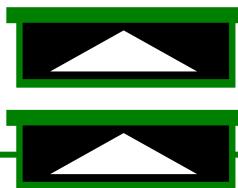


FY 2005 BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**

**PREPARED FOR THE
BOARD OF TRUSTEES
SEPTEMBER 11, 2003**



UNIVERSITY OF ILLINOIS
CHICAGO • SPRINGFIELD • URBANA-CHAMPAIGN

FY 2005

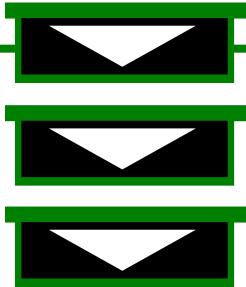
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PREFACE

As we look toward FY 2005 and beyond, we must look at the last two very difficult years. At this time two years ago, the University had enjoyed several years of strong State support both in the operating and capital budgets. During FY 2002 the economic environment and outlook for State revenues changed dramatically. The University had a reduced appropriation of 6.2% from the beginning of FY 2002 to FY 2003, and an additional 3.0% was redirected within the University's appropriation to pay additional health care costs for employees. The total reduction and redirection of State funds was 9.2%. In FY 2003 to FY 2004 the University again had a reduced appropriation this time of 8.0%. Besides these direct reductions the University was faced with \$29.8 million in unavoidable expenses such as Medicare payments, utility costs, legal liability costs and contract agreements over the last 2 years. The total reductions, redirections and unavoidable expenses facing the University have been \$162 million. Even with the addition of tuition increases, these reductions placed extraordinary stress on the University, now and in years to come.

We articulated principles to guide budget reduction steps. We believe 2,000 positions will be cut. Every single element of our operation will be affected. Over the next two years we will lose faculty, administrative, professional and support staff positions. Many, but not all, staff reductions can be addressed through attrition and closing vacant positions. The effects of these reductions are serious and long-lasting. The Board of Trustees endorsed a tuition increase to help fund a small, but critical, salary program for faculty and staff. Stated simply, we are doing everything we can to protect the quality of our instructional programs. This was, without a doubt, the most challenging budget experience in my two decades as an administrator at the University.

Despite these challenges I remain optimistic that the University will continue to move forward with its drive toward excellence. Capital projects are now unfolding at all three campuses. Construction of the College of Medicine Research Building at UIC is progressing rapidly, the classroom and office building at the Springfield campus is being built, and recently we broke ground for a new genomics research building at UIUC. Even in these difficult times the State invested in the long-term instruction and research missions of the University.

The University remains strong, and I would take a moment to reflect on the past year's successes. We are in the third year of the Capital Scholars Program at UIS. The program continues to receive visibility and applications from some of the best young people in the state. Among all Illinois public universities, the

PREFACE

academic credentials of the first two classes of the Capital Scholars program were second only to those for new freshmen at the Urbana-Champaign campus. Over time the Capital Scholars initiative will transform the University of Illinois at Springfield into a superb option for students who want the experience of a small liberal arts college within a public university setting.

At the Chicago campus, the past year saw growing recognition of our contributions to advanced patient care and medical research. Two young researchers were named to Crane's Chicago Business's "40 under 40" list of Chicagoans who are leaders in their fields. They are among the reasons why UIC has cracked the \$150 million mark in federal research funding. These dollars are coming back into the Illinois economy to help the people of our State through education, research and service. The Urbana-Champaign campus received more funding from the National Science Foundation than any other University in the country and continues to be one of the finest universities in the nation. Here's some more good news:

- Rankings by the National Science Foundation put UIC among the top 50 universities for federal research expenditures, surpassing several Big 10 universities. The campus moved up to 48th in the nation with about \$125 million in federal research expenditures for FY 2001.
- The second-year retention rate for first-year students at UIS exceeds 85%, the highest among Illinois' 12 public campuses.
- UIS's management information systems, clinical laboratory science and teacher education programs boast nearly 100% job placement rates.
- *Kiplinger's Personal Finance* ranks the Urbana-Champaign campus 8th in its "100 Best Values in Public Colleges" for 2002.
- The Urbana-Champaign campus boasts more than 80 centers, laboratories and institutes that perform research for government agencies, industry and campus units.
- *U.S. News & World Report* ranks many undergraduate programs at Urbana-Champaign in the top 25 in the country for 2002: accountancy 1, aeronautical engineering 8, business management 10, chemical engineering 7, civil engineering 2, computer engineering 5, electrical engineering 2, environmental engineering 3, finance 10, industrial engineering 12, insurance/risk management 8, library and information science 1, marketing 10, materials science 1, mechanical engineering 6, nuclear engineering 8, production/operations management 18 and quantitative analysis/methods 10.

Perhaps the best indicator of quality is that demand for admissions at all of our campuses is exceptionally strong. Enrollment increased at each of the campuses last year. Applications for first-time freshmen hit new records. Study after study illustrates the economic value of a college degree to the individual students, to the extent that lifetime earnings for college graduates exceed those for high school graduates

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by more than \$1 million. The combination of strong academics and reasonable costs makes the University of Illinois extremely attractive to students. These successes are based on past public investments in the University of Illinois.

The State's budget crisis required difficult decisions. The speed of change in economic circumstances was startling and created real challenges to keep the University moving forward. The relative needs among the broad array of social and human services in Illinois also have changed over time and the competition for scarce budget resources inevitably bring forward many more deserving needs than new resources can support. As we look toward a budget request for the next year, we recognize that FY 2005 will be a difficult year as demand for state resources clearly will exceed the supply of new revenues. At the same time we appreciate the historically strong commitment from the State of Illinois, Governor and General Assembly needed to maintain the quality of education at all levels as a top funding priority. No matter how broad our revenues sources are, it is a fundamental fact that support from the State will always be the central, single most important element that sustains our fiscal health. In turn, education and especially higher education is a critical need for the long-term economic health of the State of Illinois and its people.

Even in the late 1990s, in the midst of economic strength in Illinois and the nation, the University faced an array of budget requirements:

- The lifeblood of a great university is its faculty. In FY 2003 there was no general salary funding available and the University lost ground to competitors in salary peer comparisons. The University made a salary program our highest priority in FY 2004 and we hope to not drop further. The salary components of this needs based request for FY 2005 are the University's highest priority.
- The citizens of Illinois expect their University of Illinois to deliver top-quality instructional programs, especially to undergraduates. At a time of budget constraints we face higher demand for enrollments. There are two fundamentally important factors to be addressed as we assess our instructional mission. First, we must continually improve our undergraduate programs, assuring that they offer our students both top-quality content and a breadth of experiences that will enable them to understand the global nature of our world today and to be active as effective learners and leaders throughout their adult lives. Second, we must ensure that our undergraduate programs remain affordable to all who can benefit from them.
- Technology has changed the way our world operates. We are on the threshold of mind-boggling advances that hold great promise for attacking disease, producing food and understanding the nature of life. Whole new disciplines of study are being created and we must be attuned to them. We will examine the equally daunting moral and ethical challenges that these technologies present.

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- The often-dizzying pace at which technology progresses means that technological obsolescence of facilities and equipment also occurs at an accelerating pace. New equipment, laboratories and technologies are needed to keep faculty research and student learning at state-of-the-art readiness.
- 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 to the state-of-the-art changes tomorrow. Technology is presenting ways for the University to make available its resources to the citizens of Illinois, any time, any place. Investing in these technologies will be critical for the University.

Our budget proposals for FY 2005 are framed in this context. As the State's economy stabilizes and moves out of recession, the themes upon which the FY 2005 Operating and Capital Budget Request are based align well with the complex issues now confronting society. Our objectives track the full range of goals established within the Illinois Commitment, which sets forth the IBHE planning parameters for all Illinois higher education. We have a broad array of needs; we understand that we must find an equally broad set of mechanisms with which to address them. We remain committed to a careful and continuous analysis of our operations and the reinvestment of existing resources to our highest priorities. While those needs are numerous our attention focuses most sharply on those of greatest import. For example:

- We must assure that the University of Illinois can attract and retain gifted faculty to improve the quality of academic programs. We must be able to offer competitive salaries. In FY 2003 there was no funding for a general salary program, and only a small program was possible in FY 2004. We must continue to address the salary program issue for FY 2005. We must be able to provide state-of-the-art facility and equipment to all programs. We must continue to address the issue of faculty capacity at all three U of I campuses in light of the budget reductions, faculty losses and increased enrollment demand. We must recover capacity lost during fiscal constraints, while at the same time adding capacity in the areas of highest enrollment demand and those of greatest economic development promise.
- 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. Achieving adequate facilities for all our endeavors continues its ascent toward the very top of our priority list, even within the operating budget context.
- The University of Illinois must continue to play a leadership role in producing graduates in 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 ways to address the growing teacher shortage in Illinois.
- The University must continue its significant improvement in administrative infrastructure begun in FY 2001. Two components merit special note. First, is the implementation of UI-Integrate, a system that enables 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

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of the University once UI-Integrate is in place. The second component is a major review of all administrative functions and costs. We will continue to strive to minimize administrative costs.

Our needs are many and we recognize that they cannot all be met through additional State resources. We will continue to shift funds from lower to higher priority programs. But at the same time, the value of increased support for higher education to the State and its citizens has never been more important or clear. 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 directly to the economic and social imperatives of the coming century. The returns on the investment to the University of Illinois will pay dividends for generations to come.

James J. Stukel
President

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Operating Budget Request for FY 2005

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Capital Budget Request for FY 2005

► **Capital Budget Request for FY 2005**

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Summary of FY 2005 Priorities

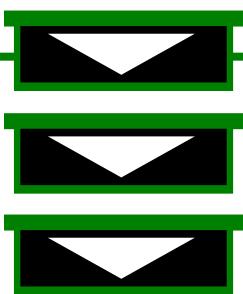
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INTRODUCTION



INTRODUCTION

Overview

► In the past 22 months, the University of Illinois has had to deal with a 4.2%, \$34.05 million mid-year reduction and redirection of resources in FY 2002, a 5.1%, \$39.55 million budget reduction for FY 2003, a \$29.00 million rescission for FY 2003 and a 8.0%, \$58.02 million budget reduction for FY 2004. The University administration and faculty have worked closely with the Board of Trustees to address the key issues of resource management, administrative reorganization and tuition and financial aid policies.

The original FY 2002 general state appropriations for the University of Illinois totaled \$803.6 million. In November 2001, because of lagging tax revenues in a weak state economy, a \$25 million rescission was assigned to higher education. The Illinois Board of Higher Education (IBHE) allocated the rescission differentially among sectors, protecting student assistance and base support for retirement. Within the university sector, the rescission was allocated to each institution in proportion to its FY 2002 state appropriations. The University of Illinois share was \$9.16 million. In December 2001, higher education was asked to assume \$45 million in increased health insurance costs incurred by Central Management Services (CMS) on behalf of higher education employees and retirees. Funds to meet these higher insurance costs were not included in the original FY 2002 budget for CMS. The IBHE allocated the health insurance obligations among the 4-year universities in proportion to their total health insurance payments to CMS. The University of Illinois share was \$24.89 million. The University of Illinois share of the rescission and health insurance costs totaled \$34.05 million, which was 4.2% of the FY 2002 state appropriations to the University of Illinois and 48.6% of the \$70 million cut to higher education. This was the largest cut to the University of Illinois state budget in at least 25 years.

Because of declining state tax revenues, the FY 2003 appropriations to the University for operating expenses were reduced by \$73.60 million or 9.2% below beginning FY 2002 levels. Combined with unavoidable expenses of \$15.26 million, the total FY 2003 budget obligations were nearly \$89.00 million.

The economy did not recover for FY 2004, as a result appropriations to the University for operating expenses were reduced by \$58.02 million or 8.0% below FY 2003 levels. Combined with unavoidable expenses of \$14.5 million and a modest salary program, total FY 2004 budget obligations were nearly \$92.5 million.


*Appropriations for
FY 2004 were reduced
by over \$58 million
from FY 2003 levels.*

We are proud of the extraordinary accomplishments of the students and faculty of the University of Illinois, but we must be realistic about the future. The cumulative effect of cost increases and state budget difficulties during the last dozen years has significantly eroded the resource base of the University of Illinois. Our ability to compete and sustain quality is severely strained. Cuts of the magnitude levied in FY 2003 and FY 2004 will affect the ability of Illinois' higher education system to fulfill its mission and meet the expectations of legislators and the general public about the quality, scope and scale of programs for which they have come to expect for Illinois.

At the very time in which the number of Illinois high school graduates is rising and the economic value of a college degree grows annually, budget reductions of these magnitudes threaten the capacity to teach students, erodes the quality of the education provided, limit research productivity and constrain the frequency and depth with which the public is served. Understandably, attention has been focused on the immediate and unavoidable problems that the budget reductions present. But it is even more critical for university leaders, legislative leaders and the executive branch to also assess the long-term impact of these cuts. Illinois' ability to compete effectively in an information-age economy depends on a healthy, vital and robust system of higher education. Budget cuts of the magnitude implemented will imperil each of those qualities.

Despite the continuing operating budget difficulties, the General Assembly has recommended and the Governor approved two University projects as part of the FY 2004 Capital Budget:

- Repair and Renovation, all campuses - \$10.7 million
- Lincoln Hall Remodeling Planning Funds, UIUC - \$2.0 million

This capital support will assist the University to strengthen its traditional missions of teaching, research and public service in these difficult economic times.

Illinois long has confronted an array of social and human service funding needs so large that the State could not fully meet 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.

We are challenged more seriously today than at any time during the last half century. By working together and making the right decisions we can ensure that Illinois higher education and the University of Illinois remain respected national leaders for the quality of programs they provide and for the diversity of students served.

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 clear that the single most important source of budget strength remains State tax funds. Direct state support now represents less than one-fourth 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 1.8% rise in tuition to equal a 1.0% 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 2004 BUDGET OUTCOMES


Achieving salary competitiveness for all employees remains a top priority for redirected funds.

For Fiscal Year 2004, a 8.0%, \$58.02 million state budget reduction was implemented. 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.

Significant internal reallocation accompanied this decline in State support. A total of \$79.5 million was redirected. The reallocations accomplished over the past decade are outstanding examples of program advances that are possible when incremental tax and tuition revenues are coupled with significant internal reallocation.

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 2004, the share for elementary/secondary education decreased from 27.5% to 27.4%, and their appropriations increased by 3.4%. For FY 2004 higher education's share of the total budget decreased, declining to 10.2%, down from 11.0% a year earlier and their appropriations decreased by 3.4%.

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

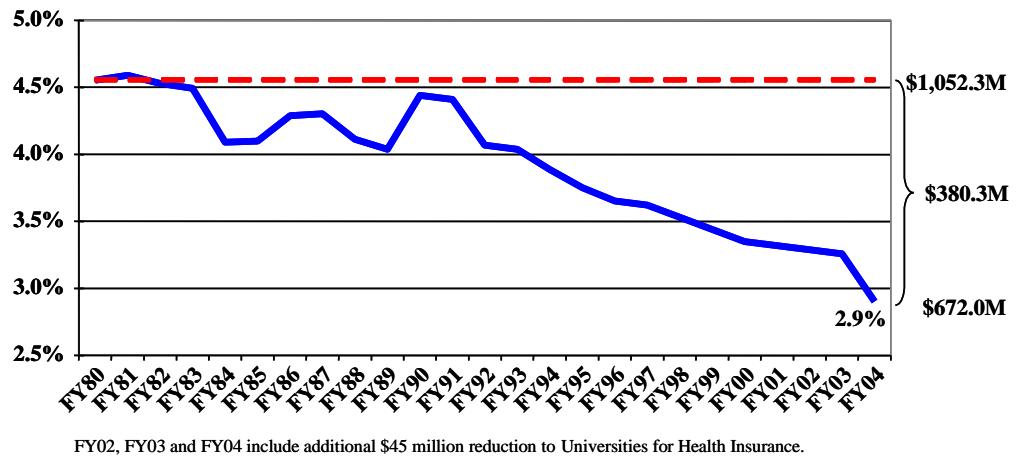
Year	Elementary/ Secondary	Higher Education	DCFS, Human Services, & Corrections	Public Aid	All Other
1980	28.8%	12.9%	10.7%	33.8%	13.7%
1990	26.7%	13.1%	12.9%	30.7%	16.6%
1991	25.8%	13.0%	13.8%	31.5%	16.0%
1992	24.4%	11.9%	13.8%	33.1%	16.9%
1993	24.7%	11.8%	14.7%	33.1%	15.8%
1994	24.3%	11.5%	16.0%	33.5%	14.7%
1995	23.6%	11.3%	15.9%	35.4%	13.8%
1996	23.5%	11.1%	29.8%	24.2%	11.5%
1997	24.1%	11.3%	29.5%	22.5%	12.6%
1998	25.1%	11.3%	29.1%	21.9%	12.6%
1999	26.1%	11.2%	27.2%	22.3%	13.2%
2000	26.3%	11.0%	25.9%	23.1%	13.7%
2001	26.1%	11.1%	25.8%	23.5%	13.6%
2002	26.4%	11.1%	25.8%	22.5%	14.3%
2003	27.5%	11.0%	25.1%	22.9%	13.6%
2004	27.4%	10.2%	24.9%	25.1%	12.4%

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 2004, that relationship has changed dramatically. The three human service agencies together have climbed to a share of 24.9%, growth of 93%, while higher education has fallen to 10.2% and a decline of about 22.1%.

As a result of higher education's declining share of general tax appropriations, Figure 1 illustrates that the budget share for the University of Illinois has dropped substantially as well. Prior to the income tax increase of 1989-1990, the University

of Illinois share of state tax appropriations was 4.4%. For FY 2004, the University of Illinois share had declined substantially, down to 2.9%, a 34.1% decline.

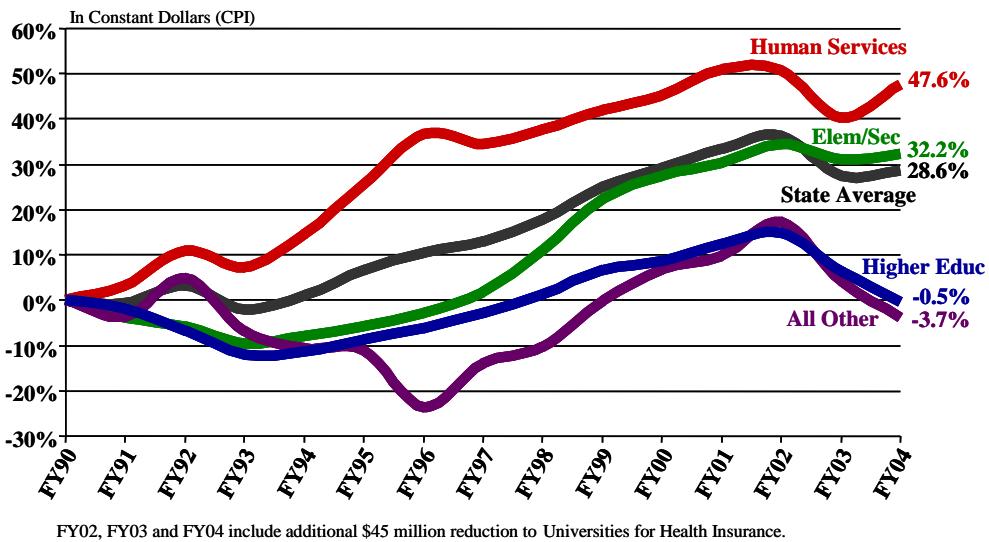
Figure 1
University of Illinois
Share of State Tax Appropriations
FY 1980 – FY 2004



Changes in tax support among State agencies are further demonstrated by the trends shown in Figure 2, which illustrates tax funding shifts for State agencies since FY 1990 after appropriations are adjusted for inflation. The significant boost in recent years to elementary/secondary education has brought its budget experience over the statewide average, after several years of below-average experience. Unfortunately higher education has seen recent gains completely eroded and have fallen back to negative growth after adjusting for inflation. Fiscal needs of agencies that support children and family services, mental health and corrections have taken a higher state priority and their budgets have soared by 47.6% even after accounting for inflation.

