources and services to online students through the online student resource center and through IVC Student Support Centers. Increased funding will provide services and resources that IVC is not able to fund at the current funding level: online tutoring statewide, a statewide call center for online instructors and students, a course management hosting system, development of appropriate online readiness tools and orientations to prepare students for the online learning environment-especially for students with special needs (including GED completion) and an online career mentoring program in high demand areas such as information technology. To increase IVC's effectiveness in supporting online students, one student support staff person will be hired to provide direction in the areas of online resources and advising. An infusion of new recurring dollars will enable IVC to expand their reach to Illinois learners with appropriate support services and online content.

Additionally, recurring funding will provide IVC with a marketing division and funds to market IVC and distance learning effectively: we will increase staff to help market the IVC concept to students and to faculty (print ads, billboards, radio ads, etc.), to conduct market research, and most importantly, to provide the market analysis to potential providers as well as to IBHE.

ILLINOIS ONLINE NETWORK

(\$150,000)

Overview

The explosive growth of the Internet, permitting access to information and improved interpersonal communication, has fundamentally altered the face of higher education in America. The number of traditional, face-to-face college courses that make use of online learning materials and network communications tools continues to grow substantially each year. But the Internet has had its most profound impact in the realm of distance education and lifelong learning. In just a few short years, the Internet has become the predominant distance education medium, quickly outpacing and replacing all other delivery modes. At the same time, the demand for distance education, especially among adult learners, is growing rapidly. A publication from the National Center for Education Statistics (NCES), The Condition of Education 2000, reports "participation in learning activities increased from 38% of those in the population age 18 or older in 1991 to 50% in 1999." Another report from the NCES, Distance Education at Postsecondary Education Institutions: 1997-98, indicates that an estimated 54,470 different distance education courses were offered during the 1997-98 academic year by two- and four-year postsecondary institutions in the U.S., more than twice the number offered just three years earlier.

Within the state of Illinois, dramatic growth trends are evident in distance education data gathered by the Illinois Virtual Campus (IVC). According to the IVC, the number of distance education courses offered in Illinois increased from 962 in Fall 1999 to 2,615 in Fall 2000, and course enrollments rose sharply from 14,689 to 37,705 during the same period. More than half of the courses in the IVC catalog are delivered over the Internet, accounting for more than one-third of the distance education enrollments in Illinois. It is clearly no longer a question of whether the Internet has a role within the higher education community, but rather a question of how to use Internet-based technologies most effectively and most efficiently, and how to insure that online courses and programs are of the highest possible quality. If Illinois is to prepare its citizens to thrive in the coming years, its college and university faculty must learn how to be effective online educators. To this end, the University of Illinois conceived and manages the Illinois Online Network (ION), a statewide faculty development program. [Note that in its first four years, ION was supported by HECA grants from the IBHE; starting with FY 2002, funding for ION

was moved into the "Statewide Programs" area of the University of Illinois base budget.]

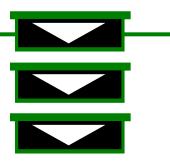
The Illinois Online Network is the most comprehensive faculty development initiative in the state of Illinois and has inspired similar programs in colleges, universities, consortia and virtual campuses across the country. ION's primary goal is preparing Illinois community colleges (as well as the University of Illinois) and their faculty and staff to develop and deliver online courses and programs. Although ION offers many different services to member institutions, its central activity is a series of online courses known as the Making the Virtual Classroom a Reality (MVCR) series. Currently, ION offers ten different MVCR courses covering a wide range of topics in online teaching and learning, including instructional design, online assessment, copyright and intellectual property, Web design and an overview of instructional technology tools. The Web-based format of these courses provides participants with the opportunity to experience an online class firsthand from a student's perspective while the instructor models strategies that participants can eventually use in their own courses. Enrollment in each course is limited, resulting in highly interactive, engaging and dynamic online environments. More information about the MVCR series is available online at http://illinois.online.uillinois.edu/mvcr.

Overall, the MVCR series of online courses has proven to be an invaluable professional development resource for faculty who want to develop and deliver their own high-quality online courses. The courses are available at no charge to employees of ION member institutions and for a modest fee to faculty and staff at other colleges and universities in Illinois. However, at its current staffing level, ION is not able to offer enough sections of the MVCR courses to meet the growing demand from community colleges faculty in the state—indeed, most of the courses are filled by the end of the first day of registration, shutting out many would be participants. Faculty from Illinois's four-year public and private institutions can enroll on a space available basis only, and, since the classes fill up so quickly, no effort has been made to publicize the courses to these schools (ION did offer one MVCR course section to a cohort of faculty from SIU-Edwardsville in FY 2001, but was unable to respond to several other requests from four-year public institutions). Nevertheless, ION's faculty development program has attracted the attention of Illinois's four-year institutions. Rather than trying to develop their own similar

programs, many public and private four-year institutions have asked ION to expand to serve the needs of all of higher education, not just community colleges, within the state of Illinois.

As the state of Illinois continues to invest in the Illinois Century Network and the Illinois Virtual Campus, it is imperative that faculty at institutions of higher learning in Illinois have access to a high-quality professional development program, such as that offered by the Illinois Online Network. The University of Illinois is prepared to expand ION to meet this pressing need. Over the last four years, ION has proven that it can scale up its services to accommodate more institutions and faculty each year without a proportional increase in costs. The ION initiative began in Fall of 1997 with ten community college partners and a annual budget of \$125,000. Now in its fourth year, ION serves all forty-eight community colleges in Illinois on less than twice its original budget. An additional \$150,000 in recurring funds would permit ION both to meet the increasing demand for its services among existing partners and to expand ION's reach to include all four-year colleges and universities in Illinois. Of the proposed \$150,000, the bulk of the request would be used to hire additional online instruction specialists (2.5 FTE), which will enable ION to offer additional sections of the MVCR courses at no cost to faculty at all institutions in the state, including four-year public and private institutions.

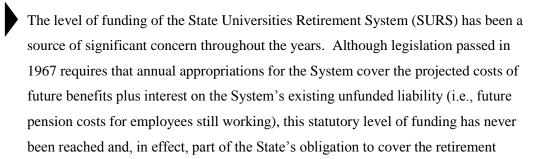
ADDENDA



ADDENDUM I

RETIREMENT

Overview



costs of current employees has been shifted to future years.