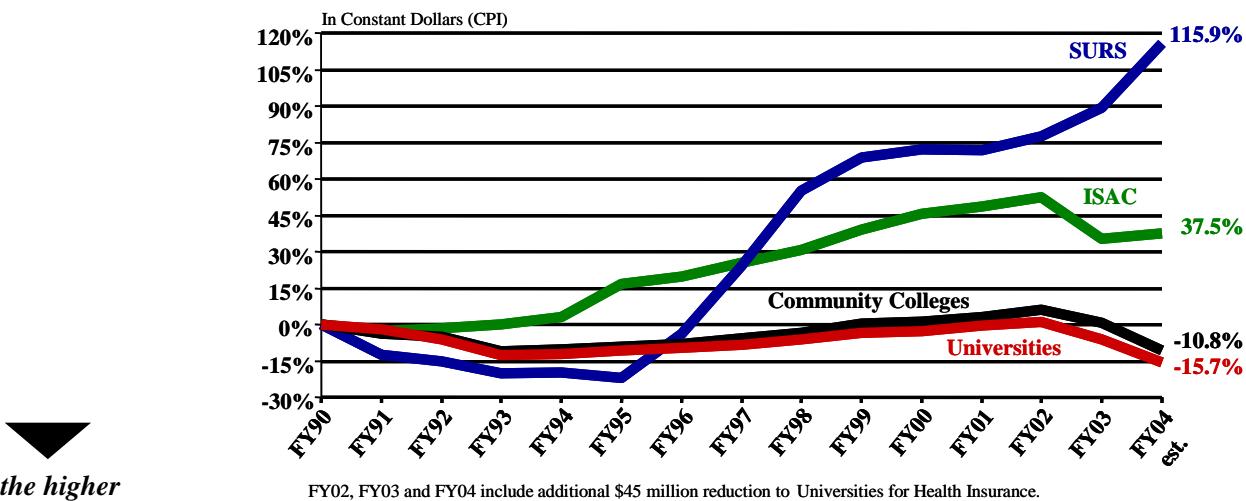
Figure 2
State Tax Appropriations Changes by Agency

Higher education tax appropriation increases have lagged those of the major social and human services since FY 1990, after accounting for inflation.



Tax support has varied dramatically within the components of the higher education budget as well. Figure 3 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. As with all sectors within higher education over the past two years, ISAC faced significant reductions. In FY 2004, ISAC funding increased by 3.3%. Some of the increase is attributable to the transfer of the Illinois Scholars program from Illinois State Board of Education, however most of the increase is due to the partial restoration of 5th year MAP funding lost in FY 2003 and the restoration of the MAP reserve funds. 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.

Figure 3
**Cumulative Change in State Tax Appropriations
by Higher Education Sector**



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

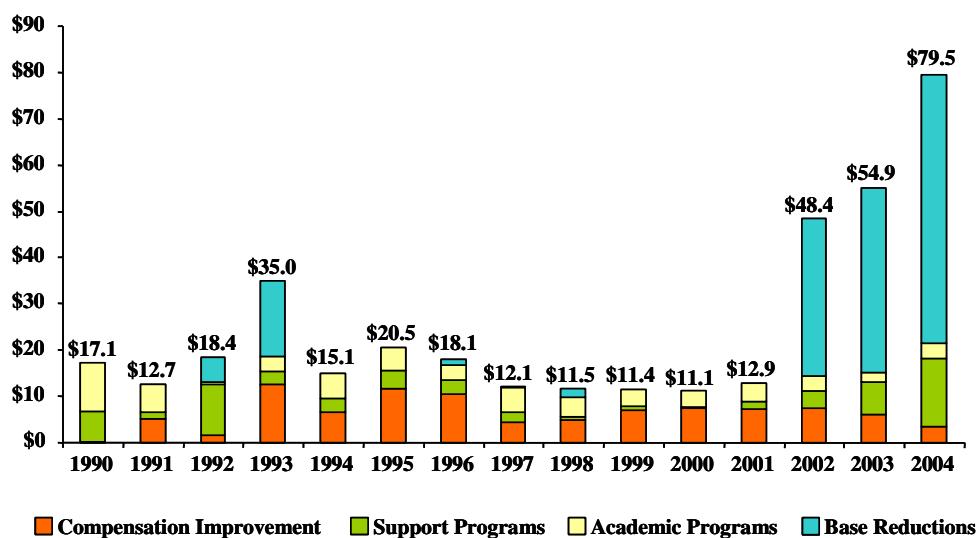
Yet as strong a trend as ISAC has shown, the most significant factor highlighted in Figure 3 is the dramatic growth experienced in SURS funding between FY 1995 and FY 2004. Responding to new legislation setting out a multi-year plan to bring SURS support in line with its obligations to employees who 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 in the late 1990s, 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 six 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 \$211.0 million in existing resources have been redirected to high priority academic programs and \$156.8 million returned outright to the State via budget cuts. Figure 4 illustrates the size of the reallocations accomplished annually since FY 1990 and identifies the principal uses of reallocations each year.

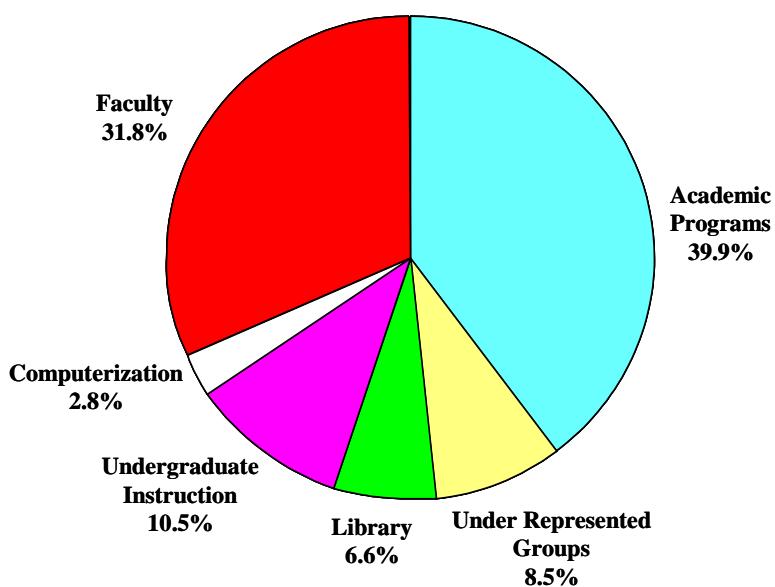
Figure 4
Uses of Reallocated Funds
FY 1990 to FY 2004
(Dollars in Millions)



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 29.0% of the total reallocation achieved since FY 1990 has been devoted to this requirement. Another 42.6% 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 31.8% of the reallocation pool, including special salary initiatives, laboratory remodeling and upgrades, equipment purchases and so on. As reflected in Figure 5, library initiatives and minority student recruitment and retention efforts round out the major categories of program reallocations.

Figure 5
Reallocation for Academic Programs
FY 1990 to FY 2004



BUDGET TRENDS IN PERSPECTIVE: TUITION



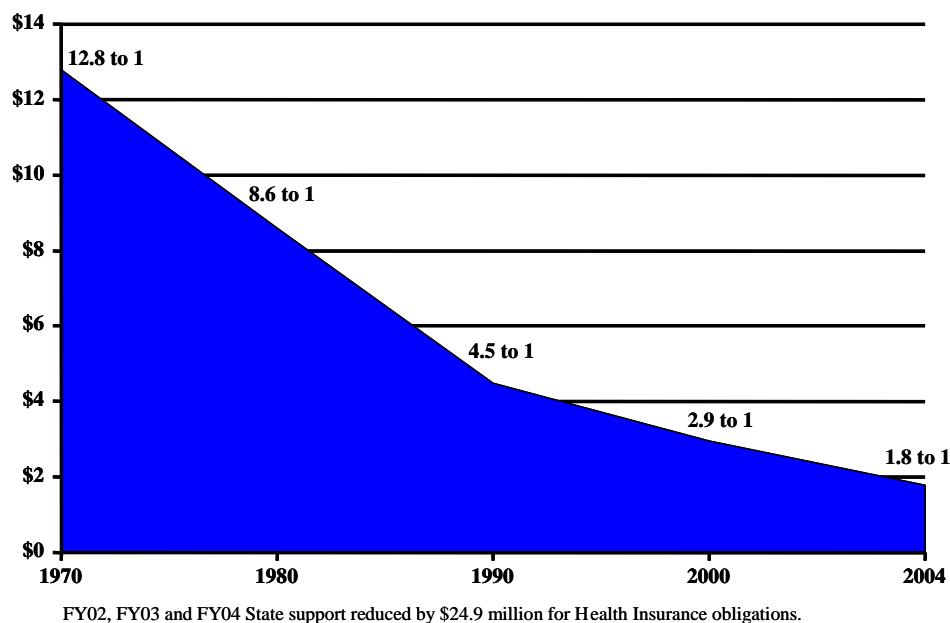
It requires a 1.8% tuition increase to make up for the loss of 1% in State tax resources.

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.

As illustrated in Figure 6, thirty-four 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 just under \$2.

Figure 6
State Support Per Tuition Dollar
FY 1970 to FY 2004



SUMMARY OF THE FY 2005 BUDGET REQUEST

The University's FY 2005 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. 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.

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.

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. Absence of state funding for salary increases in FY 2004 leaves the University again vulnerable to erosion of competitiveness. To counter this, the University will fund a very modest salary program for FY 2004 by diverting funds from other purposes; to do otherwise would show reckless disregard for the University's competitiveness. For FY 2005 our compensation improvement request includes support for direct salaries. A 4% 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.

Other payroll costs and 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 over 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.

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 below 4.5%—a very modest advance to initiate recovery for the University of Illinois.

The FY 2005 request continues the precedent set in FY 2000 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.

In his Preface, President Stukel highlights several essential academic program priorities for the FY 2005 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 compensation and 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.

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

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.

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. The need to begin to recover lost capacity in library materials in both print and electronic forms also receives significant attention. 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.

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

For a number of years the University of Illinois has operated a variety of programs with statewide scope and function, funded through dedicated fund sources (Fire Prevention) or annual grants from the IBHE's Higher Education Cooperation Act (HECA) program. With the inclusion 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.

Finally, the operating budget request includes two addenda, the first describing the State Universities Retirement System (SURS) and the second describing special budget needs in the Division of Specialized Care for Children (DSCC). 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 and DSCC program needs are addressed separately.

The full FY 2005 operating budget request is outlined in Table 2, which follows.

Table 2
FY 2005 Operating Budget Request
(Dollars in Thousands)

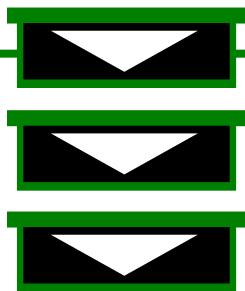
I.	Continuing Components		\$48,322.8
		<i>% of FY 2004 Base *</i>	<i>4.47%</i>
A.	Compensation Improvements		\$32,086.4
1.	Salary Improvements - 4%		\$32,086.4
B.	Other Payroll Costs		\$1,724.0
1.	Medicare		\$300.0
2.	Workers' Compensation		924.0
3.	Legal Liability		500.0
C.	Price Increases		\$10,307.3
1.	General Price Increases - 3%		\$4,218.0
2.	Utilities Price Increase - 6%		3,585.7
3.	Library Price Increase - 10%		1,914.2
4.	Technology Price Increases - 5%		589.4
D.	O & M New Areas		\$4,205.1
1.	Chicago Projects		\$2,589.2
2.	Springfield Projects		950.0
3.	Urbana-Champaign Projects		665.9
II.	Statewide Initiatives in Higher Education		\$18,043.2
A.	Recruitment & Retention of Critical Faculty & Staff - 2%		\$16,043.2
B.	Facilities Renovation Support		2,000.0
III.	Academic Program Initiatives		\$10,000.0
A.	Strengthening the Academic Base		\$6,595.0
B.	Investing in Instructional Technology		1,450.0
C.	Increased Links to the State of Illinois		1,955.0
IV.	Academic Program Initiatives (University-wide)		\$2,500.0
A.	Online Instruction		\$250.0
B.	P-16 Programs		250.0
C.	UI-Integrate		1,000.0
D.	Economic Development		1,000.0
	Total Request		\$78,866.0
	<i>% of FY 2004 Base *</i>		<i>7.30%</i>
V.	Statewide Programs (FSI, IDAL and ION)		\$961.6
VI.	Addenda (DSCC)		\$2,000.0

* FY 2004 Base: \$1,080,111.5

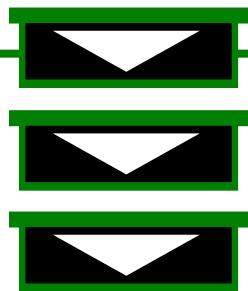
** See Addendum II for discussion of funding request for DSCC.

OPERATING BUDGET

REQUEST FOR FY 2005



CONTINUING COMPONENTS



SALARY AND BENEFIT INCREASES

(\$32,086,400)

Overview

Inability to provide a salary increase in FY 2003 poses perhaps the greatest challenge to the University's overall quality since the late 1980s.

The overall quality of the University of Illinois, as measured by numerous academic indicators, places it among the nation's top higher education institutions. As a national leader, the University faces a dual dilemma: to sustain its national standing it must attract and retain top-quality faculty, staff and students; yet that same national prominence marks the University as a prime target for other institutions seeking to enhance their own quality through recruitment of new faculty. In the last 15 years, the Urbana campus in particular has lost numerous faculty to competitors. The University must remain active in the market for top-flight faculty or risk falling behind. Enormous growth in college-age population in many states, combined with a spike in applicants brought on by the national recession, only exacerbates the competition for superior faculty.

In the last year, many states across the nation experienced slow revenue growth, presenting policymakers with difficult decisions. But despite this constrained budgetary environment, most states approved modest salary increases for faculty and staff in FY 2003. Unfortunately, an extreme revenue shortfall in Illinois made funding for pay raises impossible, and the University was forced to forego a salary increase program for the first time since FY 1988. The timing was most inopportune, as the University had recently begun to regain salary standing lost in the late 1980s and early 1990s. State funding cuts have forced the University to leave many faculty vacancies unfilled, mitigating progress in that area. Extensive damage has been done to the University's ability to compete, and experience with past lean budget years suggests it will be difficult to repair.

And yet the challenge remains the same. To avoid diminishing quality, the University of Illinois must retain talented faculty and staff; vying in a national marketplace, it must attract and retain 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 last 15 years have seen an erosion of the University's faculty salary standing, with periodic years of no or low increases undoing efforts to build competitiveness.

The 0% salary increase year of FY 1988 was followed by two years of raises averaging about 8% per year, but from FY 1991 to 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 around 4% salary growth in each year. Consequently, the University's faculty salary standing plummeted and earlier progress toward building a competitive 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. After FY 1998, the national market for quality faculty and staff accelerated, and the University attempted to keep pace. In addition to a 3% salary increment for all University faculty and staff in FY 1999, the Urbana-Champaign campus received additional State money for its "retaining critical faculty" initiative, which also utilized reallocated funds. The following year, the Illinois Board of Higher Education inaugurated its "3 + 1 + 1" program, calling for all Illinois public universities to receive 3% salary increments, plus an additional 1% to recruit and retain critical faculty and staff, to be matched by 1% in local funds. The program enabled faculty salaries at the University to grow by around 5% per year in FY 2000 and FY 2001, but little if any ground was gained, as peer institutions averaged annual growth of 5% to 6%. In FY 2002, the 1% additional state increment was raised to 2% with the same 1% local match, in effect creating a "3 + 2 + 1" program. Sustained effort finally bore fruit, and all three University of Illinois campuses advanced on their peers. Throughout this latter period, the competitiveness of staff salaries with their state employee counterparts was maintained.

Then came FY 2003. Most peer institutions gave raises of at least 2% to 5%. While the University of Illinois and other public institutions in Illinois gave none most public institutions in other states did give raises last year. Eight years of salary advances were undone in one. Unfortunately, the cutting continued in FY 2004. Despite those cuts, the University will fund a very modest salary program for FY 2004 by diverting funds from other purposes; to do otherwise would show reckless disregard for the University's competitiveness and, more importantly, for


*Eight years of progress
in faculty salary
competitiveness were
undone in FY 2003.
Internal reallocation
to fund a modest
program in FY 2004
will exhaust the
University's ability to
reallocate further in
future years.*

our employees' morale and well-being. But the ability to further reallocate resources in future years has been exhausted.

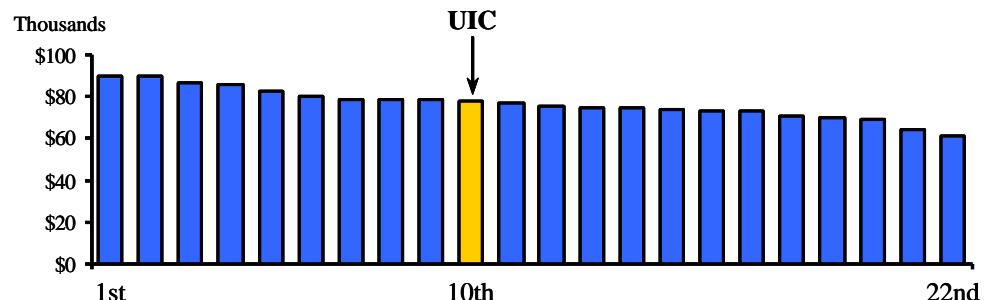
In such an environment, the need to monitor the University's competitive standing may be more crucial than ever. Numerous salary analyses are performed annually for that purpose. Due to the varied nature of the University workforce, separate analyses are performed for academic employees and staff. Salaries for academic employees, including faculty, are compared to those at peer institutions, while staff salary comparisons are made with appropriate employee groups in the State and regional markets. The discussion that follows provides background information concerning the University's competitive position.