There was modest movement towards an improved level of retirement funding from FY 1979 through FY 1981. In each of those years, the State's contribution was at or above the "gross payout" level of funding—covering all of that year's benefits and administrative expenses. The System was then able to add all employee contributions, as well as interest and dividend income, to existing assets to help offset the costs of future benefits earned by current employees.

This improved funding, unfortunately, was short lived. As the State's economy worsened, so did SURS support. From FY 1982 through FY 1994 funding dropped significantly below the "gross payout" level. While these reductions were seen as necessary to prevent deeper cuts in operating funds, the State was in effect borrowing against the future.

In FY 1995, there was significant movement towards an improved level of retirement funding. Public Act 88-593 mandates that the State's five pension systems achieve a level of 90% of full actuarial funding in 50 years and includes a continuing appropriation provision to enable the State to reach that goal. This legislation will strengthen the financial condition of the Retirement System and should help preserve funding stability for pension systems despite fiscal constraint in the rest of the State budget. In FY 2002, SURS received an increment of \$9.2 million in General Revenue Funds.

A mandated new valuation methodology and a new set of actuarial assumptions will alter, to some degree, the future annual increments necessary to fund SURS required

ADDENDA RETIREMENT

by PA 88-593. Under new Governmental Accounting Standards Board (GASB) guidelines, SURS assets as of June 30, 1997 were valued at market rather than book. This change alone significantly increased the funding ratio of assets to liabilities; and, the new set of actuarial assumptions adopted in December 1996 which recognized strong returns on SURS assets increased the funding ratio even further by lowering projected future liabilities.

The combination of these changes to the traditional defined benefit plans, plus the addition of defined contribution plans have reduced the project increment for SURS in FY 2003 from over \$60 million projected in 1996 to only \$12.1 million in the Spring of 2001. The FY 2003 increment is currently projected at \$12.1 million, though increased volatility and declines in the various asset markets will affect the actuarially certified number in the Fall. It is anticipated that there will be a large increase in the certified need.

ADDENDUM II

UNIVERSITY OF ILLINOIS EXTENSION

Overview

University of Illinois Extension is a vital part of the University's outreach and education programs providing essential information for people across the State of Illinois. U of I Extension has the unique responsibility to link the people of Illinois with the research and information resources of the land-grant university system. This responsibility makes U of I Extension a fundamental part of the University's outreach mission as well as a significant statewide asset.

The mission of the U of I Extension is to help people help themselves through an educational process that uses scientific knowledge focused on issues and needs.

University of Illinois Extension was created by the Federal Smith-Lever Act in 1914 as a partnership among federal, state and local governments. Extension was originally designed to share, or "extend," information from colleges of agriculture and home economics. Since that time, U of I Extension has evolved to address the increasingly complex issues related to modern agriculture, urban communities, youth and families.

On January 2, 1996, the Chancellor of the University of Illinois at Urbana-Champaign, appointed a Commission on Extension to study and make recommendations on programming, structure and the future of U of I Extension in the College of Agricultural, Consumer and Environmental Sciences. The Commission was given a six-point charge by the Chancellor which included identifying Extension's strengths, weaknesses, mission and structure. Also included was the charge to address how Extension can move forward as a financially sound organization, examine Extension's relationships with other organizations and identify needed changes to take full advantage of new communications technology.

After 11 months of study, the Commission found very strong evidence that U of I Extension is and can continue to be relevant and critical to the people of Illinois. The challenge is how to define and organize the system to serve effectively into the 21st century in an environment of everlasting changes, more competition for scarce public funds and expanding demands for research based education and information.

The report issued by the Commission made several recommendations concerning funding. Additional funding of \$1.2 million for FY 2002 has been received through

the Illinois Department of Agriculture to add 22 professional youth educator positions to local offices. This funding source now supports approximately 65 Unit Educators in Youth Development. County board match has also been increased to 100% match by the State.

Commission on Extension Recommendations



The Commission's report also made a number of recommendations of direct relevance to the University of Illinois budget which included the following:

- 1. Invest additional funds to secure modern connectivity and access to the information super highway through digital information and communications infrastructure for the local U of I Extension offices. (\$600,000 was included in the FY 1999 budget to fund this.)
- 2. Additional funding for professional development and training programs for the more than 1,600 local council members, 24,000 local volunteers and 200 local U of I Extension professionals.
- 3. An additional investment to secure minimum subject matter expertise concluded to be necessary for minimum effective program scope, innovation and quality in the four program areas. The four core program areas are agriculture and natural resources, youth development and 4-H, family and consumer sciences, and community and economic development.

Funding has already been provided for item one in the University's FY 1999 budget. For FY 2003, \$1.65 million in needs remain to address items two and three.

ADDENDUM III

DIVISION OF SPECIALIZED CARE FOR CHILDREN

Overview

Established in 1937, and administered by the University of Illinois at Chicago, the Division of Specialized Care for Children (DSCC) is the Title V agency for Illinois which provides care coordination for families and children with special health care needs. DSCC helps children with disabilities, and those who have conditions which may lead to disabilities, grow and develop to the full extent of their abilities.

Services are coordinated by a network of professional staff located in 13 regional offices throughout the state. Over 20,000 families annually receive services from DSCC in all 102 counties in the State of Illinois.

The Core Program is the major focus of DSCC. The Core Program offers care coordination and cost supported diagnosis and treatment for children with chronic health impairments determined eligible for program support. DSCC supports non-investigational treatment recommended by physician specialists, such as therapy, medications, specialized equipment and supplies.

Any Illinois child from birth to age 21 may qualify for no-cost diagnostic services if it is suspected that an eligible medical condition exists. DSCC helps families to coordinate medical care by providing information and referral to appropriate community resources. Payment for services may be possible if the family meets certain financial criteria. DSCC staff collaborates with the child's family, physician specialists and other providers to help the family develop the most appropriate program for the child.

A child must have a treatable chronic medical condition in one of the following categories to be "medically eligible" for services:

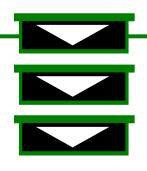
- Orthopedic conditions (bone, muscle, joint disease)
- Heart defects
- Hearing loss

- Neurological conditions (nerve, brain, spinal cord)
- Certain birth defects
- Disfiguring defects such as cleft lip, cleft palate and severe burn scars
- Speech conditions which need medical/dental treatment
- Certain chronic disorders such as Hemophilia and Cystic Fibrosis
- Certain inborn metabolic problems including PKU, Galactosemia and congenital hypothyroidism
- Eye impairments including cataracts, glaucoma, strabismus and certain retinal conditions—excluding isolated refractive errors
- Urinary system impairments (kidney, ureter, bladder)

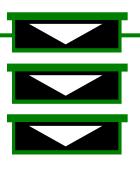
Acute childhood illnesses, routine dental or well-child care, immunizations or school physical examinations are not covered.