FACULTY SALARIES

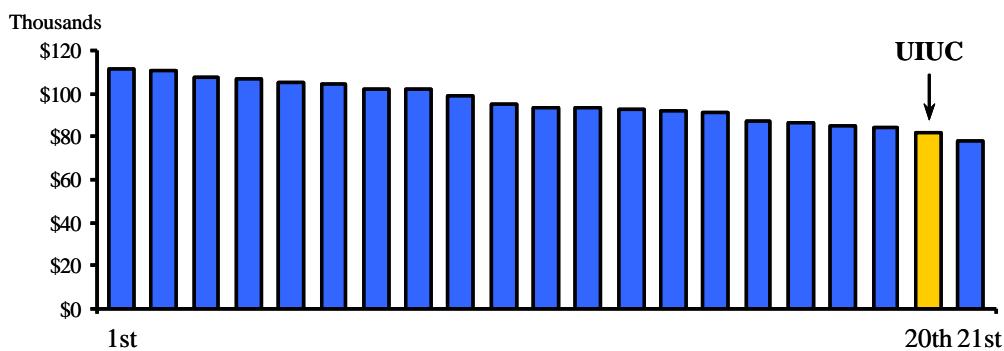
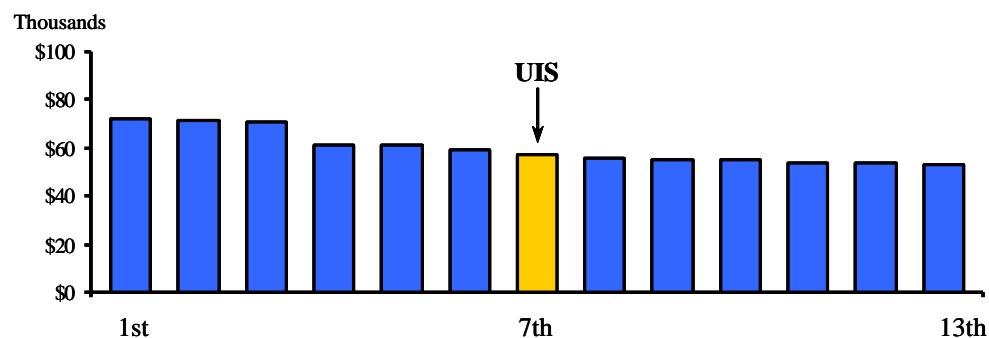
To assess Illinois' position in the national market for faculty salaries, the Illinois Board of Higher Education (IBHE) established groups of peer institutions in 1985. Through a complex statistical process, 1,534 senior institutions were divided into 41 peer groups based on similarity of characteristics, including enrollment levels, type and numbers of degrees conferred, funding levels and detailed faculty characteristics. The peer group developed for Sangamon State University became inappropriate after its merger with the University of Illinois in FY 1996. An updated peer group was developed in FY 2002 for the University of Illinois at Springfield, based on the most recent financial, staffing and student data available. The new group better reflects the campus' evolving academic mission, as well as its quality and standing within the University of Illinois. Throughout this and later sections dealing with faculty salaries, the IBHE groups are used for the Chicago and Urbana-Champaign campuses, while the new peer group is used for Springfield.

The competitive standing of each campus indicates how well its faculty salaries have fared relative to its peers. Figure 7 shows that UIC ranked 10th in its group in FY 2003 and UIS ranked 7th. Both rankings represent a drop of two places from FY 2002. Although the Urbana-Champaign campus is among the nation's most academically competitive institutions, salaries for faculty at UIUC have long ranked near the bottom of its comparison group. Figure 7 illustrates UIUC's weak position relative to its peers.

Figure 7
FY 2003 Competitive Standing among Peers
UIC, UIS and UIUC



FY 2003 found faculty salaries at UIC and UIS ranked near the middle of their peer groups, but UIUC remained near the bottom.



A rebound for the three campuses will not be possible in FY 2004 due to lack of funding for faculty salary increases. In fact, public peer institutions have indicated they again plan to provide faculty pay increases of at least 2% to 5%, which (other things equal) would cause Chicago and Springfield to lose at least one more place in rank. Urbana-Champaign probably would not lose another, because it has virtually none to lose, but the campus' distance to last place would likely be cut in half. Thus, the University will forfeit all or most of the competitive gains made over the

last decade, even while inflation continues to erode base pay of University faculty and staff.

FACULTY SALARIES BY DISCIPLINE

Another way to gauge faculty salary standing is to examine salaries by discipline from FY 1987 through FY 2003, years in which funding fluctuations dramatically influenced salary levels. This review identifies areas of continued difficulty for UIC and UIUC. Competition for top quality faculty is intense in high-demand disciplines, especially those in which private enterprises can offer lucrative alternatives to academic service. Such competition has contributed to an unexpected rise in starting salaries causing salary compression. The University has experienced great difficulty in attracting and retaining key faculty in high demand areas, as well as in areas of lesser demand. If Illinois' constrained budget climate persists, such difficulties could reach critical levels, weakening the overall quality of the University.


Table 3 displays data for 13 disciplines at the Chicago campus and comparable data for 18 disciplines at the Urbana-Champaign campus.

The study compares faculty salaries by academic discipline for public institutions in the Association of American 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 measured. 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 summarizes average salary by discipline reported for FY 1987 (prior to the "no salary increase" policy of FY 1988), FY 2002 and FY 2003. Also summarized is the University's 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 2003

University of Illinois at Chicago and AAUDE Institutions

Weighted to UIC Distribution of Faculty

	No. of	FY 1987		FY 2002		FY 2003		Rank Ch. Since		
		Univ.	UIC Salary	Rank	UIC Salary	Rank	UIC Salary	Rank	1987	2002
Architecture	17		\$34,233	14	\$63,743	8	\$62,281	9	5	-1
Business	22		45,451	11	102,327	15	102,842	16	-5	-1
Education	23		33,773	10	68,752	7	70,609	8	2	-1
Engineering	20		47,921	2	92,588	3	93,472	5	-3	-2
Foreign Languages	23		33,250	11	65,614	5	64,455	11	0	-6
Letters	23		34,622	11	67,637	6	69,214	6	5	0
Mathematics	23		42,184	12	77,123	16	80,676	17	-5	-1
Philosophy	23		41,405	4	68,602	4	69,543	5	-1	-1
Physical Sciences	23		42,846	6	74,571	17	77,454	18	-12	-1
Psychology	23		41,351	9	74,479	7	75,638	10	-1	-3
Social Sciences	23		37,882	14	71,711	13	72,394	16	-2	-3
Social Work	15		36,274	9	59,171	11	58,670	12	-3	-1
Visual and Perf. Arts	23		33,340	7	64,144	4	63,445	7	0	-3

University of Illinois at Urbana-Champaign and AAUDE Institutions

Weighted to UIUC Distribution of Faculty

	No. of	FY 1987		FY 2002		FY 2003		Rank Ch. Since		
		Univ.	UIUC Salary	Rank	UIUC Salary	Rank	UIUC Salary	Rank	1987	2002
Agriculture	15		\$40,698	6	\$78,254	6	\$77,812	10	-4	-4
Architecture	17		38,858	7	65,221	7	63,542	8	-1	-1
Business	22		52,341	3	113,231	8	115,390	12	-9	-4
Communications	21		36,213	5	73,598	4	75,412	4	1	0
Computer & Info	19		50,285	7	99,268	2	96,796	3	4	-1
Education	23		41,424	5	70,959	3	71,362	5	0	-2
Engineering	20		53,995	2	96,741	2	96,234	5	-3	-3
Foreign Languages	23		38,917	6	62,999	6	62,337	11	-5	-5
Home Economics	15		32,947	6	72,290	3	71,375	5	1	-2
Law	18		69,147	3	122,205	7	118,066	12	-9	-5
Letters	23		35,365	7	68,358	6	66,642	9	-2	-3
Mathematics	23		46,480	11	73,215	14	71,464	17	-6	-3
Philosophy	23		33,758	12	66,889	13	65,703	19	-7	-6
Physical Sciences	23		51,512	1	89,036	2	91,937	2	-1	0
Psychology	23		44,929	3	85,943	5	85,159	5	-2	0
Social Sciences	23		41,945	9	76,270	9	77,900	9	0	0
Social Work	15		38,342	7	55,660	9	53,766	10	-3	-1
Visual & Perf. Arts	23		36,360	7	59,701	8	59,136	12	-5	-4

The data show that by FY 2002 both U of I campuses had recovered a good portion of ground lost from the 0% salary program year of 1988 through the early 1990s. In FY 2002, UIC had regained its FY 1987 rank in 8 of 13 examined disciplines and UIUC had regained it in 10 of 18. But in FY 2003, UIC lost ground in all but 1 of the 13 disciplines, while UIUC lost in 14 of 18.

As a result, at UIC, only three disciplines (Architecture, Education and Letters) have improved their FY 1987 ranking, while salary rankings lag FY 1987 levels in eight of the remaining ten disciplines: Business, Engineering, Mathematics, Philosophy, Physical Sciences, Psychology, Social Sciences and Social Work. UIC's ranking was unchanged in Foreign Languages and Visual and Performing Arts.

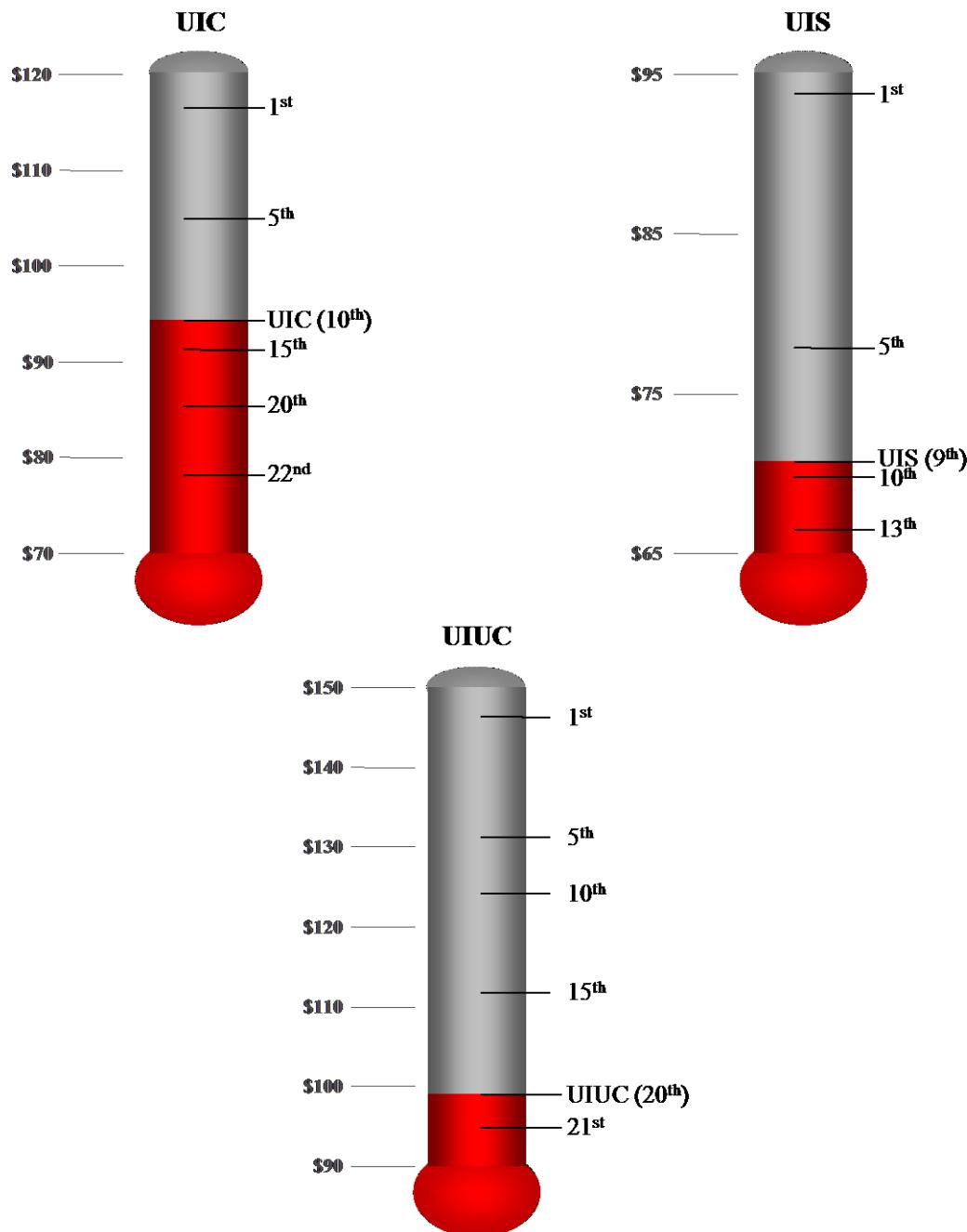
At UIUC, only 3 disciplines (Communications, Computer and Information Science and Home Economics) improved their FY 1987 ranking, while 13 others declined. The decliners were: Agriculture, Architecture, Business, Engineering, Foreign Languages, Law, Letters, Mathematics, Philosophy, Physical Sciences, Psychology, Social Work and Visual and Performing Arts. UIUC recovered its FY 1987 ranking in Education 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 the impact has been greater in some disciplines than in others. Despite progress in some fields, many disciplines continue to suffer from a loss of competitiveness. The magnitude of loss in FY 2003 was similar to FY 1988: the University lost ground in most disciplines, and a very large amount of ground in some. Little if any progress is expected in FY 2004. It is critically important that the University resume the road to recovery in FY 2005 and beyond in order to avoid a crisis in competitive ability.

TOTAL COMPENSATION

Total compensation represents the combination of average cash salary and employer contributions to fringe benefits. Figure 8 shows FY 2003 average total compensation for faculty in the ranks of Professor, Associate Professor and Assistant Professor at the three University of Illinois campuses and their peers. While UIC and UIS rank in the middle of the pack, UIUC ranks next-to-last.

Figure 8
FY 2003 Faculty Average Total Compensation
U of I Campuses and Peer Groups
(Dollars in Thousands)



The University's relatively low employer contributions for fringe benefits operate as a drag on total compensation, reinforcing salary deficits where they exist and working in opposition to salary gains. Consequently, the total compensation package must be considered a vital part of an overall strategy to strengthen the University's competitive position.

Budgetary constraints in prior years hurt the University in the faculty salary market. State funding and internal reallocation in more recent years produced salary programs that kept pace with inflation, but which were below the University's top competitors in many cases. By FY 2002 the Chicago and Springfield campuses had achieved real progress, and Urbana-Champaign, while stuck near the bottom of its peer group, showed slight gains. Absence of funding for salary increases in FY 2003 and FY 2004 left the University again vulnerable to erosion of competitiveness. Incremental funds totaling \$32.1 million are requested for FY 2005 for faculty and staff salary increases to halt the slide and avoid further loss of employee purchasing power. In addition, compensation must be made for last year's flat-line in the University's salary arch. The University's statewide programmatic request asks for \$16 million in additional funding, in order to repair damage caused by the 0% salary program in FY 2003 and to recover upward momentum in a highly competitive marketplace.

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 FY 2003		State of Illinois December, 2002		% Over/Under State Class	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Chicago Campus						
Secretary IV	\$23,876	\$35,344	\$25,360	\$33,864	-6.2%	4.2%
Staff Nurse II	\$42,556	\$79,414	\$42,696	\$56,388	-0.3%	29.0%
Accountant I	\$27,747	\$48,487	\$30,588	\$42,888	-10.2%	11.5%
Library Clerk II	\$19,451	\$28,794	\$22,596	\$29,252	-16.2%	-1.6%
Urbana Campus						
Secretary III	\$23,028	\$34,086	\$24,564	\$32,596	-6.7%	4.4%
Storekeeper II	\$31,551	\$33,384	\$29,784	\$37,632	5.6%	-12.7%
Accountant I	\$27,752	\$48,496	\$30,588	\$42,888	-10.2%	11.6%
Kitchen Laborer	\$20,613	\$28,059	\$22,260	\$28,812	-8.0%	-2.7%

For FY 2003, the University received no funds for a general pay raise. Internal reallocations were required to fund contracts previously negotiated with bargaining units and to address special merit, market or equity concerns. Most State of Illinois agencies confronted a similar situation.

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. The University's 0% salary program for non-negotiated staff in FY 2003 was considerably less than market range increases (3.0% to 3.5%).

Purchasing power comparisons are made using data from the Bureau of Labor Statistics, including sources such as the Employment Cost Index. Compensation costs for civilian workers (not seasonally adjusted) were up 3.4% for the year ending December 2002. In comparison, compensation costs for State and local governments increased 4.1% for the year ending December 2002.

STATE UNIVERSITIES RETIREMENT SYSTEM

The health of the State Universities Retirement System (SURS), as well as the University's 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 compensation policy for higher education in Illinois should include a strong call for continued adequate funding of the SURS program to ensure that existing benefits will remain secure. Action taken in 1995 by the General Assembly and the Governor to implement a long-term plan to strengthen pension funding for all State employees was a most welcome improvement. State statutes now mandate annual increases for SURS. FY 2004 is the 9th of a 15-year span of significant increases needed to compensate for past funding deficiencies. SURS' increment for this year is \$43.2 million. The Governor and the General Assembly approved a plan using bond proceeds to pay pension funding obligations to SURS and the other State-funded systems. Addendum I contains a more complete discussion of the SURS funding situation.

It should be understood, however, that while achieving and maintaining adequate SURS funding remains a key concern for FY 2005 and beyond, funding improvements will not, in and of themselves, improve either the benefits available to University employees or the University's competitive position among peer institutions. The adequacy of SURS' fiscal support must be assured. So, too, must improvements in the University's competitive position in total compensation be achieved.

OTHER PAYROLL COSTS

(\$1,724,000)

Overview

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. While some of the extreme stress on Federal Medicare has been relieved through four 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. Additionally, board legal liability claims continue to escalate. Increases in funding are essential to provide for these unavoidable expenditures.

MEDICARE AND SOCIAL SECURITY CONTRIBUTIONS – (\$300,000)

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.

Medicare cost increases present mandatory, unavoidable budget requirements.

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 double digit increases in 8 of the past 13 years; a result of the changes in Social Security requirements and the turnover of those employees exempt from Medicare requirements. Although appropriations for these costs also have increased, they have been insufficient in meeting actual needs. For FY 2004, the University permanently reallocated approximately \$1.0 million 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 Year	Appropriations	Expenditures	% Change in 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	7,589.9	12.4%
2001	6,686.6	8,589.7	13.2%
2002	6,887.1	9,753.7	13.6%
2003	9,037.1	9,473.9	-2.9%
2004	10,037.1	10,037.1 (est.)	5.9%

The FY 2003 appropriation is \$9,037,100 for the combined Medicare and Social Security requirements. In FY 2004, expenditures are expected to continue to rise. An increment of \$300,000 is requested for the FY 2005 appropriation. Because it is a federal mandate, this is truly an unavoidable increase for the University.

WORKER'S COMPENSATION – (\$924,000)

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 ten 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 Year	Appropriations	Expenditures	% Change in 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	3,713.1	-0.4%
2002	3,570.0	3,689.3	-0.6%
2003	3,570.0	4,497.8	21.9%
2004	3,570.0	4,200.3 (est)	-6.6%

For the last several years, the University has utilized 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 2003 were \$4,497,800 while the State appropriation was \$3,570,000 creating a shortfall of \$927,800. Actuaries have projected payments for FY 2004 to be \$4,200,300 and \$4,494,300 for FY 2005. 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 2005, \$924,000 for workers' compensation is requested.

LEGAL LIABILITY – (\$500,000)

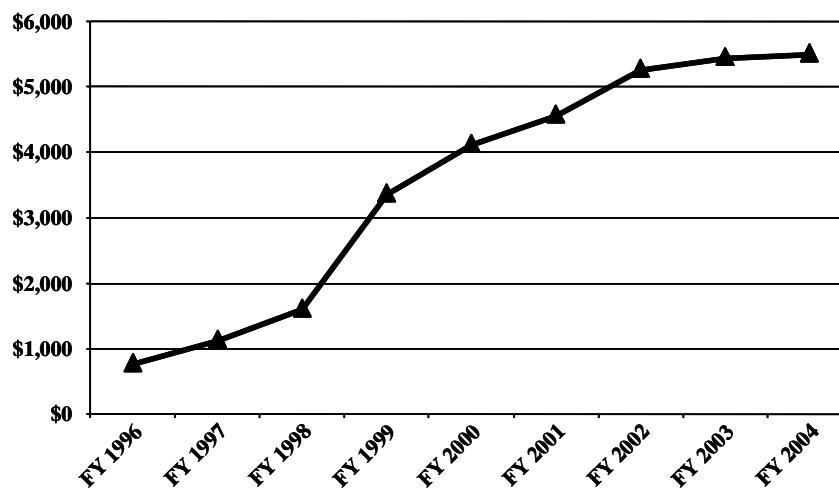
Following national trends, all forms of legal liability claim experience at the University of Illinois is deteriorating. Awards of the court are hitting new highs; claims are requiring more dollars to effect settlement. The Cook County venue is one of the most litigious in the country; awards and settlements are among the highest. These facts are given consideration by both the actuary and the insurer.

The University of Illinois maintains a comprehensive liability self-insurance program to cover the cost of claims made for bodily injury and personal injury. By far the largest exposure to the University is in the Board Legal Liability area, where claims are made for personal injury. Personal injury includes claims of discrimination, wrongful termination, civil rights violations, failure to educate, etc. The funding costs for the General and Board Legal liability programs has escalated from \$0.6 million to \$5.4 million during the period FY 1996 to FY 2004. This marked increase is due to:

- The increased cost of defense 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 several years as an indicator, it is expected that funding needs will continue to increase into the near future, as shown in Figure 9. All funding requirements are based on annual actuarial review.

Figure 9
Legal Liability
(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 are filed each year, a frequency less than .01%.

For the past three fiscal years, the University allocated \$4.55 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. A University committee was formed to evaluate this issue. The committee included experts in Legal Affairs, Risk Management, Actuarial Science and representatives from units with the highest exposure. The University has implemented a variety of risk awareness and loss control recommendations based on the report of the committee. However, as costs do continue to rise, the University is requesting \$500,000 for General and Board Legal Liability funding.

PRICE INCREASES

(\$10,307,300)

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 \$40
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. Since the last general price increase in FY 1990, inflation has averaged 2.7% per year, putting increased pressure on the University's ability to support its instructional and research programs adequately. Inflation has eroded the University's budget by \$40.2 million since 1990.

- **Utilities Price Increases**

The University's budget for utilities faces continued compounding pressures from years of deficit funding and reallocation that were required so the University was able to pay its bills for utilities. Yet even with constant attention to expenditure trends and efforts to avoid deficits, it is imperative that an 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 9 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.

- **Information Technology Price Increases**

The University requests funding to keep pace with expected technology price increases. Administrative software costs have increased by 7% per annum since 1991. Growth in network usage is soaring. The University is struggling to maintain technology resources despite constrained or flat budgets.

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 – (\$4,218,000)

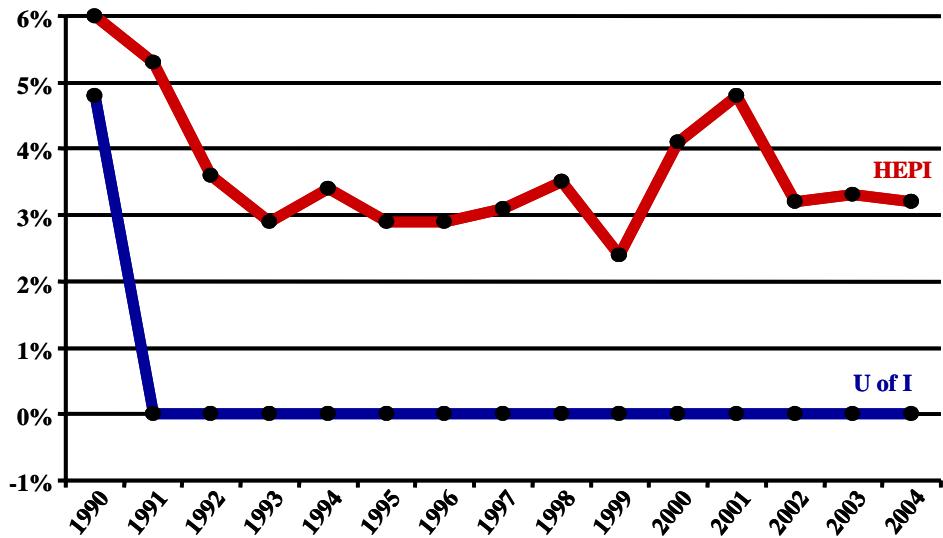
The University's requirements for general price increase funding are determined through a comparison of past funding levels with inflation and several economic indicators. In addition to historical comparisons which show cumulative gains and losses to inflation, economic forecasts are used to project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

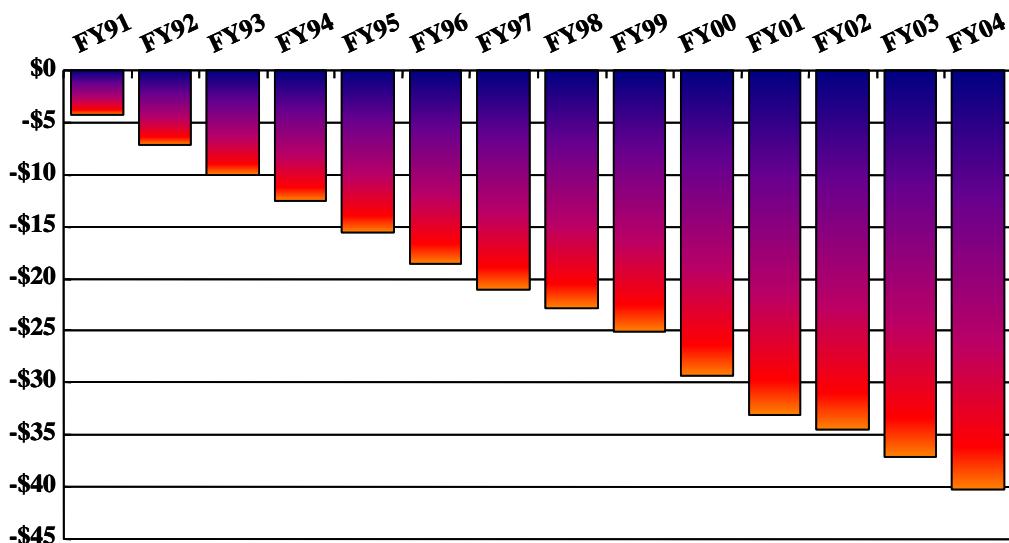
A comparison of University funding levels to these measures shows a strong positive relationship among these inflation indices and considerable differences between the price increases estimated by these indicators and University appropriations over the last decade. Specifically, the University has received no general price increase funding in the past fourteen 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 10.

Figure 10
Annual Inflation Increases
versus General Price Increase Appropriations



Budget revisions and reductions in FY 1988, FY 1992, FY 1993, FY 2002, FY 2003 and FY 2004, 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 have 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 \$40.2 million, as measured against the Consumer Price Index shown in Figure 11.

Figure 11
Cumulative Loss in Purchasing Power
(Dollars in Millions)

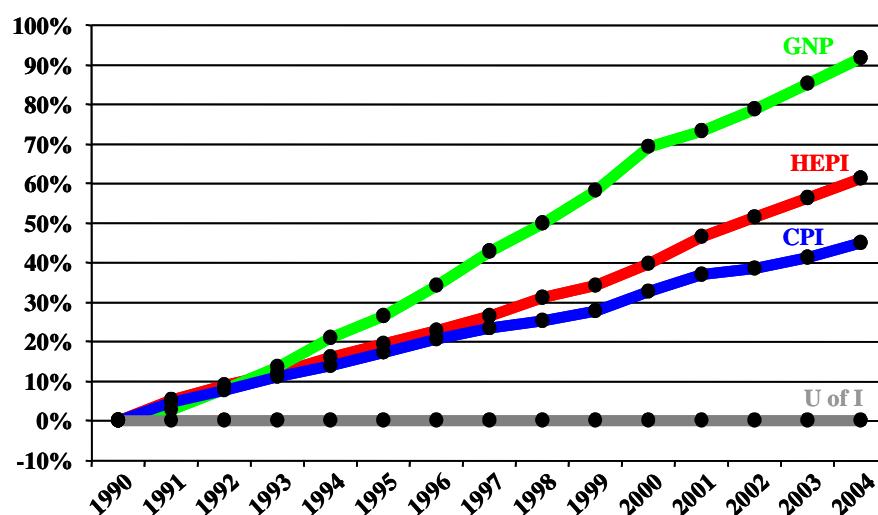


Based on materials included in General Price Increase.

The loss in purchasing power for general goods and services has reached \$40.2 million in the current year.

A review of the widening gap between inflation and University appropriations is displayed in Figure 12. 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 2004. The University estimates FY 2004 and FY 2005 increases of 2% to 3% (CPI and GNP indices).

Figure 12
Cumulative Inflation Increases
versus General Price Increase Appropriations



For FY 2005, 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 \$4,218,000 is sought.

UTILITIES PRICE INCREASES – \$3,585,700

Utilities funding requirements for FY 2005 are expected to require an increase of approximately 6%, a \$3,585,700 increment above the FY 2004 direct utilities base for all the campuses of the University of Illinois system. In FY 2003 the base budget for utilities was insufficient to cover the expenditures incurred during the year to heat, cool, power, light and serve the water and sanitary services on the campuses of the University of Illinois. It is anticipated that there will be an approximate \$6 million shortfall which will, of necessity, be resolved through internal reallocation of funds.

This situation in FY 2003 is very similar to that experienced during FY 2001 when an almost \$7 million reallocation was required to cover the deficit incurred from unusually high utilities expenditures primarily for natural gas as experienced by the nation as a whole. The deficit in FY 2003 would have been much greater had the base not received an initial reallocation of \$2.1 million at the beginning of the year for expected utilities price increases. This was necessary because the utilities base budget did not receive an increment from the State in FY 2003. The last increment received from the State was for FY 2002, a year in which expenditures and budget were closely matched. It is not a coincidence that a State increment offset increased expenditures, and that when an increment has not been forthcoming, internal reallocations are required. These reallocations pay for unmet obligations instead of funding on-going or expanded academic programs.

The University budget for utilities has also suffered from insufficient funding of utilities costs for new areas. Between FY 2002 and FY 2004 more than \$2 million has been permanently reallocated to fund utilities costs not met by the State. Again in all those years, no increment for new areas utilities was received from the State.

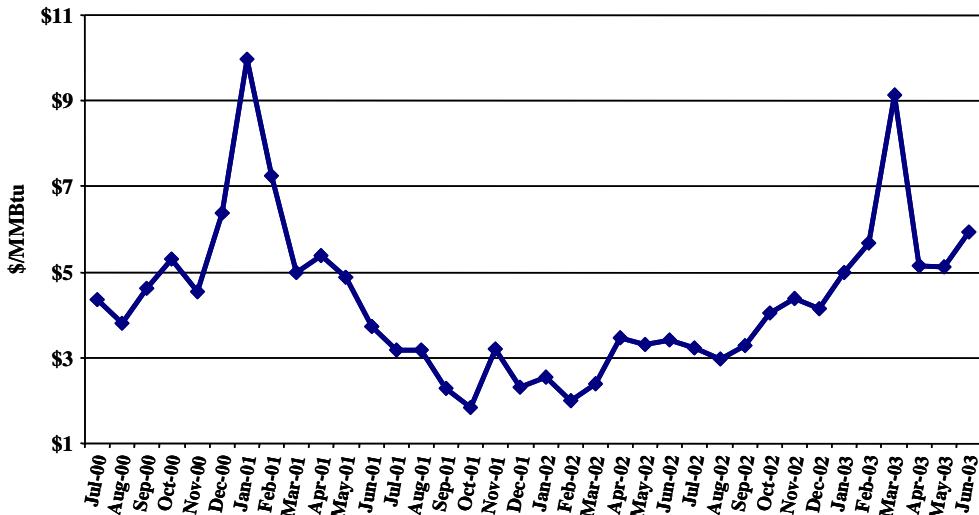
The University has done its part to control potential expenditures on both the operations and the capital components of the utilities budget/infrastructure equation.

The University of Illinois continues to proactively manage the expansion and renovation of its utility infrastructure in order to avoid costs and more efficiently consume resources.

The State has shorted the base budget required to pay for all utilities. There is a real disconnect between budget and expenditures. Over the last few years the University has met the obligations of utilities costs through proactive budget management and through internal reallocations to meet the deficits.

One of the major drivers of utilities budget deficiencies is the price of natural gas. As shown in Figure 13, its pricing volatility is well represented in the swing from the high of January 2001 down to the low of October 2001, a real decrease of more than \$8 per MMBtu. But more telling is the increase in cost from October 2001 to the most recent high of March 2003, when the NYMEX closing price was over \$9 per MMBtu, a fourfold increase. March 2003 was a month when fuel switching capabilities at the two main campuses were exploited to maximum capacity to help alleviate some of the potential costs of this high price. Since the deregulation of natural gas more than a decade ago, its pricing has become more and more volatile. The high peak price periods in Figure 13 match closely the fiscal years in which multi-million dollar shortfalls in the budget for utilities have been experienced.

Figure 13
NYMEX Natural Gas Settlement Prices
FY 2001 to FY 2003



It is expected that high prices will maintain and peak again during the next few winters. National storage levels of natural gas, heading into the heating season of FY 2004, are at a five year average low. Production efforts have been increasing as measured by recent Baker Hughes counts of active rotary rigs, but prices are not expected to decrease anytime in the near future.

Apart from natural gas prices and their influence on related energy product prices, two other areas that will require additional funding for rate increases are for sanitary service at all the campuses of the University and for water service at Urbana-Champaign.

The Illinois EPA as mandated by the US EPA is instituting a number of new fees for discharge permits under the National Pollutant Discharge Elimination System (NPDES). The fees are based on a variety of factors such as the type of operation, the nature of the discharge and flow rate of the discharge. Most of the fees and charges will be passed on from publicly owned treatment works to the end user, which includes the campuses of the University of Illinois. In total it is expected that these new costs could approach \$300,000 per year.

The last area of new costs to be discussed is the Illinois-American Water Company's 10% rate increase for water service, effective at the Urbana-Champaign campus. This new cost will approach \$150,000 annually. The rate increase is the same across all classes of customers—from residential to industrial. The main reasons for the increase are the costs associated with the heightened security required for measures because of September 11, 2001. Additionally, the company is continuing to renovate its water delivery infrastructure and make enhancements at water treatment pumping and storage facilities.

In conclusion, the University has allocated funds for FY 2004 to meet the anticipated utility requirements. However based on the forecasted cycles of natural gas prices, the additional costs for sanitary and water services, plus the structural deficiency in available utility funds it is necessary that the University request a utility increment. The University asks that the State contribute to the University's efforts to close the gap between the utilities budget and utilities expenditures. This

will require a budget increment of \$3,585,700 for FY 2005 to provide for required increased allocations for all three system campuses.

LIBRARY PRICE INCREASES – \$1,914,200

The Libraries of the University of Illinois request a 10% increase in their materials budgets to ensure that the Libraries maintain the quality of their collections and thereby fulfill their mission to students, faculty and researchers at the campuses and throughout the state. Several important factors in the current environment place the Libraries at risk including:

- A lack of any increase in State dollars to address inflation in both FY 2003 and FY 2004;
- Continued high inflation rates in the cost of scholarly materials;
- Increases in the number of electronic resources now considered vital to the teaching, learning and research needs of the campuses;
- The need to provide new and expensive collection items for bioengineering, biotechnology, medicine and related studies that keep the University in the forefront of research institutions; and
- The growth in interdisciplinary and international studies.

These factors continue the erosion of the collections that began more than sixteen years ago. Additional support to mitigate these circumstances is vital to maintain the excellence of the Libraries' collections.

The Chicago (UIC) Library serves the largest university in the Chicago area, as well as tens of thousands of students and faculty from other colleges and universities in the city and beyond. It holds 7.6 million items. The UIC Library of the Health Sciences is one of the largest medical libraries in the nation and has been designated by the National Library of Medicine as the regional medical library for ten states from Kentucky to North Dakota. UIC's special collections include a wide range of research materials, with emphasis on the history of Chicago. These include: the Jane Addams Memorial Collection; the 10,000-item Lawrence Gutter Collection of Chicagoana; the R. Hunter Middleton Chicago Design Archives; the corporate archives of the Chicago Board of Trade; records of the Century of Progress

International Exposition (1933-34); the Midwest Women's Historical Collection; and the Chicago Urban League. Recent additions include the papers of Richard J. Daley and the 500,000 images in the "Chicago in the Year 2000" (CITY2000) Collection.

The Springfield (UIS) Library supports students with a collection numbering more than 521,390 volumes; 2,290 periodical subscriptions; 3,530 films, videotapes and DVD's; 1,840,670 microforms; and 110,790 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.