Because of State budget constraints general price increases have not been available. No increase has been made to the DSCC budget for the services they provide since the last general price increase in FY 1990. During this time, the consumer price index has increased by approximately 40%. It is worth noting the medical and health related price increases have been roughly twice the rate of the Consumer Price Index for all Urban Consumers. As a result DSCC has been forced to reevaluate eligibility criteria, reduce staff and streamline administrative costs. However, DSCC has reached an end of the road where these services can be provided without a significant infusion of program funds. In FY 2003 the University seeks \$2 million for this statewide public service commitment.

CAPITAL BUDGET REQUEST FOR FY 2003



CAPITAL BUDGET



BACKGROUND AND CONTEXT

Overview

To begin consideration of the University's capital budget request, it is important to recall that an institution of the size, scope and complexity of the University of Illinois faces a recurring array of facilities related needs each year. As buildings age through their normal life cycles, it is crucial to address minor repair and renovation needs as they occur. Failure to do so accelerates deterioration and leads to costly major remodeling requirements more quickly than would be necessary if prudent attention to annual repair and renovation were possible. Changing programmatic emphases in academic units also create the need for relatively small remodeling projects which can be addressed quickly to make existing space more useful for emerging academic priorities. Based on numerous analytical studies, it has been estimated that an institution the size and age of the University of Illinois should be spending approximately \$30 million per year on this type of minor repair and renovation. (In this case, individual "minor" remodeling projects have a normal cost range from \$100,000 to \$1.5 million.) The annual repair and renovation request, which has led the Universities capital budget request list for the last decade, continues to do so this year. Repair and Renovation funds along with Facility Renovation Support funding in the operating budget are crucial components in stemming the deferred maintenance backlog that had been accumulated due to years of inadequate funding levels.

Buildings and the infrastructure systems which support them have finite useful lives. Roofs deteriorate; heating, ventilating and cooling systems wear out; masonry decays; and so on. At a certain point major remodeling is required to extend the useful life of every University facility constructed and every annual capital budget request will contain a share of major remodeling projects, usually in the cost range of \$1 to \$15 million. Major remodeling projects can also result from the need to enlarge the capacity of a building to change its functional use, to upgrade or extend campus wide infrastructure systems. For example, as technological advances have accelerated over the past two decades and computers now permeate the conduct of almost every phase of instruction and research activity, the need to expand electrical and cooling capacity for individual buildings and for entire campuses has grown dramatically. Much like the two pronged approach for smaller repair and renovation

projects the University is seeking another source of funding for these major building remodels. The Major Remodeling Fund in the operating request is another vehicle through which the University hopes to establish a regular and sustained funding source to remodel those facilities in the central core of campus which serve the basic educational needs of the student body.

At times, buildings may outlive their usefulness for the purposes for which they were originally constructed, but with remodeling and renovation can be refitted for other, usually less complex uses. This is particularly true for research facilities more than 40 or 50 years old. The cost to upgrade building systems to current state-of-the-art standards for today's research and instructional programs is usually greater than new construction costs for the same type of space.

From time to time, the University will require construction of completely new facilities to replace outmoded buildings that have gone beyond their useful lives, to expand significantly the scope of an existing program or to begin new program initiatives. Land acquisition may also be required to address such needs. Due to the extraordinary length of time required to move from initial determination that a new facility is required, through planning, appropriation and construction phases to the point at which a new building is actually in use (often a minimum of six years), each annual capital request from the University typically has several new building requests at various priority rankings.

It is important to reemphasize the recurring nature of these crucial facilities related budget requirements which must be addressed on an annual basis. When that is not possible, a backlog of unfunded projects grows quickly and accelerates the cycle of deterioration in facilities which, if not addressed, leads inevitably to deterioration of academic programs and loss of key faculty and students.

University projects recommended for funding by the General Assembly and approved by the Governor as part of the FY 2002 budget are listed below. Certainly worth noting is the strong support the University has received from the Governor's VentureTECH program in FY 2001 and FY 2002. Each of these buildings is crucial as the University continues to deliver benefits of basic research and meet its economic development mission.

- Repair and Renovation, all campuses \$10.7 million
- Classroom Office Building, UIS \$15.0 million
- Computer Science Building Match, UIUC \$32.0 million
- Digitalization Infrastructure WILL-TV, UIUC \$0.8 million
- VentureTECH economic development projects totaling \$106.0 million. Projects in FY 2002 include construction funds for new facilities such as the Post Genomics Building, National Center for Supercomputing Applications, Technology Incubator and planning funds for a Chemical Sciences Building.

Table 1 presents a brief history of recent capital project funding.

Table 1
History of Recent Capital Budget Actions
FY 1997 to FY 2002
(Dollars in Thousands)

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Campus Requests						
Chicago	\$30,265.0	\$51,350.0	\$69,350.0	\$101,423.0	\$77,850.0	\$46,250.0
Springfield	4,983.1	5,212.8	3,670.4	4,139.4	5,582.7	30,330.0
Urbana-Champaign	46,071.0	42,962.0	73,920.0	109,391.0	100,415.0	166,787.0
TOTAL	\$81,319.1	\$99,524.8	\$146,940.4	\$214,953.4	\$183,847.7	\$243,367.0
IBHE Recommendations						
Chicago	\$19,100.0	\$21,560.7	\$18,280.4	\$46,280.4	\$14,395.2	\$12,165.9
Springfield	2,525.5	3,245.9	2,629.5	2,770.0	2,023.1	30,343.7
Urbana-Champaign	29,881.0	26,475.8	15,741.3	25,294.7	66,420.1	84,039.8
TOTAL	\$51,506.5	\$51,282.4	\$36,651.2	\$74,345.1	\$82,838.4	\$126,549.4
Regular Capital Appropriations						
Chicago	\$11,594.1	5280.4	24384.6	\$71,008.3	\$4,197.5	\$5,665.9
Springfield	883.6	216.8	2,575.3	737.2	1,664.6	15,343.7
Urbana-Champaign	12,963.9	13,480.3	10,350.2	8,940.1	17,459.8	39,039.8
TOTAL	\$25,441.6	\$18,977.5	\$37,310.1	\$80,685.6	\$23,321.9	\$60,049.4
Appropriations for Special Projects						
Americans with Disabilities						
Planning Funds	\$3,000.0					
Venture Tech					\$23,500.0	\$105,900.0
TOTAL APPROPRIATION	\$28,441.6	\$18,977.5	\$37,310.1	\$80,685.6	\$46,821.9	\$165,949.4

SUMMARY OF FY 2003 PRIORITIES

(\$154,914,000)

Overview



The University's FY 2003 Capital Budget Request consists of 10 projects at a total cost of \$154,914,000. Table 2 represents a combined priority listing of the proposed projects for this year.