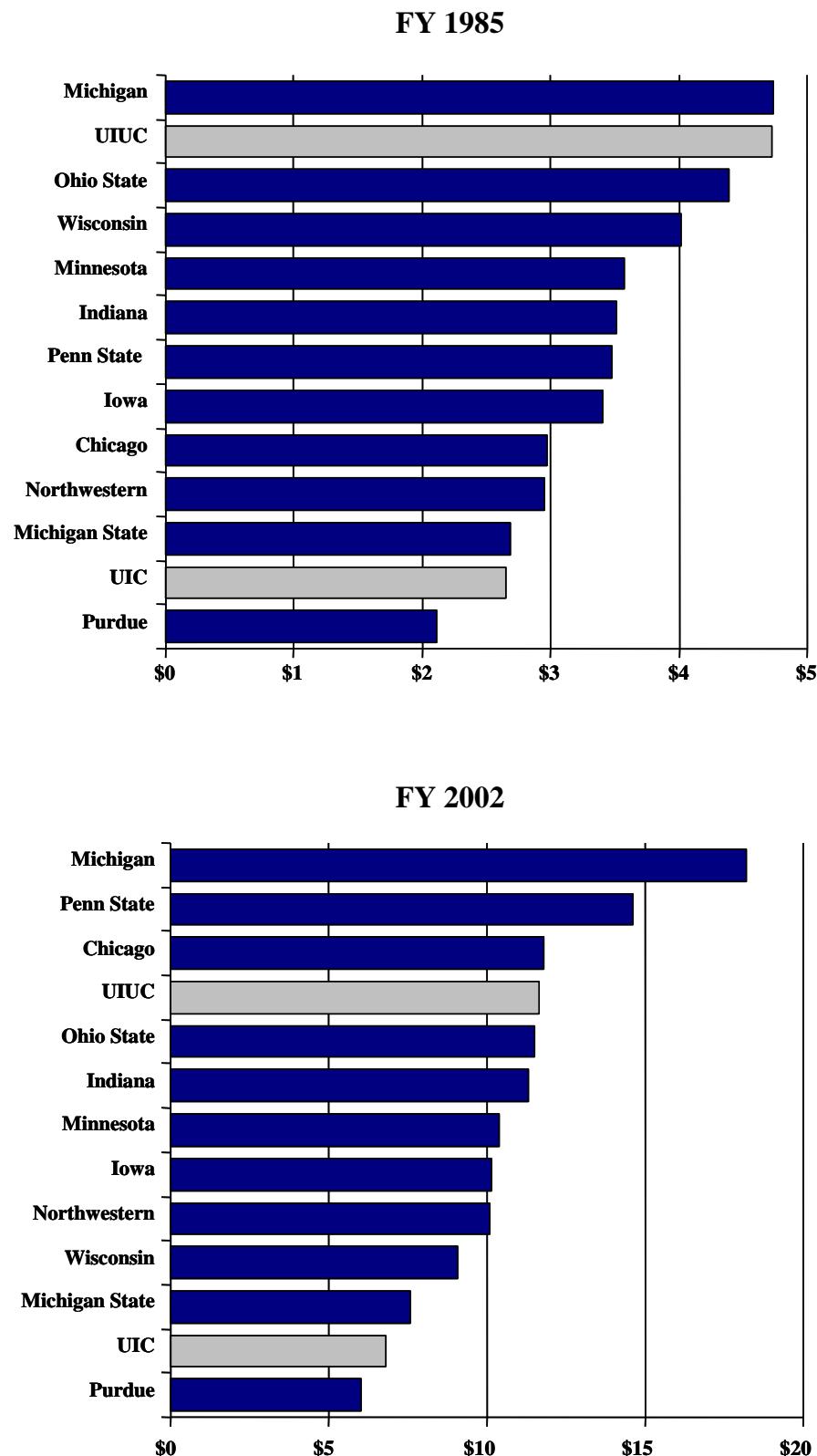
The Urbana-Champaign (UIUC) Library is a major educational and cultural resource for the University and the State of Illinois. The Library plays an important role in Illinois by providing materials and information services to citizens of the state, both onsite and through their local libraries. It also serves the global community, frequently functioning as the host to visiting scholars from around the world who come to use the Library's rich resources. Its collections have been instrumental in developing and supporting research and scholarship in many crucial areas that keep the state of Illinois economically vigorous, including agriculture, post-genomics and biotechnology, engineering, the arts and social policy. Strong and unique collections have long been a hallmark of the UIUC Library. With a collection of more than 22 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 Carl Sandburg, James B. Reston, John Milton, William Shakespeare, Marcel Proust, H. G. Wells, Mark Twain and Shana Alexander, further enhance the Library's greatness.

Over the last several years, the Libraries have inaugurated a program to enhance the 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 Libraries and other institutions, and new collections of electronic journals, electronic texts and other recently developed types of materials accessible online. The accessibility of electronic material is essential for distance education programs and their searching capability makes them critically important in numerous disciplines. Electronic journals average between 10% and 30% more in cost than their print equivalents with costs regularly inflating at an average of 10% to 12% each year. When the Libraries cannot afford to license the online material, they rely on access through an inter-library lending agency, the cost of which can average \$35 to \$50 per article to provide this service to users.

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 simultaneous purchase in print formats. These increasing prices, coupled with inconsistent collection funding over the past fifteen years, have seriously comprised the quality of the Libraries' collections. In both FY 2003 and FY 2004, many library disciplinary collections in the sciences and social sciences at UIUC cancelled journal titles (5-10%) and book purchases fell sharply at UIC in FY 2003 in an effort to absorb the effect of no new money for collections. Among the members of the Association of Research Libraries (ARL), the UIUC Library materials expenditures declined from 8th in FY 1985 to 17th in FY 2002; UIC library materials expenditures declined from 64th in FY 1988 to 67th in FY 2002 before suffering a cut in FY 2003. In FY 1985, Figure 14 shows the UIC and UIUC Libraries materials expenditures ranked 12th and 2nd among the 13 Committee on Institutional Cooperation (CIC) member libraries. By FY 2002, the UIUC Library's rank had dropped to 4th behind Michigan, Penn State and Chicago; UIC had dropped far behind Michigan State and close to 13th ranked Purdue.

Figure 14
CIC Library Materials Expenditures
(Dollars in Millions)



The special value of the Libraries' collections lies 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 campuses, 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 10% in FY 2005 to offset the damaging effects of the FY 2003 and FY 2004 budgets, the expected continued inflation, the need to keep pace with the demands of its users and recovery of a small portion of the ground lost over the past fifteen years.

TECHNOLOGY PRICE INCREASES – \$589,400

The University requests funding to keep pace with expected technology price increases. Insufficient funding requires the University to either reallocate already limited internal resources or reduce the scope of academic support, either of which inhibits efforts to enhance quality academic programs and services. Typically technology price increases may be broken into two categories: software hyperinflation and network demand.

- **Software hyperinflation**

Administrative and general use software typically increase at rates that exceed inflation, yet non-personnel budgets have remained flat or decreased over the same time period.

Administrative software costs have increased by 7% per annum since 1991; software that cost \$100 in 1991 on average will cost \$241 this coming academic year. General software, such as virus protection software essential to all faculty, staff and students, shows an even more ominous picture, with increases in the double digits. Pan-university negotiations may constrain FY 2005's costs, but vendors recognize that this technology is essential to the University's operation and will charge for it.

- **Network demand**

While this picture differs among the campuses, growth in usage of networks has soared, despite constrained or flat budgets. This increased load under flat budgets means a necessary decrease in reliability and performance from prior years.

UIC - Over the past 10 years, the campus network has gone from about 3,500 IP addresses to 40,000 IP addresses.

UIS - With the addition of the capital scholars program and new campus residential apartments, internet bandwidth usage has increased over 100% in the past two years.

UIUC - Internet bandwidth usage has increased by 48% between FY 2002 and FY 2003. While Residence Halls pay for their usage, the campus generally has no constraints on academic use; UIUC expects use to grow in FY 2004 at the same rate. Similarly, academic units add active connections to their departmental networks at about 22% per year (34,000 connections in FY 2002, 42,000 in FY 2003 and an expected 51,000 in FY 2004. There are 89,000 registered IP addresses which could be activated at any time).

For FY 2005, the technology price increase segment of the budget request seeks to obtain funding sufficient to halt further losses to inflation. Based on this, a technology price increase of 5% or \$589,400 is sought.

past two years.

UIUC - Internet bandwidth usage has increased by 48% between FY 2002 and FY 2003. While Residence Halls pay for their usage, the campus generally has no constraints on academic use; UIUC expects use to grow in FY 2004 at the same rate. Similarly, academic units add active connections to their departmental networks at about 22% per year (34,000 connections in FY 2002, 42,000 in FY 2003 and an expected 51,000 in FY 2004. There are 89,000 registered IP addresses which could be activated at any time).

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OPERATION AND MAINTENANCE OF NEW AREAS

(\$4,205,100)

Campus

Levels:

UIC

(\$2,589,200)

UIS

(\$950,000)

UIUC

(\$665,900)



The FY 2005 request for funding of the operation and maintenance of new and significantly remodeled areas supports six new facilities on the three campuses of the University of Illinois. Total space to be supported is approximately 680,000 gross square feet (gsf). All the facilities represent significant additions to the campuses to provide teaching, research and support space.

The demands of these facilities have above average utilities and other operating costs compared to most other facilities throughout the state or on the campuses. The FY 2005 annual operation and maintenance new areas request is the second in a series which will include many high demand facilities. Some of the projects that will make future year request lists are the Chemical Science building at Chicago and the Post Genomics Institute at Urbana-Champaign.

As in years past, it must be reiterated that two of the State's policies for funding new areas are detrimental by their design. The State's practice of funding utilities at a campus average and other costs at a statewide average creates a recurring operating deficit. These losses together with the lack of funding for certain projects altogether contribute to real deficiencies that must be absorbed by the University. The second policy was implemented by the State in FY 1998 when it abolished its prior practice of fully funding new areas utilities. No longer does a facility receive the funds required to pay its bills for utilities, rather it is allocated a wholly inadequate campus average cost. The resulting deficiencies contributed to the recent over expenditures of the utilities base budget, requiring reallocation of funds from programs in order for the University to pay its utilities bills. Other operation and maintenance activities, as unfunded expenses, become classified as deferred maintenance. This postponement of expenditures for facility maintenance only permits problems to occur and grow larger through neglect.

Receiving no new areas support funding in FY 2004 from the State, the University was forced to reallocate almost \$2 million to fund these unavoidable costs of new areas. However, this is not a practice that the University can maintain without seriously impinging on the activities of other programs. It is critical that the State

support the real operation and maintenance costs of facilities that it approves for construction.

For FY 2005 the requirement to support the operation and maintenance of new facilities totals \$4,205,100. Six projects, as shown in Table 7, require either full or partial funding of the annual costs for operation and maintenance.

Table 7
FY 2005 Operation and Maintenance Requirements to Support New Areas

Project	GSF	Total Annual Cost	\$/GSF	Date of Occupancy	Months	FY 2005 Amount
Chicago						
College of Medicine Research Building	332,000	\$6,033,120	\$18.17	2/2005	5	\$2,513,800
Structural Biology Instrumentation Building	12,000	180,840	15.07	12/2003	5	75,400
Sub-total						\$2,589,200
Springfield						
Classroom Office Building	130,000	\$950,000	\$7.31	7/2004	12	\$950,000
Urbana-Champaign						
NCSA Building	123,000	\$1,448,400	\$11.78	5/2005	2	\$241,400
Christopher Hall - Family Resiliency Center	25,200	207,720	8.24	9/2004	10	173,100
Campus Chiller and Distribution Center	58,200	1,005,400	17.27	10/2003	3	251,400
Sub-total						\$665,900
TOTAL						\$4,205,100

CHICAGO PROJECTS

**College of
Medicine Research
Building**

Under construction and located on the northeast corner of the intersection of Wolcott Avenue and Taylor Street, the new College of Medicine Research Building will provide 332,000 gsf of laboratories, research centers and research support space for the University's medical and bio-tech programs. Designed to be flexible in the accommodation of space for research and the number of and background of the principal investigators, the building's module design will allow for changes as research programs are developed, executed, analyzed and then completed. Supporting researchers from across the basic sciences (Anatomy, Biochemistry, Microbiology, Pharmacology and Physiology) this facility will replace out dated,

inefficient and undersized laboratories, some of which are more than 70 years old and through this upgrade enhance the University's ability to successfully compete for large "Center and Program Grants" and to successfully compete for the researchers who utilize these types of programs. Scheduled for completion in 2005, five months of support for the operation and maintenance needs of the facility are sought in FY 2005, a total cost of \$2,513,800.

**Structural Biology
Instrumentation
Building**

This 12,000 gsf facility will house the Center for Structural Biology. The building will house two new spectrometers and an X-ray diffractometer currently located in the Molecular Biology Research Building. Additionally there will be an X-ray crystallography room, computer room, small wet lab, office space, conference room and other associated support spaces. Integrated building systems to maintain constant accurate levels of temperature, humidity control and power will be necessary to protect the highly sensitive equipment. Funded for seven months of support in FY 2004 by internal reallocation of University funds, five months of new areas support is being requested from the State for FY 2005, at a cost of \$75,400.

SPRINGFIELD PROJECT**Classroom Office
Building**

This new areas request is for funds to operate and maintain a four-story classroom/office building which will provide 130,000 gsf of classroom, laboratory and office space for existing programs. These academic and student services programs are currently housed in either pre-engineered metal buildings on the east side of campus or in Brookens Library on levels 3 and 4. Occupancy of this building will consolidate most academic programs and student services into permanent buildings in the central core of campus, contributing further to the formation of a campus quadrangle. 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 book stacks 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. Scheduled for completion in time for the FY 2005 academic year, a full twelve months of operation and maintenance funds are requested totaling \$950,000.

URBANA-CHAMPAIGN PROJECTS

NCSA Building

► The National Center for Supercomputing Applications (NCSA) is a leader in defining the future's high performance computing infrastructure for scientists and for society. NCSA is the leading-edge site for the National Computational Science Alliance, a nationwide partnership of more than 50 academic, government and business organizations working together to prototype an advanced computational infrastructure for the new century. Additionally, NCSA is part of a team with four other institutions chosen by the National Science Foundation to build the most comprehensive infrastructure ever deployed for scientific research commonly referred to as the TeraGrid. When completed the TeraGrid will include 20 teraflops of computing power distributed at 5 sites, facilities capable of managing and storing nearly 1 petabyte of data, high-resolution visualization environments and toolkits for grid computing. These components will be integrated through a network operating at 40 gigabits per second. As part of its program of technology transfer, NCSA also operates the Private Sector Program (PSP). PSP ensures that leading-edge ideas developed at NCSA are quickly put to use through active collaboration with industry leaders.

This new facility for NCSA was funded through the State's VentureTECH program. Construction funds in the amount of \$30 million were appropriated over a two year period for construction of this 123,000 square foot facility. The building will contain offices, research laboratories, conference space, training labs and related support activities and will be located to the north of the Siebel Center for Computing Sciences. Slated for completion in May 2005, two months of operations and maintenance funds are requested totaling \$241,400.

Christopher Hall – Family Resiliency Center

► This new academic facility will house the Family Resiliency Center that is based in the Department of Human and Community Development, College of ACES. Through a gift from Doris and Jay Christopher, the family resilience program was established in 2000. In late 2002 the Christopher's followed up with a capital gift of \$8.5 million for construction of the Family Resiliency Center. The facility will be the site of innovative research, education and public engagement initiatives aimed at enriching child, individual and the family in the context of communities. The building is sited at the northwest corner of Lincoln Avenue and Nevada Street

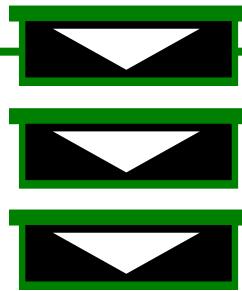
placing it in close proximity to the Child Development Lab and the Expanded Child Development Lab.

The building will consist of three levels with a unique feature of the facility being the “residential house” or family observation facility. This is a portion of the building that is designed to simulate a home environment complete with kitchen, dining, lavatory and living spaces allowing researchers to perform cutting-edge research on family resiliency based on real family interaction. The area will also be equipped with a production and observation booth. The remainder of this facility includes a public engagement area, conference space, family information suite and various offices and associated dry lab space. Completion of this facility is expected in September 2004 and therefore ten months of operation and maintenance funds are requested totaling \$173,100.

**Campus Chiller
and Distribution
Center**

- The Campus Chiller and Distribution Center is part of the overall evolution from dedicated building chillers, to regional plants, to a central campus system which follows the long range study and subsequent master plan developed in the mid-1990s for the chilled water utility on the Urbana-Champaign campus. The new campus chilled water distribution center constructed at the southwest edge of campus is interconnected to three other chiller sub-plants on the campus creating the loop thereby providing capacity to handle the cooling needs of the Urbana-Champaign campus. The center will house three large chillers with associated cooling towers, pumps and supporting electrical equipment. It is sized to serve the projected 20 year campus load growth and will be able to accommodate future demand as new facilities are built or replaced. Funded for nine months of operation and maintenance support in FY 2004 through internal reallocation of University funds, the remaining three months of operation and maintenance support requirements are requested for FY 2005, a total cost of \$251,400.

STATEWIDE INITIATIVES IN HIGHER EDUCATION



RECRUITMENT AND RETENTION

(\$16,043,200)

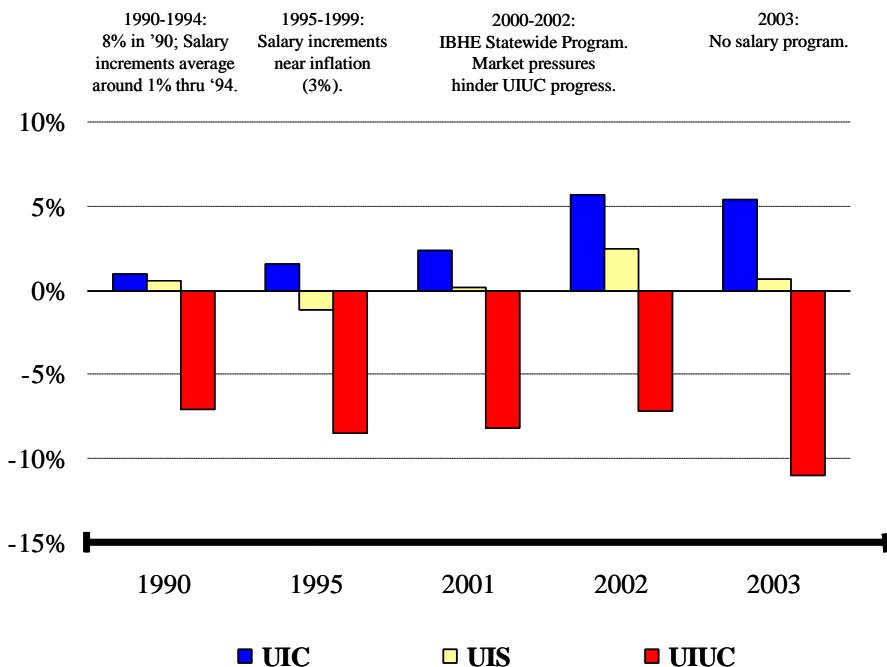
Overview

► The quality of a university's instruction, research, and public service depends in large part on the quality of its faculty. Facilities, library resources, staff quality and other factors are vital too, but it is the teacher in the classroom, laboratory investigator, policy center director, who bring life to an institution. A university's reputation turns in large part on the human interactions between faculty, students and the larger community. Knowing this, institutions compete vigorously for the highest quality faculty members. Institutions also seek to compensate fairly those faculty on hand, to ensure that enthusiasm does not wane and that faculty are justly rewarded for their many and varied contributions.