The first priority is a \$10,000,000 Repair and Renovation request, which is comprised of 5 projects at the Chicago campus, 4 projects at the Springfield campus and 12 projects at the Urbana-Champaign campus. These projects, while not large enough to compete with major remodeling requests, represent a significant and very real funding need. A high priority on renovation and renewal must be maintained by institutions with facilities the size, scope, complexity and age of the University of Illinois. The Repair and Renovation request is vital for the continued renewal of existing University facilities, provision of up to date support for academic programs and protection of the State's investment in capital facilities. More detailed descriptions of these projects are provided in the sections following this overview.

The second priority provides \$15,000,000 to complete a major building for the Springfield campus. \$1.3 million was appropriated in FY 2001 and \$15 million in FY 2002. This \$15 million will allow for construction of new classroom, laboratory and office space for consolidation of academic programs and student services functions in the central core of campus.

Table 2
FY 2003 Capital Budget Request
Summary by Priority and Campus
(Dollars in Thousands)

Priority	Project	Chicago	Springfield	Urbana	Total	Cumulative
1	Repair and Renovation	\$ 4,350	\$ 330	\$ 5,320	\$ 10,000	\$ 10,000
2	Classroom/Office Completion		15,000		15,000	25,000
3	Lincoln Hall Remodel			46,000	46,000	71,000
4	College of Business Facilities Planning	5,500		4,000	9,500	80,500
5	Property Acquisition	5,700		2,314	8,014	88,514
6	Roof/Masonry/Window Repairs	16,000			16,000	104,514
7	Freer Hall Remodeling			22,100	22,100	126,614
8	Elevator Renovation	8,600			8,600	135,214
9	Burrill Hall Remodel			11,900	11,900	147,114
10	Building Envelope	7,800			7,800	154,914
	Total	\$47,950	\$15,330	\$91,634	\$154,914	\$154,914

Priority three seeks \$46,000,000 to perform a major remodeling at Lincoln Hall, a signature quadrangle building located on the Urbana campus which has not seen a major upgrade since it was constructed almost a century ago.

The fourth priority provides \$9,500,000 in planning funds so that both the Chicago and Urbana campuses could begin design for new College of Business buildings on their respective campuses. Each facility has a private match that when combined with state support affords a prime opportunity for each campus.

The fifth priority at \$8,014,000 will allow for the acquisition of two buildings, one each at the Chicago and Urbana campuses. The building acquisition at the Chicago campus will provide a key site for several needs facing the campus. It will provide storage in a climate controlled fashion and a centralized shipping and receiving area for several units. The building acquisition at Urbana will allow for the consolidation of the administrative computing function.

Priority six seeks \$16,000,000 to repair deteriorating concrete and failing roofs on several buildings at the Chicago campus.

The seventh priority is \$22,100,000 to fund a major remodel at Freer Hall on the Urbana Champaign campus.

The eighth priority seeks \$8,600,000 in funds to upgrade elevators at several buildings on the Chicago campus.

The ninth priority would provide \$11,900,000 for the Urbana Champaign campus to remodel Burrill Hall.

Priority ten seeks \$7,800,000 to repair deteriorating roofs and concrete facades at several Chicago campus buildings.

These projects are described in further detail in the pages that follow. It should also be noted that at the time this budget request was prepared, the University continued to examine ways in which to fund construction of a \$45 million chilled water center at the Urbana campus. Need for the facility has reached critical proportions.

Planning funds were received for the project in FY 2000, but construction funding was not ranked sufficiently highly on the IBHE's statewide priority list in either FY 2001 or FY 2002 to secure the project's support. If the University is unsuccessful in developing an alternative funding strategy, it is possible that the chiller project may be added to the FY 2003 capital priority list at a later date.

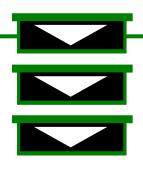
Table 3
FY 2003 Capital Budget Request
Summary by Category and Campus
(Dollars in Thousands)

			Urbana-	
Category	Chicago	Springfield	Champaign	Total
Building, Additions, and/or Structure		\$15,000		\$ 15,000
Land Acquisition	\$ 5,700		\$ 2,314	8,014
Utilities				
Remodeling	36,750	330	85,320	122,400
Site Improvements				
Planning	5,500		4,000	9,500
Total	\$47,950	\$15,330	\$91,634	\$154,914

Table 4
FY 2003 Capital Budget Request
Future Funding Implications
(Dollars in Thousands)

Priority	Project	Category	FY 2003 Request	FY 2004 Cost	Cost for 2005 and Beyond
1	Repair and Renovation	Remodeling	\$10,000		
2	UIS Classroom/Office Completion	Building	15,000		
3	Lincoln Hall Remodeling	Remodeling	46,000		
4	College of Business Facilities Planning	Planning	9,500	\$91,250	
5	Property Acquisition	Land	8,014		
6	UIC Roof/Masonry/Window	Remodeling	16,000		
7	Freer Hall Remodeling	Remodeling	22,100		
8	Elevator Renovation	Remodeling	8,600		
9	Burrill Hall Remodeling	Remodeling	11,900		
10	Building Envelope	Remodeling	7,800		

CAPITAL REQUESTS



PRIORITIES

(\$154,914,000)

Priority 1:

Repair and Renovation \$10,000,000 – All Campuses

As in years past, the University's top priority is attention to annual repair and renovation. A total of \$10,000,000 is requested for the 21 projects outlined in Table 5. Detailed descriptions of these projects are found in the Repair and Renovation project description, following this Priorities section.

Table 5
Repair and Renovation Projects by Campus

Chicago Projects	Amount
Medical Sciences Building, RRC Remodel, Phase II	\$1,000,000
Behavioral Sciences Building, Deck Restoration	965,000
Clinical Sciences North, Window & Masonry	939,000
School of Public Health Psychiatric Inst., Window Replacement	946,000
Science and Engineering Lab West, Rehab Bioengineering Lab	500,000
TOTAL	\$4,350,000
Springfield Projects	Amount
Replace HVAC Rooftop Units	\$120,000
Career Services Center Renovation	50,000
Variable Frequency Drives for Air Handlers	80,000
High Efficiency Lighting Retrofit	80,000
TOTAL	\$330,000
Urbana-Champaign Projects	Amount
Education Bldg., Remodeling, Phase IV	\$600,000
Main Library, Remodeling, Phase III	800,000
Medical Sciences Bldg., Renovation of Instructional Labs	750,000
Boneyard Creek Flood Control, Final Phase	180,000
Met. and Mining Bldg., Replace Slate Roof	520,000
Roger Adams Lab, HVAC Improvements, Phase I	200,000
Elevator Improvements in Mumford, Bevier and Turner Halls	500,000
Gregory Drive Street Renovation	400,000
Noyes Lab, HVAC Improvements, Phase I	200,000
Fire Alarm Upgrade, Phase VIII	250,000
KCPA Accessibility Upgrades, Phase III	420,000
Music Bldg., Renovate Instructional Labs	500,000
TOTAL	\$5,320,000

Priority 2:



Classroom/Office Completion \$15,000,000 - Springfield

This request is for funds to construct a classroom/office building which will provide 126,900 gsf of classroom, laboratory and office space for existing academic programs presently housed in pre-engineered metal buildings on the east side of campus, academic programs presently housed in Brookens Library on levels 3 and 4 and several student services departments presently housed in one of the metal buildings. Occupancy of this building will consolidate most academic programs into permanent buildings in the central core of campus. Important student services operations will also be relocated to the center of campus. This new facility provides needed classroom space as the library's book collection expands into the classroom/office portion of Brookens Library, requiring the conversion of existing classrooms into bookstacks space. In addition, this facility will help alleviate the current space deficit, provide additional classroom, lab and office space required for growth and substantially upgrade the academic quality of the educational environment with the addition of new "smart" classrooms to the campus.

The completion of the last major campus building, The Health and Sciences Building in January 1992, and its occupancy by the health, science, mathematics and computer systems academic programs has dramatically enhanced those programs and substantially improved the overall educational environment. Building occupancy has meant that most of UIS academic programs are now relocated into permanent buildings. However, the campus urgently needs to relocate the remaining academic programs still housed in metal buildings into permanent buildings in the central academic core of the campus. The centralization of all programs will improve the overall academic experience of students and replace existing classrooms and laboratories located in inadequate metal buildings. The campus plans to have support services occupy space in the metal buildings vacated by the academic programs. Over the past two fiscal years \$16.3 million has been appropriated with the balance of \$15 million requested this year to complete the Classroom Office Building.

Priority 3:



Lincoln Hall Remodel \$46,000,000 - Urbana

With the completion of the Spurlock Museum of World Cultures, almost the entire fourth floor of Lincoln Hall will be vacated for other uses. This space, which is approximately 15,000 square feet, will provide surge space for a major remodeling

effort to occur in this building. The only significant construction effort associated with this building since it was built in 1911 was an addition that added the west half and theater to Lincoln Hall in 1930. Consequently, Lincoln Hall is in need of a well thought out master plan and renovation to bring the building up to classroom and office standards that are current with the needs of today and the future.

This project will ultimately concentrate as much of the instructional space as possible on the first two floors and place offices on the upper floors. Much needed teaching assistant areas will be created on the fourth floor of this centrally located Quad building. The reconfiguration of space in Lincoln Hall will provide a variety of classroom sizes for the classes that are taught in this portion of the campus.

Taking out the backstage area of the theater, which has not been used for some time due to the relocation of the Theater Department to the Krannert Center for the Performing Arts some 25 years ago, will help space reconfigurations. This space affects Lincoln Hall on all four floors, and when taken out will allow the placement of two classrooms on the first floor, along with a double-loaded corridor on the west end of the second, third and fourth floors, thereby making more efficient use of existing outmoded space. Work associated with this project will include upgrading lighting, electrical, HVAC and networking systems, along with new flooring, ceilings, wall treatments and other items related to code issues.

Priority 4:



College of Business Facilities Planning \$9,500,000 – Chicago/Urbana

This project includes planning funds for each campus to construct a new building for their respective College of Business departments.

Chicago

This project will provide for the planning and construction of a new College of Business Administration (CBA) Building in the South Campus area of the East Side of the University of Illinois at Chicago Campus.

This new building would, for the first time, bring together under one roof all of the resources necessary to provide undergraduate and graduate instruction at UIC. The CBA building will become the focal point for business education on campus. It would provide classrooms, dry research laboratories and computer facilities to serve

the needs of undergraduate students, as well as faculty offices and space for graduate programs and research activities. Classrooms will be equipped with state-of-the-art audio-visual technologies to complement state-of-the-art pedagogical approaches in undergraduate and graduate education.

Currently, the undergraduate instruction programs of the College of Business are conducted in nearly a dozen different locations spread out all over campus. This dispersion of activity is inefficient and is not conducive to the development of appropriate collaborative relationships among students and between students and faculty. Consolidation of the college's programs into one facility will not only increase efficiency but will also create a sense of place and identity for the College. The proposed facility will enhance the functioning as well as the image of the College and will increase its competitiveness in the local, regional and national markets.

The new CBA building will become an integral part of the South Campus Development. The CBA building will become UIC's first academic facility on the South Campus. The site for the building, which will be approximately 160,000 gsf, will be at the gateway to the South Campus, in the block bounded by Roosevelt Road, Halsted Street, New Street and Union Street.

Urbana-Champaign

The College of Commerce and Business Administration Building will be funded through state appropriations, and gift funds to be provided through the College. This new building will provide significant relief to the critical space needs of the College of Commerce and Business Administration.

Space will be provided for the undergraduate and graduate programs of the College but will also benefit students across the campus that take courses offered by Commerce. The building will provide new facilities for state-of-the-art classrooms, the MBA Program, the Executive MBA Program and the Technology and Communications Center. Additionally, office space will be provided for faculty offices.