University faculty are highly educated, talented people with many options in the labor market. Compensation levels must remain at least on par with that market to attract and retain brilliant teachers and scientists. Moreover, loyalty to an institution can be bred only by consistency of commitment, which encompasses many things, but most certainly includes steady salary progression. If pay is below market and/or does not progress sufficiently, faculty may be more apt than otherwise to exercise their right to find other, more rewarding career opportunities. Given these facts, a year without salary increases is one of the most difficult situations an institution can face, both in terms of competitiveness and morale.

The University of Illinois made significant progress in faculty salaries from FY 1995 through FY 2002, before falling back in FY 2003. Figure 15 shows the average salary of full-time instructional faculty in the ranks of Assistant Professor and above at each University of Illinois campus as a percent of its peer group median. (IBHE groups were used for UIC and UIUC, while UIS' updated peer group was used.) Salaries for UIC have generally exceeded the median, peaking in FY 2002. Those at UIS hovered around the median, achieving a slightly lower peak than UIC in FY 2002. UIUC, mired far below its peer group median, achieved slight progress in FY 2002, but fell below 90% of its peer group median in the last year.

Figure 15
Distance from Peer Group Median
UIC, UIS and UIUC



The downward salary trend of FY 2003 is also reflected in the peer group rankings, which are shown in Table 8. Despite several bad years between FY 1987 and FY 1994, UIC lost just one rank, and UIS gained one. UIUC, however, fell to rock bottom in its peer group. Sustained effort through FY 2002 lifted UIC to 8th in its group and UIS to 6th. Even UIUC gained slightly, rising to 18th. But in FY 2003, all three campuses lost two positions, although the table reflects just a one-spot loss for UIS due to missing data from Shippensburg (Pa.) University, which in all likelihood ranked ahead of UIS.

Table 8
Full-Time Instructional Faculty Average Salaries FY 1987 to FY 2003, All Ranks
(Dollars in Thousands)

University of Illinois at Chicago and IBHE Peers

	1987		1994		2002		2003
Chicago Campus							
Cal.-Santa Barbara	\$51.9	Massachusetts	\$62.2	Cal.-Santa Barbara	\$88.4	Cal.-Santa Barbara	\$89.3
Cal.-Irvine	50.0	Temple	61.5	Maryland	88.1	Maryland	89.3
Cal.-Davis	48.3	Cal.-Santa Barbara	59.5	Cal.-Davis	85.7	Cal.-Davis	86.8
Cal.-Riverside	47.0	Hawaii	59.2	Cal.-Irvine	84.5	Cal.-Irvine	85.7
Massachusetts	45.4	Cal.-Irvine	58.7	Cal.-Riverside	82.8	Cal.-Riverside	82.9
Va. Tech.	42.8	Maryland	58.1	Delaware	78.9	Delaware	80.5
Maryland	42.3	Delaware	57.9	Massachusetts	78.8	Michigan St.	78.9
Florida	42.3	Cal.-Davis	57.4	UIC	76.7	Massachusetts	78.6
Arizona	42.0	Wayne St.	56.7	Temple	76.2	Temple	78.2
Arizona St.	40.5	Michigan St.	56.1	Va. Tech.	76.0	UIC	77.9
Wayne St.	40.3	Arizona	54.4	Michigan St.	74.8	Va. Tech.	76.7
Michigan St.	39.8	Va. Tech.	53.5	Wayne St.	73.6	Arizona	75.5
UIC	39.7	Cal.-Riverside	53.1	Arizona St.	73.1	Arizona St.	74.8
Georgia	39.4	UIC	52.6	Arizona	72.9	Wayne St.	74.7
Temple	39.2	Arizona St.	50.9	Georgia	71.6	Georgia	73.6
Hawaii	38.7	Utah	50.4	Florida	71.2	Hawaii	73.0
Delaware	38.3	Florida	50.4	Utah	69.6	Florida	72.8
Va. Common.	37.3	Va. Common.	50.2	Va. Common.	69.1	Utah	70.6
Vermont	37.2	Georgia	49.9	Hawaii	68.5	Florida St.	69.7
Utah	37.1	Oregon	49.0	Florida St.	66.9	Va. Common.	68.8
Florida St.	37.0	Florida St.	47.8	Vermont	61.1	Oregon	63.9
Oregon	34.5	Vermont	n.a.	Oregon	60.5	Vermont	60.8

University of Illinois at Springfield and IBHE Peers

	1987		1994		2002		2003
Springfield Campus							
SUNY-Brockport	\$39.2	Shippensburg (Pa.)	\$57.5	Union	\$71.3	Union	\$72.2
Trinity	38.9	Trinity	55.1	Trinity	69.7	Trinity	71.7
Clark	38.3	Clark	52.2	Clark	68.4	Clark	70.7
Union	36.9	Union	52.0	Shippensburg (Pa.)	68.1	SUNY-Brockport	61.2
Iona	36.0	SUNY-Brockport	50.0	Iona	59.4	Iona	61.1
Shippensburg (Pa.)	35.5	No. Michigan	49.4	UIS	58.1	No. Michigan	59.3
No. Michigan	34.7	Iona	47.0	SUNY-Brockport	57.8	UIS	57.0
Wisc.-Green Bay	33.6	UIS	43.7	No. Michigan	57.2	Auburn-Mont.	55.8
UIS	33.5	Lake Superior St.	43.3	So. Dakota	54.2	So. Dakota	55.0
Charleston	31.9	Wisc.-Green Bay	43.2	Auburn-Mont.	52.8	Marist	54.9
So. Dakota	31.3	Auburn-Mont.	42.5	Charleston	52.8	Wisc.-Green Bay	53.8
Auburn-Mont.	31.3	Marist	42.3	Marist	52.8	Charleston	53.7
Lake Superior St.	30.9	Charleston	38.8	Georgia St.	52.1	Georgia St.	53.4
Marist	29.6	Georgia St.	38.2	Lake Superior St.	51.5	Lake Superior St.	n.a.
Georgia St.	n.a.	So. Dakota	n.a.	Wisc.-Green Bay	51.3	Shippensburg (Pa.)	n.a.

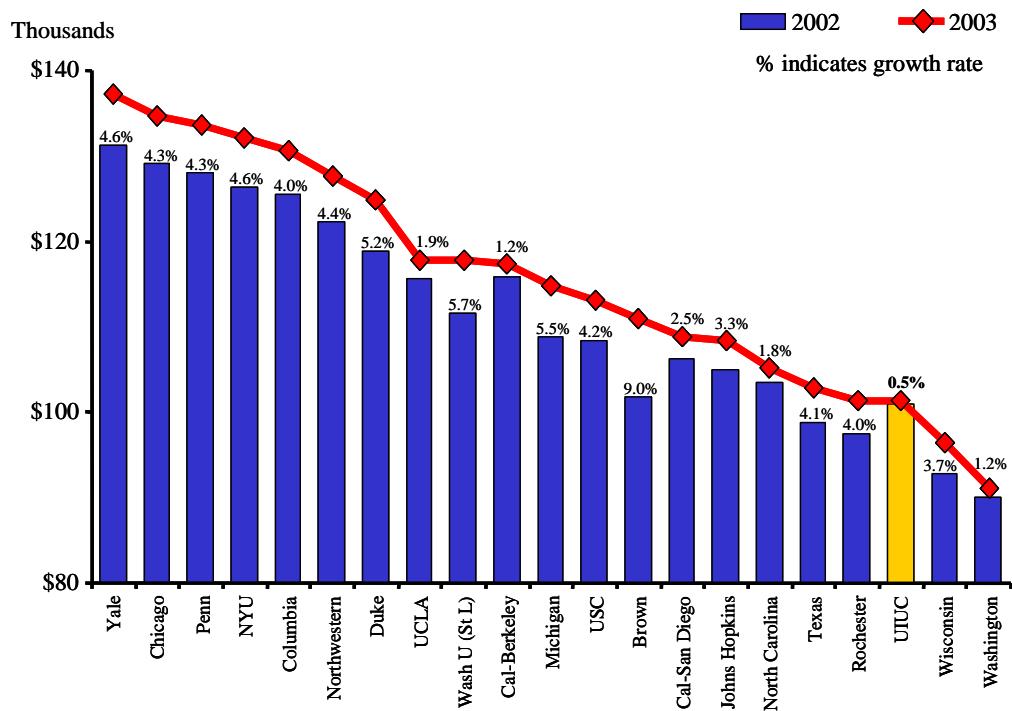
Table 8 (Continued)

University of Illinois at Urbana-Champaign and IBHE Peers

1987	1994	Urbana-Champaign Campus		2002	2003
Cal.-Berkeley	\$56.2	Chicago	\$75.9	Pennsylvania	\$107.5
U.C.L.A.	53.2	Pennsylvania	74.4	Yale	105.2
Cal.-San Diego	52.6	Yale	73.1	Chicago	104.0
Columbia	50.3	N.Y.U.	71.3	Columbia	102.0
Chicago	50.0	Columbia	71.2	N.Y.U.	100.8
Pennsylvania	49.8	Northwestern	71.2	Northwestern	100.6
Yale	49.5	Duke	69.9	Cal.-Berkeley	99.9
Johns Hopkins	49.3	Cal.-Berkeley	66.4	Duke	97.3
N.Y.U.	48.0	Johns Hopkins	65.4	U.C.L.A.	96.9
Michigan	47.6	U.S.C.	64.9	Cal.-San Diego	91.6
Duke	47.6	Michigan	64.3	Wash. U. (St. L.)	91.2
Northwestern	46.8	Brown	63.3	U.S.C.	89.2
Brown	45.3	U.C.L.A.	62.5	Michigan	87.3
UIUC	45.1	Wash. U. (St. L.)	62.3	Johns Hopkins	87.3
U.S.C.	45.0	Rochester	61.7	North Carolina	85.9
North Carolina	44.0	Cal.-San Diego	61.1	Brown	85.7
Wisconsin	44.0	Texas	59.8	Rochester	84.1
Rochester	43.6	North Carolina	59.0	UIUC	82.3
Wash. U. (St. L.)	42.8	Wisconsin	58.3	Texas	82.0
Texas	40.5	U. Wash. (Sea.)	57.5	Wisconsin	81.3
U. Wash. (Sea.)	40.4	UIUC	57.3	U. Wash. (Sea.)	76.8

Figure 16 shows why UIUC in particular lost so much ground in FY 2003. The figure compares FY 2002 and FY 2003 average salaries for Professors at UIUC and its IBHE peers. UIUC had the lowest growth rate over the period, 0.5%, well below the group average growth rate of 3.8%. Public institutions in the group struggled in general, averaging only 2.5% growth. In contrast, private institutions in the group averaged 4.8% growth.

Figure 16
FY 2002 and FY 2003 Professors' Average Salaries
UIUC and IBHE Peers

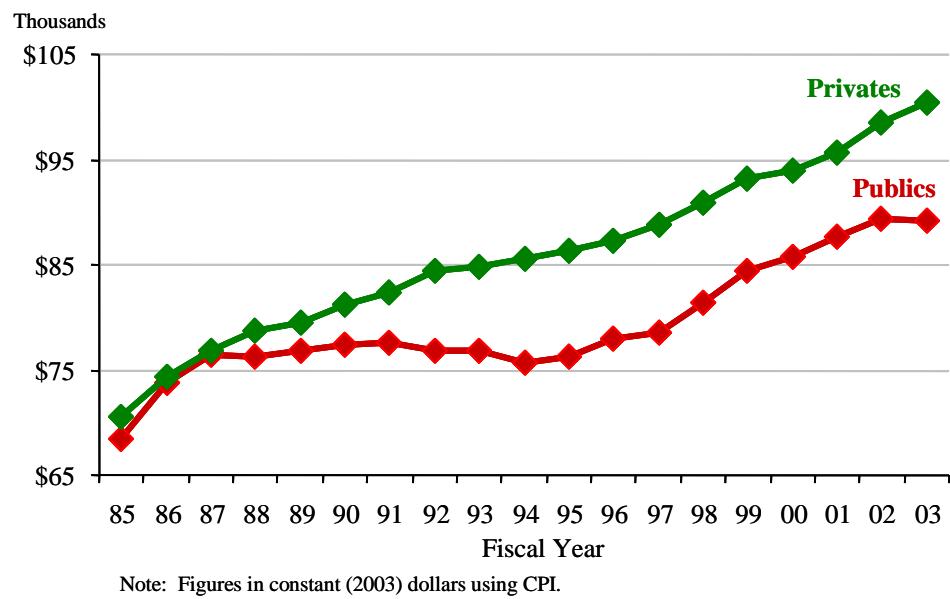


Two major trends characterize the current faculty salary market, neither of which bodes well for the University of Illinois, nor for public higher education institutions across the state. First, funding for public university faculty salaries is closely tied to state revenue booms and busts, and Illinois went deeper into budget crisis than did many other states. Neighboring states such as Michigan and Wisconsin funded full salary programs for public university faculty in FY 2003, but Illinois did not. Second, salary progression among private institutions did not slow in the last year. It has not slowed since FY 1985, and is unlikely to slow in the foreseeable future.

Private institutions began to outpace publics in the faculty salary market in the late 1980s. Figure 17 shows instructional faculty (Assistant Professor and above) average salaries in constant dollars since FY 1985 for UIUC's public and private peers. Publics and privates were nearly even in the mid-1980s before starting to diverge in FY 1988. The gap widened until about FY 1995 before stabilizing somewhat through FY 2002, then widening again in FY 2003. Private institutions

now enjoy a clear advantage over publics in the faculty salary market, and the gap will continue to grow while state revenue lags.

Figure 17
Private versus Public Institution Faculty Average Salaries
UIUC and IBHE Peers



Under such circumstances, it has grown increasingly difficult for Illinois public universities, including the three University of Illinois campuses, to compete with public institutions in other states and with private institutions here and elsewhere.

The University of Illinois' status as an elite public institution can be maintained only so long as it remains a desirable workplace for top-flight faculty. Immediate and sustained actions are required to avoid repeating the scenario of the late 1980s and early 1990s when salaries plummeted relative to the market and UIUC in particular lost numerous faculty to peer institutions. Thus, \$16 million in additional incremental funds are requested for recruitment and retention of critical faculty and staff. These additional monies are necessary in order to avert a potential crisis in competitiveness and morale.

FACILITIES RENOVATION SUPPORT

(\$2,000,000)

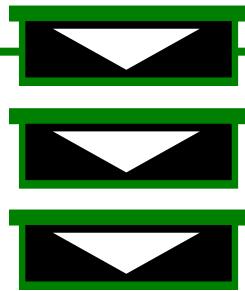
Overview

Stated most simply, physical facilities are a critically important component of the academic support structure necessary to conduct instructional, research and service activities in any institution of higher education which in turn is critical in attracting top-quality faculty, staff and students. Academic facilities constructed and operated with State funds for the University of Illinois have a replacement cost of over \$4 billion. Most of these facilities were built to “institutional standards” in construction materials and techniques, meaning that with proper maintenance and regular replacement of components which have exceeded their useful lives, the facility can have a nearly infinite life. Toward this end, the University has attempted to create a consistent funding source to service its facilities infrastructure. Attempts starting in FY 1998 met with limited success but that trend came to an abrupt halt in FY 2003 as support was not possible due to the state’s dire fiscal situation. Steady and sustainable revenue streams are crucial to maintain the University’s physical assets. When this does not occur, maintenance items slip from the regular maintenance category into the deferred maintenance category; only those items needing the most immediate attention are funded. Through a detailed facility condition audit the University has determined a backlog of over \$600 million in deferred maintenance projects. It is crucial to continue to build on the base of \$7 million that constitutes this fund in order to stem the tide from this ever increasing maintenance burden. A variety of University of Illinois programs are today housed satisfactorily in buildings more than 100 years old and that experience can continue if adequate facilities funds for maintenance and renovation are available. Even in severely constrained economic times, some attention must be given to long-term as well as immediate needs.

For FY 2005, the University seeks to build on this start by requesting \$2,000,000 in operating funds. This request is the first component of a multi year program to insure funds that will not only stop the growth of deferred maintenance items but eventually begin the reduction in this significant backlog. These funds coupled with those in the capital budget request are crucial to the continued attention to the attrition of deferred maintenance. Additionally, this plan will initiate a more comprehensive review of all capital projects to ensure the most efficient use of both

operating and capital budget resources. Where opportunities are present in remodeling, renovation, or programmatic projects they will be leveraged with the deferred maintenance components to garner an economy of scale for a comprehensive project delivery program for the University.

ACADEMIC PROGRAM INITIATIVES



STRENGTHENING THE ACADEMIC BASE

(\$6,595,000)

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 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 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. The need for restoration and renewal

is even more important in the face of faculty losses that will result from the budget cuts.

Since FY 1999, the Faculty Excellence program has recruited more than 65 outstanding mid-career faculty members to 11 different colleges. These new colleagues have added important strength in fields from agriculture to the arts, engineering to the classics.

The Faculty Excellence program originally was envisioned as a means to restore strength that was lost during more than two decades of steady erosion to the size of the faculty and limitation of hiring essentially to the junior ranks. The need for restoration and renewal is even more important in the face of faculty losses caused by budget cuts. The FY 2003 salary freeze and continuing budget cuts have made faculty more vulnerable to recruitment by competitors. Mid-career faculty members, who are especially targeted for raiding, are key to the future of UIUC programs. Outside offers to faculty are up by 10% so far this year, and a number of important faculty members have already been lost.

The quality, standing and future contributions of UIUC rest fundamentally on the achievements and reputation of the faculty. The leverage provided by Faculty Excellence funds is essential to UIUC's ability to compete for some of the very best faculty members who will play key roles in maintaining and enhancing the quality of the campus in future years.

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. This mandate becomes more salient as the economy at the national, state and local levels has seen three years of instability. Demand for higher education grows in a poor economy. The mandates to help grow the economy and maintain affordability become extremely difficult to fulfill as the State portion of the budget has faced serious cuts for two years in a row. Additional funds in FY 2005 will allow UIC to begin restoring faculty positions in order to meet demand and maintain excellent academic programs.

Technology is changing rapidly and its integration into the workplace is spreading quickly. In addition to changing the nature of many professional environments, technology itself provides job opportunities in many areas. Higher education needs to “respond proactively” by providing all students with discipline appropriate technological exposure and training.

Business

- The UIC campus must anticipate and respond to the needs of employers and students. In order to meet student demand and address critical accreditation issues, the College of Business Administration must extend access to courses. Additional funds are required to address growing demand and dwindling resources in Finance, Accounting, Managerial Studies and Economics. New program and campus funds had been allocated towards building faculty ranks in the College of Business Administration. However, budget cuts over the past two years have severely set back progress.

Engineering

- Employers demand technically proficient personnel; UIC graduates must be prepared to compete in the workforce. Student demand for courses in computer science and electrical and computer engineering continue to outpace internal financial ability to supplement the number of faculty. The College of Engineering requires new program funds to address a critical demand to restore faculty positions.

Architecture and the Arts

- In order to position UIC and its students as leaders in their fields, the College of Architecture and the Arts must maintain its commitment to providing and producing cutting-edge digital technologies. Visualization of information and the physical world is at the core of arts and design education and professional training. College research in imaging technologies also impacts multiple disciplines beyond the arts. The sustained availability and upgrading of the most current digital tools provides graduates the competitive edge as they become professionals in Illinois.

Nursing

- University educated nurses holding a BSN are the most desirable as the complexity of health care delivery increases. UIC’s College of Nursing has already begun to address the shortage with innovative recruitment 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 fulfill these plans.

Applied Health

The College of Applied Health Sciences will continue to face increasing student demand in undergraduate programs in Movement Sciences and Human Nutrition. As the population ages and people suffer from the consequences of sedentary lifestyles and unhealthy diets, expertise in these areas is required in many industries including health care, fitness/wellness and the pharmaceutical industry. Funds for additional faculty in these areas will allow the college to meet student and employer demand.

RECRUITMENTS FOR HIGH DEMAND AND PROGRAMMATICALLY CRITICAL NEW AREAS

A particular challenge for the quality of education and programs is presented by special needs for expanded faculty resources in high-demand programs and in programmatically essential new areas that must be developed in order to maintain the disciplinary leadership that is so closely tied to the national and international standing of the UIUC campus.

The commitment to providing students with access to this campus has meant not only increasing enrollment opportunities where possible and providing adequate financial aid but also minimizing barriers to admitted students' choices of majors and programs. One result has been that some of the programs that are most sought-after by students are now experiencing intense enrollment pressures that far exceed the capacity of their faculties to meet. Examples of these programs include units in the UIUC College of Business (where the average section size has now reached 52.6 in 100-level courses and 84.6 in 200-level courses, compared to campus averages of 32.7 and 32.5, respectively), and majors in Computer Science (mean class sizes of 55.1 in 100-level courses, 61.8 in 200-level courses, and 79.4 in 300-level courses), Psychology (40.6 in 100-level courses and 57.8 in 200-level courses), and Chemistry (58.2 in 200-level courses).

As UIUC seeks new resources to reduce class sizes to educationally effective levels in high-demand areas, it must not lose sight of the equally important need to build

new strength in emerging disciplinary areas that will secure future standing at the top of this country's public research universities. This latter role is, after all, the unique mission that has been given to UIUC among Illinois public universities. Fulfillment of this mission requires continual development in emerging areas of disciplinary and societal importance. Excellence in established fields must also be sustained. Development of new programmatic thrusts is made possible in part by ongoing reallocation of faculty and resources from areas of declining importance to areas of new importance and promise, but reallocation alone is insufficient to build programs of the depth required for this mission. UIUC cannot stay in the forefront of public research universities merely by cannibalizing other areas, particularly those which are themselves excellent and serve the needs of many students. New resources are required if UIUC is to build essential new strength in such areas as bioengineering, orienting our chemical sciences programs to a more biological focus, genomic research and developing programs in ethnic studies.

RESTORE INSTRUCTIONAL CAPACITY

The ability to offer the quality of education which the citizens of Illinois have come to expect from UIUC has been eroded by reductions to instructional staff caused by budget cuts. In addition to the quality of faculty, another key factor that influences the quality of education offered is the size of the instructional staff—including not only faculty but also instructors, lecturers and graduate teaching assistants—which determines capacity to teach courses. UIUC has long been committed to conducting instruction in small classes that provide opportunities for active learning and intensive interaction between students and teachers. This is the principal reason why nearly twice as many graduate teaching assistants per faculty member are employed as do Wisconsin, Michigan and UC-Berkeley. Teaching assistants are used to offer autonomous small sections of many courses and discussion sections accompanying lecture classes, as well as in other roles, and thus have sustained the unique advantages of small classes in undergraduate instruction, unlike some of the peer institutions. In FY 2003, budget cuts led to reductions in all categories of instructional staff: almost 100 faculty positions were lost, along with more than 20 instructor and lecturer positions, 100 academic professional positions (some of which carried teaching responsibilities), and about 300 (headcount) graduate assistant positions, most of which were teaching assistant positions. As a result of

these losses, the average enrollment in courses and sections has increased, and the ratio of students to instructional staff also has increased. Further increases will result from the new round of FY 2004 budget cuts.

With a decreasing instructional staff, attention has naturally been focused on finding ways to continue to accommodate students' needs to enroll in courses. Thus, section size where possible, has been increased, traditionally smaller sections have been combined to create larger lecture classes, and the like. These steps have thus far maintained our instructional capacity, but they come at a cost to the smaller classes that UIUC has long been committed to as an essential component of the highest quality of education. It is essential that instructional staff are restored in order to prevent undergraduate education from becoming a mass-production exercise. The proposed funds will restore teaching assistant, instructor and lecturer positions that have been sacrificed to budget cuts, and thereby allow UIUC to hold ground, if not to make up ground that has been lost, on class size.

RESTORING THE FACULTY BASE

The UIS campus vision calls for achievement of excellence in the traditional liberal arts disciplines, complemented by strong professional and graduate programs.

During the late 1990s, UIS was able to make substantial progress strengthening the faculty base through addition of faculty to support the Capital Scholars program and online offerings. In addition to key faculty hires in core liberal arts disciplines, UIS was able to add faculty and initiate activities in music, theater and speech, thus enhancing the campus' cultural climate.

The FY 2003 and FY 2004 budget rescissions interrupted this progress. The first priority for FY 2005 is to, at least partially, restore reductions in faculty lines. The requested funds would enable the campus to hire seven faculty members in critical areas that have been identified as understaffed.

ACADEMIC NEEDS

First and foremost UIC is a place of inquiry and scholarship. The constant discovery of, discourse over and transfer of knowledge keep the intellectual momentum alive.

The campus has successfully recruited nationally recognized scholars who have

enriched life on campus and created an intellectual environment that has in turn attracted talented junior faculty. During an extended period of financial difficulty the top priority must be to protect priority academic activities and meet student demand for core courses. It is more important than ever that sufficient numbers of courses are provided to allow students to graduate within the normal timeframe.

The College of Liberal Arts and Sciences continues to be committed to combining a nationally-ranked research faculty with excellent undergraduate teaching. Recent budget constraints, however, have depleted faculty in the core liberal arts. The demand for more focused programs for first-year students and pressing student needs in the General Education curriculum mean that the College must retain current faculty and attract young scholars. The College has developed a learning cluster program (UIC LINKS) serving about a quarter of UIC's freshman class. This program enhances writing skills as well as General Education. Research indicates that a strong first-year program can contribute to retention rates and community-building within the undergraduate population. Additional support is needed to offer this opportunity to all first-year students. Support is also required to provide the basic general education and major field requirements in the Liberal Arts and Sciences so that students may graduate in a timely fashion. UIC requests new program funds in FY 2005 to begin to restore faculty positions lost to budget cuts and to commence a renewed vision to become a model urban public university.

INVESTING IN INSTRUCTIONAL TECHNOLOGY

(\$1,450,000)

Overview



Over the past five decades, the University of Illinois has established itself as a leading center on a national and international scale for the development and application of information technologies. However, the rates of adoption, change and the extraordinary character of opportunity in this domain require substantial fresh investment. This investment allows for the installation of new generations of equipment, supports the investment to which the University is already committed and prepares the way for new educational applications.

Technology facilitates classroom learning with new opportunities like 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.

INFORMATION RESOURCES

The University Libraries are a 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. If the library is to preserve and enhance its usefulness as a resource for 21st century teaching and research, significant new support is needed.

UIUC



Progress in Web-based information delivery has fueled faculty and student expectations 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 two years and they recognize their colleagues at other universities

have gained a competitive edge by having resources on their desktops not available at UIUC. 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 providing online materials and take advantage of new developments in information technology. The UIUC library has identified critical needs in the areas of: scientific and technical materials (including providing desktop access to 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, and statistics and business sources. These basic needs are critical to the UIUC campus' high-priority initiatives in science, technology, humanities and social sciences, as well as to supporting teaching and research in every field that is increasingly dependent on advanced technology. The costs involved far outstrip the UIUC's capacity to respond without new resources. Because of successive budget cuts, despite the Campus' efforts to buffer the Library from full reductions, the UIUC Library has lost ground with significant negative consequences for acquisitions, maintenance of serial subscriptions, and acquisition of electronic resources.

UIC

The UIC Library must keep pace with the demand for online library resources, which are valued by undergraduates, graduate students and researchers in all disciplines. In addition to the acquisition costs for electronic content, the UIC Library must replace and upgrade its public PCs that are essential to successful use of many resources. Hours of service that recently were cut for budgetary reasons should be restored to serve an increasingly residential campus. Additional program support will enable UIC's Library to offer new materials and services that are needed to support instruction and research and to retain Library faculty who teach information literacy skills.

INFORMATION AND INSTRUCTIONAL TECHNOLOGY

Inadequate resources for maintenance of centrally managed information technology systems have now led to an unacceptable circumstance in which the UIUC campus

network is becoming obsolete and cannot provide the capacity to support faculty and student research and learning needs. This is particularly galling on a campus where next-generation research and instructional technologies are being created.

Moreover, lack of funds caused by budget cuts is forcing closure of some heavily used student computing laboratories, and also leading to termination of support for some of the popular software systems used in instruction. The amount proposed for FY 2005 is far short of meeting our information technology needs, but it will help blunt some of the most harmful effects of inadequate funding.

INCREASED LINKS TO THE STATE OF ILLINOIS

(\$1,955,000)

Overview

The University of Illinois has a long tradition of service to the people of Illinois through partnerships with schools, businesses, government agencies and community groups. Recently, the University has strengthened these services through three coordinating programs: the Great Cities and Urban Teacher Preparation Initiatives at UIC; Capital Outreach at Springfield; and the Partnership Illinois Program at Urbana-Champaign. Through the Great Cities Initiative, faculty, staff and students at UIC direct teaching, research and service to address urban and community issues. Developed in 1993, Great Cities is now a vigorous campus-wide effort with more than 200 partnerships and initiatives in education, health and human development, economic development, housing and the arts. Capital Outreach is the UIS initiative that brings together the various public affairs, public service and community outreach activities of the newest U of I campus.

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. UIC graduates tend to remain in the local workforce and contribute to the local and state economy.

Research outcomes impact the economy and quality of life through advances in technology and health care. Outreach and public service activities support the social service infrastructure.

Urban Teacher Preparation: Statewide P-16 Initiative

As the leading supplier of teachers for Chicago schools, UIC will address a critical shortage of qualified teachers for underserved urban public schools. The Urban Teacher Preparation model is a collaborative effort involving the Colleges of Education, Liberal Arts and Sciences, Social Work and may include participation of the health sciences colleges. The objective of the model 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 have been underway. Initiatives toward alternative routes to teacher certification have begun, especially in areas of teacher shortage such as science, literacy and special education. The evaluation of 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 is a major focus. 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 UIC College of Liberal Arts and Sciences is a full partner in the efforts to provide teachers for the local public school system. The College recently revised teacher education programs in history, English, mathematics, Germanic studies, French, Spanish and chemistry to meet the new state standards for teacher preparation. The demand for well-trained teachers requires that these programs are expanded.

In the College of Liberal Arts and Sciences faculty are currently engaged in research on cognition, instruction and teacher development. A greater understanding of how language is acquired and improvements in language instruction, especially in Spanish teacher education, will be vigorously pursued. Funding for heritage language programs will be particularly important in the coming years.

Engagement with the Community through Service

- The Great Cities commitment will be maintained as a campus-wide mission by strengthening linkages and partnerships between the community, 15 colleges and by increasing the visibility of all of UIC's successes. Initiatives that position UIC to become the model public urban research university must be restored. The campus must remain engaged as an integral part of the community. Consultative relationships with governmental agencies, civic and community organizations, cultural institutions, and other entities will affirm that position within the Chicago area. Additionally, UIC hopes to offer more Great Cities opportunities in the curriculum, with special attention paid to experiences for undergraduates.

The Great Cities ideal dictates significant outreach efforts. The Jane Addams College of Social Work is revising its curriculum around families and community

building. Additional community service sites within the field internship program and new curricula will facilitate access for part-time and working students.

Additional state funds will protect and enhance internal efforts to accomplish these goals and build the faculty to ensure continued accreditation.

PARTNERSHIP ILLINOIS

Engaging critical issues through partnerships with Illinois organizations and agencies draws on the expertise and resources of all UIUC colleges. Partnerships are effective ways of leveraging the local expertise of organizations and agencies to disseminate the unique knowledge resources of the University to meet the dynamic social, cultural, educational and economic challenges in Illinois cities and towns.

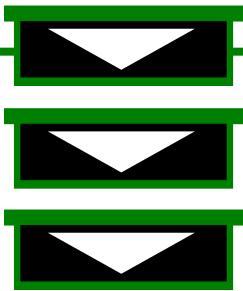
New funds will extend the accomplishments of Partnership Illinois programs that have improved the performance of pre-school programs, enabled vocational students to be successful in advanced mathematics, trained mayors and local officials in managing their dynamic communities, extended the arts into the community, introduced innovative reading programs to first generation Americans, provided innovative healthcare to local communities and tested new strategies for retaining new teachers in the workforce. We will create new curricular opportunities for student civic engagement with local agencies and schools in ways that prepare them for their civic responsibilities as citizens and for their careers while at the same time providing the community with technical knowledge and volunteers to accomplish local goals. We will connect new cross-campus initiatives that address critical societal issues such as family resiliency, aging, safe water and food security with communities, schools and agencies of local, state and federal government.

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. University of Illinois 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 University of Illinois Extension a fundamental part of the University's public engagement and outreach mission as well as a significant statewide asset.

New funding will support University of Illinois Extension faculty subject matter experts that will provide necessary effective program scope, innovation and quality to address the dynamic changes occurring in farming and commercial agriculture, in managing our natural resources, in meeting the complex needs of youth and families and in stimulating the development of local communities seeking to diversify and expand their economic base. University of Illinois Extension is a vital part of the University's public engagement and education programs providing essential information for people across the State of Illinois as urban and rural areas undergo transformation. University of Illinois Extension has a unique system of delivering education and training through local units connected to a statewide network of specialists. University of Illinois Extension seeks to develop new capacities and leverage existing resources to better serve the dynamic economic, social and civic challenges facing Illinois. These new challenges are being shaped by increasingly rapid changes in technology, global markets and demography. All of these forces require communities at the local, regional and state level to continuously adapt to changing circumstances in order to adapt to change in ways which assure continued economic prosperity and responsive social and educational institutions.

**ACADEMIC PROGRAM
INITIATIVES
(UNIVERSITY-WIDE)**



ONLINE INSTRUCTION

(\$250,000)

Overview

University of Illinois Online is a nationally recognized leader in online education. Consistent with the University's land-grant mission and commitment to outreach, U of I Online supports and facilitates development and delivery of online degree and certificate programs designed to meet traditional and lifelong learning needs of the citizens of the state of Illinois. By providing high quality "anytime, anywhere" learning opportunities to place-bound and time-restricted individuals who would not otherwise be able to attend class on a campus, U of I Online is significantly extending the impact and reach of the three campuses of the University of Illinois. In so doing, U of I Online continues to address all of the goals of the Illinois Commitment, especially assisting Illinois business and industry to sustain strong economic growth and increasing the number and diversity of citizens completing education programs.

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 English, history, teacher education, management information systems, computer science, electrical engineering, public health 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 online courses and programs available are on the U of I Online website at: <http://www.online.uillinois.edu>.

During the 2002-2003 academic year, there were more than 20,000 enrollments in over 650 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 (IVC), with 374 of the 2,862 online courses (13.1%) and 48 of the 126 (38.1%) of the online programs listed. During the Fall 2002 semester, U of I Online enrollment in online courses accounted for 7,151 of the 40,550 (17.6%) of the total enrollment reported by IVC. 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 existing degree or certificate programs 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, instructional designers, 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. U of I Online provided more than \$5.5 million in development grants to the campuses from 1998 through mid-2003. Most of the funding for these grants came from non-recurring University resources, as well as 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. For the past three fiscal years, U of I Online has had a recurring budget of \$100,000 to support online program development on the three campuses. In FY 2004 and future years, with average development costs of \$10,000 per course, U of I Online's program development budget will, at best, yield one complete baccalaureate completion program or master's degree program every year unless additional state 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 \$250,000 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 PROGRAMS

(\$250,000)

Overview

Attention to “P-16” issues has remained a strong interest in the State of Illinois.

Much of the concern is being driven by the reality that Illinois has a growing shortage of highly qualified teachers, with an especially severe shortage in fields such as special, bilingual, mathematics and science education and in selected schools and districts, including the Chicago Public Schools as well as throughout Illinois.

Beyond the sheer shortage, Illinois faces the challenge of meeting new expectations and higher standards for student performance. And while more is expected of students, more also is expected of schools, teachers and the higher education institutions that prepare teachers. Along with many other groups, colleges and universities have a large stake in the ultimate outcome and must make a larger contribution in the search for new and better answers that will lead to an improved quality of education at every level in Illinois.

The federal No Child Left Behind Act has changed the fundamental landscape of K-12 teaching/learning and assessment. Through the Illinois Business Roundtable and the Civic Committee of the Commercial Club of Chicago, business and industrial leaders in Illinois remain focused on a reform agenda. The Illinois State Board of Education, the Illinois Board of Higher Education and the Illinois Community College Board all have stepped up activity. Several key members of the legislature continue to push hard for the adoption of legislation which will affect K-12 education. Leaders of teacher unions and administrator groups are actively engaged.

The same is true for the University of Illinois. At the direction of President James Stukel, and with the leadership of President Emeritus Stanley Ikenberry and the Deans of Education at all three campuses, the University of Illinois has continued its P-16 initiatives to address some of the key issues affecting Illinois’ K-12 education system. Specifically, the University of Illinois has concentrated on strengthening teacher preparation, teacher persistence and professional development, including development of graduate programs that keep good teachers in the classroom while focusing on school improvement. The University has moved into greater

collaboration with community colleges in teacher recruitment, preparation and support, with a new Associate Arts of Teaching degree emerging from the collaboration. It has also improved data systems to support policy initiatives that will make a difference. The University is focused on opportunities to apply technology more creatively to support teachers and schools, as well. Other higher education institutions and groups are similarly engaged and are taking advantage of the opportunity and need to join forces.

Given the urgency of the issues, the large number of individuals, groups and agencies involved and the advent of a new gubernatorial administration, the University convened the P-16 Education Action Summit in early FY 2003 to chronicle the current state of P-16 reform in Illinois and achieve consensus from higher education leaders on an action agenda for 2004 and beyond. Leaders from the higher education community (college presidents and education deans) and those representing K-12 education, including teacher and administrator groups, as well as representatives from business and industry, assessed the effectiveness of reform initiatives already under way and committed to a set of priorities for achieving significant P-16 improvement over the next 5 years. The Summit participants identified specific action items for follow-through, established performance measures and assigned responsibility for implementation. Following the Summit a proposal was shared with stakeholders for shaping toward consensus. A steering group was established to implement the initiatives that sprang from this consensus. The group reconvened in the spring of 2003 for an Accountability Update to review progress.