Approximately half of the classrooms will be dedicated to undergraduate student education, with a total capacity of over 600 students per class period. The MBA program space will provide classrooms (including three conference/seminar rooms), administrative offices, lounge and vending area, recruiting center and storage. The Technology and Communications Center will be the distance learning center for the college with interactive classrooms and a TV studio.

This project will provide the College of Commerce and Business Administration with space contiguous with their other buildings, necessitated by the College's constantly expanding student population and the desire to provide a better, more comprehensive program to those students. Planning funds of \$4 million is requested in FY 2003 for this \$46 million building.

Priority 5:



Property Acquisition \$8,014,00 - Chicago and Urbana

The fifth priority requests funding for building acquisitions at the Chicago and Urbana campuses.

The Warehouse Facility, located at 1501 W. 15th Street, is a multi-story industrial warehouse building that will support facility management functions, shipping and receiving, along with storage for library materials and departmental records. The facility, located at the southwest corner of 15th and Laflin Streets, is approximately 101,000 GSF. It will be the central location for shipping and receiving activities since it is strategically located between the east and west campuses. The facility also has temperature controlled storage which will be used for storage of sensitive library materials and other departmental records. Additionally, the facility will aid in the handling and distribution of equipment, supplies and material necessary for facilities management operations on the Chicago campus. A request of \$5,700,000 is needed to fund the purchase of this building.

The availability of the facility, which formerly housed the State University Retirement System (SURS), presents an opportunity to address persistent space problems at the Urbana-Champaign campus. Consolidating Administrative Information Technology Services (AITS) operations in a single location will improve working conditions, enhance operating efficiency and release central campus space for reassignment to other units. The University administration has

reached an agreement with SURS for the sale of their property to the University for the sum of \$2,314,000.

Priority 6:



Roof/Masonry/Window Repairs \$16,000,000 - Chicago

Much of the campus infrastructure, especially roofs and concrete facades, is in need of improvements. With this project, the campus will repair masonry and windows on the University Hall and Science and Engineering Offices Buildings. The roof and skylights in the Science and Engineering South Building will also be rehabilitated as part of this project. Extensive delamination is occurring on the bottoms and fascias of reinforced concrete spandrel beams and on fascias of columns and shear walls. This project will allow removal of failed patches, delaminate and loose concrete of exposed spandrel beams, columns and shear walls. The recessed windows in these building which create an exterior gallery are also in ill repair. The galleries waterproofing will be replaced with a fluid applied urethane roofing system and the caulk and glazing associated with the windows will also be replaced.

The second portion of this project will repair the roof and skylight system in the Science and Engineering South Building. These systems are over 30 years old and having outlived their useful life, they pose a risk and hazard to the interior of the building and those who occupy it. The existing roof will be removed and be replaced with a new built-up coal tar roof along with associated insulation and sheeting. At the same time, the skylights will also be completely replaced. Total cost of the project is estimated at \$16,000,000.

Priority 7:



Freer Hall Remodeling \$22,100,000 - Urbana

The College of Applied Life Studies (ALS) is currently accommodated in Huff and Freer Halls and in the Armory. While decentralization is a problem, Huff Hall in particular presents the College with severe problems. The conduct of teaching, research, service and administrative services conflicts with the public use of a major arena in close proximity. By creating an infill floor in Freer Hall and converting the first floor from office space to classrooms and laboratories, it would be possible to consolidate ALS in this facility and allow the College to vacate all permanently assigned space in Huff Hall and the Armory.

Conceptually, the remodeling of Freer will involve removing the main dividing wall between the third floor gymnasium and constructing a fourth floor. To effectively isolate dissimilar activities, the first floor will be modified to accommodate high traffic public spaces such as classrooms and seminar rooms. The new first floor spaces will include six classrooms (5,000 NASF).

The exterior of Freer Hall is distinguished in its architectural expression, and remodeling will not affect the monumental windows nor detract from the aesthetic quality of the facility. The windows will be preserved and will be divided internally to permit natural light to flood faculty and staff offices around the perimeter on both third and fourth floors. The third and fourth floors of the remodeled facility will be organized around a central spine with a mix of workstations, conference rooms, workrooms and restrooms. The core will have cross aisles to link the open bays, which flank the spine, although each department will have a well defined and secure area. The programmed square footage will require an addition to the east of approximately 40,000 gross square feet.

Priority 8:



Elevator Renovation \$8,600,000 - Chicago

The existing elevators of various buildings are 30 plus years old, worn out and their repair parts have become obsolete. To provide a reliable vertical transport system it is imperative that these elevators be renovated. The scope of work will include removing old equipment and replacing it with new state-of-the-art machines, motion and operational control systems, car assemblies, cabs and signals and other necessary renovation work.

Priority 9:



Burrill Hall Remodel \$11,900,000 - Urbana

Burrill Hall has been used intensively for 40 years, primarily for research and has had minimal minor remodeling performed to upgrade the heavily used spaces. All of the space in Burrill Hall is in need of significant upgrading with regards to the building mechanical systems infrastructure to make the building suitable for biological instruction and research in the 21st century. This project will see wall reconfigurations, replacement of fixed laboratory equipment, plumbing, electrical, lighting, data and HVAC changes. In addition, all new finishes are envisioned for this building, including flooring, ceilings and walls.

Priority 10:



Building Envelope \$7,800,000 – Urbana

This project includes masonry repairs and replacement of roof and window systems that have failed and reached the end of their useful life. Masonry repairs are warranted due to significant deterioration, which has resulted in water penetration. Masonry repairs and roof and window replacement are necessary to prevent damage to the interiors of these buildings, their contents and structural systems. The work to be funded under this project includes replacement of the curtain wall of the Illinois Institute for the Developmentally Disabled building; replacement of the roofing systems on the Administrative Office Building, the Allied Health Professions Building, the Paulina Street Building, the Services Building, the Sciences and Engineering South Building, the Architecture and Art Building, the Chemical Engineering Building and the Easter Seal Building; repair of masonry in the College of Medicine and Behavioral Sciences Buildings; and window replacement in the College of Medicine, Physical Education, Services and Paulina Street Buildings.

REPAIR AND RENOVATION PROJECT DESCRIPTION

Chicago Projects (\$4,350,000)

Medical Sciences Building, RRC Remodel, Phase II - \$1,000,000

This project builds upon FY 2002 request for RRC-West infrastructure upgrades. The scope of work is to continue work initiated with last years request. The work includes upgrading of HVAC systems in order to provide tight regulation of air temperature and humidity for instrumentation rooms that serve faculty investigators. A new exhaust system will be installed to replace dated hoods and related services. The electrical system and data network will also see upgrading as part of this remodeling.

Behavioral Sciences Building, Deck Restoration – \$965,000

The building was built in 1968 and the original granite deck is in need of repair. There are several granite decks that were installed over a membrane waterproofing system. The waterproofing system has failed and is allowing water to infiltrate the building causing damage to interior exposed concrete, masonry and other finishes within the building. The scope of work will include removal and salvaging of granite pavers, tear out of existing membrane waterproofing and insulation, installation of new waterproofing and rigid insulation, replacement of drains and reinstallation of granite pavers. In addition, work will also include selective repairs of deteriorating concrete and rebuilding of masonry parapet wall associated with granite decks.

Clinical Sciences North, Window & Masonry – \$939,000

This 1920s masonry building is in need of repairs to keep it weather tight. This project continues and compliments rehab already completed on the building's envelope and specifically targets the north facade of the east half of the building. The existing original steel frame windows will be replaced with new energy efficient insulated glass. The decorative limestone elements are exhibiting severe wear and will be repaired or replaced as necessary along with tuck pointing on the masonry as required. The remaining portions which includes the remaining flat and tile roofs, and elevations of the east and west wing will be addressed as part of future rehabilitation projects.

School of Public Health Psychiatric Institute, Window Replacement – \$946,000

The existing punched windows are extremely energy inefficient, have very poor air infiltration characteristics, operating parts are broken and replacement parts are no longer available. Building interior finishes are being damaged due to window leaks. The scope of work for this project will consist of removal of the old windows, screens and window treatment and installation of new thermal frames with fixed insulating glass, new window treatment a necessary and associated patching.

Science & Engineering Lab West, Rehab Bioengineering Lab – \$500,000

The LAS program vacated labs in the 2nd Floor of SELW. The space reassigned to Bioengineering supports the continued efforts to redevelop the Bio-Engineering program at UIC. The project will include the renovation and proper upgrade of building infrastructure for laboratories and office space. The scope of work is designed to correct infrastructure deficiencies related to code and program requirements. This includes lab plumbing, HVAC and electrical upgrades, and selective aesthetic remodeling.

Springfield Projects (\$330,000)

Replace HVAC Rooftop Units - \$120,000

This project includes replacing 12 HVAC units that provide heating and cooling to the metal buildings on the east side of campus. The majority are rooftop mounted units that are over 15 years old. These units are nearing their life expectancy and are experiencing increasingly high maintenance repairs and down time. This project includes replacement of HVAC units that range from 3.0 tons to 7.5 tons of cooling capacity. Replacement of these units will help ensure reliable heating and cooling in those facilities in addition to lowering maintenance and repair costs.

Career Services Center Renovation – \$50,000

The Career Services Office is centralized campus operation that serves all students and alumni in their career management efforts. The office located in the Student Affairs Building sees heavy traffic and is in need of upgrades. This renovation will include removing walls in the reception area, relocating the conference room, creating new office spaces, upgrading of the lighting, new carpet and painting. In addition, improvements to the interview rooms will include new video/audio wiring, electronic screen, in-house sound system and enhanced wall coverings for sound improvements.

Variable Frequency Drives for Air Handlers – \$80,000

This project includes the installation of energy efficient variable frequency drives on four air handling units and four return and exhaust fans in the Health and Sciences Building. The installation of these drives will allow the Campus to reduce its energy use in the Health and Sciences Building without compromising air quality. In addition, the variable frequency drives have an estimated payback of 2.2 years.

High Efficiency Lighting Retrofit – \$80,000

Funding is requested to retrofit existing lighting with high efficiency lighting in library stack areas, classrooms and selected office areas. New high efficiency lighting will decrease electrical energy costs in addition to improving the lighting quality. The campus has been installing new high efficiency fluorescent light fixtures in all remodeling projects, yet this piecemeal lighting retrofit approach has not been applied to all areas that would be most beneficial and economical, including the classrooms, library stacks, corridors, and offices in the PAC that presently use four lamp fixtures. This project would selectively retrofit the areas that (a) would offer a relatively quick payback period and (b) need lighting quality improved.

Urbana-Champaign Projects (\$5,320,000)

Education Building, Remodeling, Phase IV – \$600,000

The College of Education is making a concerted effort to become a national and international leader in the area of instructional technology and research on learning using technology. It is important that the College have facilities available to enable that effort. The College is continuing a major initiative to bring educational technology into many to the classrooms in the Education Building, which will allow for group and individual instruction, along with research to occur in educational technology. Work includes new wall, ceiling, and floor finishes; new lighting; new window treatments where appropriate; enhanced power and networking capabilities; computer projection capabilities; built-in storage; and in some areas, teleconferencing capabilities. To supply appropriate and usable space in this remodeling effort, it may be necessary that this request include \$125,000 for movable equipment as a part of this project.

Main Library, Remodeling, Phase III – \$800,000

With the exception of an addition to the northwest corner of the Main Library in 1964, the user and staff, spaces of this building have changed very little since the Library was dedicated in 1929. The Library remodeling effort, of which this is Phase III, is improving the logical arrangement, and upgrading to modern standards, the quality of the spaces occupied by various departmental libraries located primarily on the second and fourth floors of the Main Library.

Remodeling will also enhance the quality of space for the libraries. In particular, computer wiring, electrical wiring and lighting will be upgraded to respond to the demands of new technologies. In the last decade, the development of electronic information resources has revolutionized the academic library. For universities to be effective in their teaching and research missions it is critical that access to information through electronic medium be readily available. The reconfiguration of space and improved technological capabilities of the space will allow the Main Library to deliver information by both traditional and electronic formats more effectively to the students and faculty of the University.

Medical Sciences Building, Renovation of Instructional Laboratories - \$750,000

This project seeks to restructure the instructional laboratories in the Medical Sciences Building for histology, microbiology, neuroscience, and immunology to accommodate significant changes in the medical curriculum that have been gradually implemented since the building was originally designed in the early 1970s. The most dramatic change in the curriculum is similar to that taking place across campus, the introduction of more and more computer technology and therefore instruction using that technology.

Restructuring the instructional laboratory spaces will allow for consolidation of laboratory sessions, and provide space that facilitates meeting accreditation requirements. The reconfiguration will provide flexibility and multipurpose use in all laboratories; lecture and seminar space, as well as provide for state of the art technological upgrades. Work includes new wall, ceiling, and floor finishes; new lighting; enhanced power and networking capabilities; computer projection capabilities; and built-in storage.

Boneyard Creek Flood Control, Final Phase – \$180,000

This request for funding is to supplement previous funding for the Campus Flood Control/ Boneyard Creek project The project provides for improved storm water control in the north campus, an area that has experienced flooding problems when major storm events have occurred. The flow line for the creek will be lowered and at the same time, many narrowing barriers will be removed. This portion of the project is a part of the larger solution that was developed between the University and the cities of Champaign and Urbana. The project construction began in Fiscal Year 2001 and phases will continue into Fiscal Year 2003.

Meturallurgy and Mining Building, Replace Slate Roof – \$520,000

The existing roof was installed in 1908 with minor repairs and maintenance in proceeding years. The slate is very old and has exceeded its installed life expectancy. The waterproofing felt underneath has deteriorated with age and is no longer an effective moisture barrier. Remaining original copper gutters and downspouts on dormers have exceeded their life expectancy and are no longer reliable. Significant leaks will continue to develop if unchecked, damaging the structure and interior finishes of the building. The magnitude of the decay makes it increasingly difficult to identify and correct the source of the leaks. This project will remove the existing skylights, replace copper gutters and downspouts and replace slate and copper roofing materials.

Roger Adams Laboratory, HVAC Improvements, Phase 1 – \$200,000

This request involves funds to conduct a study to further define the needs for future projects to repair and replace Heating, Ventilation and Air Conditioning (HVAC) components. Future phases will implement the recommendations of this study.

The HVAC systems throughout the original facility require consideration toward integration into larger central systems. Current installations include multiple small components, which were installed to resolve specific needs and not the overall facility requirements with some providing heating only. Years of inadequate filtration have resulted in a heavy accumulation of dust and mold particles in the supply ductwork of the largest chemistry laboratory on campus. The dust and mold has reached saturation in the ductwork and is now circulating into the occupied

spaces of the building and affect sensitive research instruments in the building with no means to clean some concealed areas.

The casing, drain pans and coil tubes in air handling units in the addition to the facility are failing and causing leaks. The leaking elements will reduce cooling and heating capacity and eventual coil failure. Constant volume boxes in some areas are failing and require deliberation toward replacement.

Elevator Improvements in Mumford, Bevier and Turner Halls – \$500,000

The existing elevator equipment in Mumford, Bevier and Turner Halls is wearing out and has become unreliable. Replacement parts for the elevators are progressively more difficult to locate and are becoming more expensive. Future elevator downtimes could be extensive due to the unavailability of repair and replacement parts. This project will replace worn-out elevator components, including the gear traction drive machines, controls, hall doors and cabs, with modern parts. A side benefit of replacing the controls and cabs will be the increased ADA accessibility to the upper floors of the facilities.

Gregory Drive Street Renovation – \$400,000

Gregory Street from Oak Street to First Street is currently an oil and chip road with a cinder base. Its current condition is poor. The road requires total renovation. Work proposed includes storm sewers, concrete curb, gutter and a full depth concrete pavement. The pavement design will be ten inches of concrete to handle the high volume of bus traffic. This section of Gregory Street is the front door to our Personnel Services Building and is used by the Mass Transit District on one of their major campus bus routes (Shuttle Route). This fund request will replace and upgrade approximately 780 feet of pavement.

Noves Laboratory, HVAC Improvements, Phase 1 – \$200,000

This request involves funds to conduct a study to further define the needs for future projects to repair and replace Heating, Ventilation and Air Conditioning (HVAC) components. Future phases will implement the recommendations of this study.

The HVAC systems throughout the facility require consideration toward integration into larger central systems and wholesale replacement of worn-out equipment.

Current installations include multiple small components, which were installed to resolve specific needs and not the overall facility requirements. Years of inadequate filtration in this 100-year old facility have resulted in a heavy accumulation of dust and mold particles in the supply ductwork. The exhaust and fume hood systems in many areas do not have make-up air systems which may create safety situations due to inadequate ventilation and building pressurization. Uncontrolled pressurization within the research areas creates drafts, carries undesired contaminants and fumes in those air movements. The various missions of the laboratory to provide instruction and research will be diminished if the building occupants are unable to conduct experiments due to inadequate environmental conditions.

Fire Alarm Upgrade, Phase VIII – \$250,000

Numerous campus buildings do not meet today's life safety codes due to the age of these buildings. The Urbana campus has developed a program that addresses this serious deficiency in a systematic manner by upgrading a few buildings each year. The approach is to upgrade the fire alarm system in buildings with a relatively high occupancy level or buildings that will have remodeling or renovation activities in them. This program will install the new Pyrotronics main sensing panel, replace existing detectors and add additional detectors where applicable. The building to be upgraded with this request is Altgeld Hall.

Krannert Center for the Performing Arts Accessibility Upgrades, Phase III – \$420,000

With FY 2000 CDB funds, a master plan to evaluate bringing the Krannert Center for the Performing Arts facility into compliance with current accessibility regulations aimed at removing barriers to persons with disabilities was completed. The plan examined alternative solutions to providing an accessible entry to the building from the sidewalk level, remodeling the ticket office to better serve persons with disabilities and remodeling the lobby restrooms to improve accessibility. The plan identified accessible routes throughout the building and in individual theaters, in addition to providing a design for interior signage to assist patrons and workers in way finding within the facility. This requests implements the master plan by remodeling the restrooms, ticket office, and in general site work to aid in accessibility for those patrons requiring it.

Music Building, Renovate Instructional Laboratories - \$500,000

The School of Music currently has an instructional lab in which it teaches course work that either requires instructional use of computers, or independent lab work by the students. Computers have become so popular as an instructional device in the School of Music that over 30 courses require the use of computer-based instruction, and that number continues to grow each year. This project will enlarge the current instructional lab, and create another instructional lab, both dedicated to computer-based instruction. The scope of work includes all new room finishes (walls, ceilings, and floors); HVAC, lighting, voice/data, and electrical systems upgrades; and new computer carrels as fixed equipment. Funding from this CDB request will most likely be supplemented with campus funding to complete this project.