GOALS, OUTCOMES AND PERFORMANCE MEASURES

For 2005 and beyond, the following tentative goals and outcome measures have been proposed. Some goals carry over from the previous budget year.

Goal 1



Intended Outcomes:

- Identify model (urban/rural/inner city) programs and establish complementary university/school district partnership templates (6 months). Goal met.
- Involve all public and a majority of private universities with teacher preparation programs (1 year).

Statewide Expansion of Mentoring and Induction Programs for Novice Teachers

- Identify funding sources to support state-wide expansion (1 year). Goal carries over due to budget exigencies.

Performance Goals:

- 40% increase in new teacher retention after 4 years.
- Involvement of one-third of Illinois' 900 plus school districts in formal mentoring and induction programs after 2 years.

Goal 2

**Enhanced University/
Community College Collaboration in Teacher Preparation**



- Utilizing NCATE standards, align general education curriculum between Illinois community colleges with all public and a majority of private university teacher preparation programs in Illinois (1 year).
- Establish standards-based articulation process between Illinois community colleges and all public and a majority of private university teacher preparation programs in Illinois (1 year). Goal nearly met.
- Assess merits of and make recommendations for developing an Associate of Arts in Teaching (AAT) degree to be offered by Illinois community colleges and articulated with all public and a majority of private university teacher preparation institutions. Goal met.
- Develop funding sources for scholarships for community college transfers in high need disciplines such as math/science and special education as well as high attrition, inner city and rural geographic areas (1 year). Goal carries over.

Performance Goals:

- Involvement of 60% of Illinois community colleges after 4 years.
- Involvement of all public universities and a majority of private universities with teacher preparation programs after 4 years.
- 33% cent increase in the number of transfer students in high need disciplines and geographic areas after 4 years.

Goal 3

Create Increased Opportunities, Including Online Options, for Teacher Professional Development



- Develop suite of credit and noncredit programming for teachers in special need areas such as special education, bilingual, math/science, etc. (2 years).
- Establish online portal focusing on teacher professional development. Goal carries over.
- Identify additional funding sources to support new development. Goal carries over.

Performance Goals:

- 25% increase in the number of Illinois teachers with advanced degrees after 4 years.

- 50% increase in the number of teachers utilizing developed, instructional options after 4 years.

Goal 4

Create Increased Opportunities, Including Online Options, for School Leadership Development and Support

► Intended Outcomes:

- Identify model programs, particularly in special need districts and difficult recruitment, inner city and rural geographic areas (1 year). Goal carries over.
- Identify funding sources to support development (6 months). Goal carries over.

Performance Goals:

- 25% increase in the number of prepared, school administrators after 2 years.
- 50% increase in the number of potential administrators utilizing developed, instructional options after 4 years.

Goal 5

Enhanced Information Capabilities Statewide

► Intended Outcomes:

- Increased participation in Teacher Data Warehouse (1 year). Goal partially met but carries over.
- Establish formal marketing program for teaching profession (2 years).

Performance Goals:

- Participation of all public and a majority of private universities and colleges (including community colleges with articulated AAT degrees) after 2 years.
- Over 4 years, 75% increase in awareness of special rewards of teaching in high need disciplines such as math/science, special education, etc. or difficult recruitment, inner city and rural geographic areas.

UI-INTEGRATE

(\$1,000,000)

Overview

The University of Illinois has completed a strategic planning project to establish an enterprise-wide direction and approach for managing processes, systems and organizational relationships that comprise the University's administrative function. In addition to this effort it should be noted that technological advances are not only changing the academic landscape but the administrative landscape as well. These technological changes coupled with the addition of the University of Illinois at Springfield and new administrative plans have increased the urgency of developing new, more responsive business systems. The strategic planning project recommended the implementation of an Enterprise-wide Resource Planning system (UI-Integrate) that integrates student services, business, finance and human resource systems.

UI-Integrate entails the purchase of a software package from a single vendor which allows the capability of integration between three major functions; student systems, human resources and financial systems; and creates common processes and data for all three campuses by function. The goal of UI-Integrate is to reduce duplication of data records across systems, create a single demographic record for a person, create standard business processes to be used across the University, and provide the improved functional capabilities of a fully integrated system. Additionally, UI-Integrate provides a vendor supported software environment that includes regular upgrades of software in terms of functional enhancements and regulatory changes, allows for greater flexibility and assessment in reporting and creates an opportunity to re-engineer current processes and practices.

There is a danger in not completing the work that is under way 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.

The UI-Integrate system implementation involves major software and hardware changes, network infrastructure upgrades, 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.

As of the end of FY 2003, the project completed the implementation of modules for Human Resources Biographic / Demographic information, Employee Relations foundational items, Student Recruiting, Admissions, Financial Aid and Course Catalog. In addition, the components of Finance (i.e. General Ledger, Accounts Payable, Accounts Receivable, Fixed Assets, Purchasing, Budget Maintenance and Grants and Contracts) were completed and installed in support of the Finance implementation for production use on July 1, 2003 for FY 2004.

Also as of the end of FY 2003, design efforts for 11 of the remaining 12 components that will be implemented over the life of the project were complete, and a design effort for the remaining component was well under way.

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 \$2 million of this 5 year program was allocated from state funds. In FY 2004, the second year of the program, funds were reallocated to support this initiative. In FY 2005, \$1 million is requested.

ECONOMIC DEVELOPMENT

(\$1,000,000)

Overview

As a globally recognized academic and research institution, with a combined campus total of almost \$650 million in annual research expenditures that ranks second among all U.S. based universities, the University of Illinois has established prominence in nearly every aspect of technical endeavor. To take full advantage of the commercialization opportunities generated by this research and development engine, IllinoisVENTURES, LLC (VENTURES) was created by the Board of Trustees to catalyze and accelerate the development of companies based upon University's technology. VENTURES was established to promote the translation of academic research into new products and businesses contributing to the growth of the high-tech economy in Illinois. Other benefits of this process include workforce training and retention as well as economic development benefiting the University, state and stakeholders of the client businesses in the form of job creation, commercial tenancy, professional service and other vendor billings and, ultimately, generation of state and local tax revenue. Together with existing University and private sector infrastructure, VENTURES completes a portfolio of resources necessary to develop high-quality businesses capable of attracting local and national investment capital, generating substantial revenues and becoming profitable going concerns.

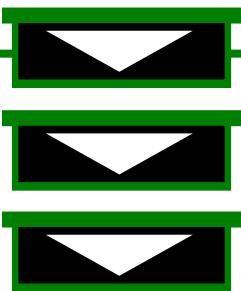
The \$1 million provided to VENTURES for technology commercialization has been used to provide start-up and business incubation services to emerging high-tech growth companies. These funds have been used to assist entrepreneurs with business planning, market and sector research and analysis; facilitate financing of businesses, management recruitment, business development, recruitment and referral of business support services, accounting, legal, personnel, marketing, operations, managerial and scientific advisory talent; and mobilize faculty and graduate students that provide value to early stage companies, including MBA and law students.

In addition, VENTURES has used these funds to provide pre-seed and seed stage funding (on a merit basis through a rigorous due diligence process) to a small number of start-up companies. To extend the degree of financial support that can be made available on behalf of client businesses, VENTURES is actively engaged in

the early stages of many capital formation activities, including establishment of an informal network of private sector seed and venture investment entities, development of relationships with industry partners and public agencies engaged in early stage technology investment and establishment of an early (seed) stage fund.

VENTURES is currently providing consultation and/or financing to more than 50 new high-tech businesses pursuing markets that range from high power lasers to biohazard and chemical weapon detection to nanoscale innovation for drug delivery and electronics to revolutionary power sources for consumer products to groundbreaking drugs for treatment of cancer, stroke and Alzheimer's disease. Its level of engagement with these emerging companies is from introductory (early market assessment and business strategies) to developmental (pre-seed funding for professional services, business planning, prototype development) to seed funding (for commercializing product and distribution). A number of these high-tech companies have recently completed a first or second round of external (private equity) financing, an important metric for business potential, including InterSymbol Communications (algorithms and chip design to enable next-generation broadband communications), Shakti Systems (Microsystems power management and high performance data converters), ChemSensing (platform technology for electronic olfaction) and Mobitrac (software for mobile resource management). The \$1 million in funding for technology commercialization has positioned the University to effectively manage, transfer and commercialize its technologies and intellectual properties to advance the economic development of the University, its communities and the state.

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 dedicated fund sources (Fire Prevention) or annual grants from the IBHE's Higher Education Cooperation Act (HECA) program. Three years 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.

Examples of former programs that had previously been supported by annual grants through HECA but are now appropriated directly to the University of Illinois include Illinois Online Network and Illinois Digital Academic Library.

The Illinois Fire Service Institute is the mandated Fire Academy for the State of Illinois operated as a continuing education and public service activity by the University of Illinois at Urbana-Champaign. The Institute is financed by a tax on fire insurance and related premiums. One-eighth of this one percent tax is designated for Illinois Fire Service Institute use. This allows the Institute to offer most courses and services free of charge.

With the inclusion 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 2005 request.

FIRE SERVICE INSTITUTE

(\$336,600)

Overview

► Since the passage of the Illinois Fire Service Institute Act in 1980, the University has received a direct appropriation from the Fire Prevention Fund for the operation of the Institute. The monies received from the Fire Prevention Fund are currently used for four major purposes:

- To conduct programs of training and education for paid and volunteer fire fighters and officers on campus, and at regional and local sites throughout Illinois.
- To provide adequate teaching and training facilities for the Institute.
- To permit program growth and improvement.
- To make debt service payments for bonds issued to build the facility completed in July 1988.

The Illinois Fire Service Institute is the mandated Fire Academy for the State of Illinois operated as a continuing education and public service activity by the University of Illinois at Urbana-Champaign. The Institute is financed by a tax on fire insurance and related premiums. One-eighth of this one percent tax is designated for Illinois Fire Service Institute use. This allows the Institute to offer most courses and services free of charge. For the past 75 years, the University of Illinois has provided training for the State's Fire Fighters and Officers. Programs are offered in fire fighter training, hazardous materials, rescue, industrial fire fighting, arson investigation and prevention. About 80% of the courses are taught in the field, with the other 20% taught on the University of Illinois campus in Urbana-Champaign. Attendance at the Institutes' programs was over 27,000 last year, and unduplicated attendance was approximately one-fourth of the fire fighters in Illinois. Approximately 70% of the State's fire fighters are volunteers, or paid-on-call, and of these, there is roughly a 20% turnover rate. Coupled with new hazards and technologies, the need for ongoing fire training for new personnel, continuing personnel and the communities remains critical.

Based upon a statutory formula providing a one-eighth share of the revenue to the Fire Prevention Fund to the Institute, it is estimated that an increment of \$336,600 is required for FY 2005.

ILLINOIS DIGITAL ACADEMIC LIBRARY

(\$500,000)

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 750,000 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. In FY 2003, IDAL saved the University's libraries approximately \$288,000 in electronic resources database costs.

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. In FY 2003, \$500,000 in existing annual funding was transferred from the Illinois Library Computer Systems Organization (ILCSO) to support a shift in database brokering programmatic responsibilities. IDAL requests that the University seek an additional \$500,000 in annual funding from the state in FY 2005 to continue the growth of the program. Any additional funding received will be allocated to support expansion of electronic library resource content offerings.

IDAL's mission is to identify, evaluate and provide high quality, full-text, electronic library resources for all academic institutions in Illinois. The FY 2005 budget for IDAL faces several challenges. As part of the overall reduction in University funding due to the state's financial crisis, funding for IDAL has been reduced from \$1.37 million to a base of \$1.2 million. With careful project management, IDAL has been able to maintain existing resources and moderately build its services and offerings each year. However, without an increase in base funding in FY 2005, further development of the IDAL program will be curtailed and the operational flexibility to offset recent budget reductions will be exhausted. Failure to provide additional continuing resources, including amounts required to offset contractual or inflationary cost adjustments, increases the risk that all of the state's academic libraries will eventually face a potential reduction of services.

With the requested increase in funding, IDAL will provide additional core databases and services. IDAL would seek to upgrade its basic package of full text business journals from EBSCO. It would provide funding to subsidize a selected number of additional, highly desirable databases, such as the Encyclopedia Britannica, Wiley health science reference databases, Grove's reference databases in art and music and full-text historical databases, such as the Digital National Security Archive and the Gerritsen Collection of Women's History Online, 1543-1945.

ILLINOIS ONLINE NETWORK

(\$125,000)

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 2003*, reports “participation in adult education among those age 16 and above increased to 47% in 2001 from 34% in 1991 and from 42% in 1995.” Another publication from the NCES, *A Profile of Participation in Distance Education: 1999–2000*, found that “During the 1990s, distance education availability, course offerings and enrollments increased rapidly. The percentage of 2- and 4-year degree-granting institutions offering distance education courses rose from 33% to 44% between 1995 and 1997, and the number of such courses nearly doubled.”

Within the state of Illinois, dramatic growth trends are evident in distance education data gathered by the Illinois Virtual Campus (IVC). According to IVC, the number of distance education courses offered in Illinois increased from 962 in Fall 1999 to 5,740 in Fall 2002 and course enrollments rose sharply from 14,689 to 69,213 during the same period. More than half of the courses in the IVC catalog are delivered over the Internet, accounting for almost 60% of the distance education enrollments in Illinois. In the Fall 2002 term, online enrollments statewide increased 74% from the previous fall term. 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. ION moved from HECA grant funding to a permanently funded statewide program of the University of Illinois in FY 2002.

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. ION was recognized by the Sloan Consortium with its prestigious award for "Excellence in Online Faculty Development" in November 2002. Although ION offers many different services to member institutions, its central activity is a series of online courses known as 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, student assessment, encouraging communication, 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 instructors model 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://www.mvcr.org>.

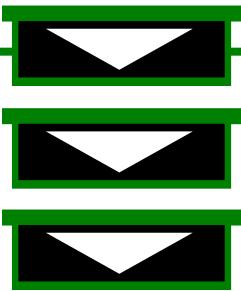
Overall, the MVCR series of online courses has proven to be an invaluable professional development resource for faculty who want to develop and deliver their own high-quality online courses. The courses are available at no charge to employees of ION member institutions and for a modest fee to faculty 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 public institutions. Rather than trying to develop their own similar programs, many public four-year institutions have asked ION to expand to serve the needs of all of public higher education, not just community colleges, within the state of Illinois. The lack of faculty at four-year public institutions with the skills and knowledge needed to develop and deliver online courses has a significant negative impact on online programming at these institutions:

- In the Fall 2002 term, community colleges had 20,557 enrollments in online courses, while four-year public institutions only had 9,104 enrollments.
- Community colleges offer twenty-two different associates degrees online, while four-year public institutions only offer seven baccalaureate degree completion programs online.
- Excluding the University of Illinois, which is an ION partner institution, the remaining four-year public institutions only had 1,953 enrollments in online courses during the Fall 2002 term, and they only offer three baccalaureate degree completion programs online.

As the state of Illinois continues to invest in the Illinois Century Network and the Illinois Virtual Campus, it is imperative that faculty at public 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 six 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 10 community college partners and an annual budget of \$125,000. Now in its sixth year, ION serves all 48 community colleges in Illinois on less than twice its original budget. An additional \$125,000 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 public universities in Illinois. Of the proposed \$125,000, the bulk of the request would be used to hire additional online instruction specialists which will enable ION to offer additional sections of the MVCR courses at no cost to faculty at all public institutions in the state.

ADDENDA



ADDENDUM I

RETIREMENT

Overview

► The level of funding of the State Universities Retirement System (SURS) has been a source of significant concern throughout the years. Although legislation passed in 1967 requires that annual appropriations for the System cover the projected costs of future benefits plus interest on the System's existing unfunded liability (i.e., future pension costs for employees still working), this statutory level of funding has never been reached and, in effect, part of the State's obligation to cover the retirement 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 2004, SURS received an increment of \$43.2 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

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.

It should also be noted that on a national scale, investment returns over the past two years have been very weak. As a result all of the State's retirement systems including SURS will need significant increases in their certified legislatively mandated increases. SURS will not have a certified estimate of their need until October 2003. However because of the negative and low returns in the last few years it is anticipated that the needed increment could be approximately \$54 million after actuaries have completed their work. Legislation authorizing the sale of \$10 billion in bonds for the purpose of funding the State Universities Retirement System, the State Employees' Retirement System, the General Assembly Retirement System, the Judges Retirement System and the Teachers' Retirement System was signed on April 7, 2003. Normally, state contributions to pension funds are paid primarily through the General Revenue Fund (GRF). Under this action, FY 2004 contributions will be paid with bond proceeds rather than GRF. The FY 2005 contribution will be the lesser of the maximum state contribution if there were no pension obligation bonds and the required contribution under the bond plan. It is estimated that the state contributions to SURS will decrease in FY 2005 and will begin to rise again in FY 2006. SURS is an important part of the Universities benefit package and must be funded. However it should be noted that for FY 2004 this first call on funds for higher education will be greatly expanded. The incremental requirements for the past 7 years are:

	Appropriation	Increment
FY 1998	\$186,023,600	\$39,508,000
FY 1999	206,480,500	20,456,900
FY 2000	218,199,000	11,718,500
FY 2001	225,721,000	7,522,000
FY 2002	235,092,300	9,371,300
FY 2003	255,946,300	20,854,000
FY 2004	299,181,100	43,234,800

ADDENDUM II

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:

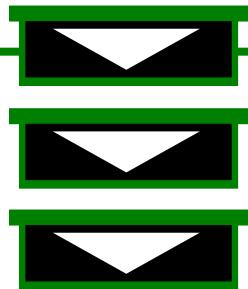
- Orthopedic conditions (bone, muscle, joint disease)
- Heart defects
- Hearing loss

- 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)

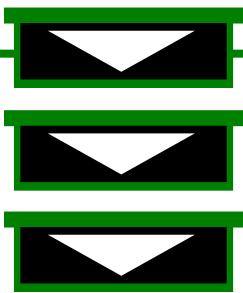
Acute childhood illnesses, routine dental or well-child care, immunizations or school physical examinations are not covered.

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 2005 the University seeks \$2 million for this statewide public service commitment.

CAPITAL BUDGET REQUEST
FOR FY 2005



CAPITAL BUDGET



BACKGROUND AND CONTEXT

Overview

► Perhaps too obvious yet worth stating is the fact that academic and administrative facilities exists for one purpose, to support academic programs. The capital facilities make up the University's largest asset and provide the foundation to attract and retain top quality faculty, staff and students. Any discussion of the capital budget must begin with the understanding that an institution of the size, scope and complexity of the University of Illinois faces a recurring array of facilities related needs each year. Several types of funding are required to meet the range of facilities operating, maintenance, deferred maintenance, renovation and replacement needs which universities confront annually. 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. When replacement of worn out building systems is not completed in a timely fashion, significant levels of deferred maintenance backlogs are generated. 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. With these above factors in mind the university has once again placed the repair and renovation request at the top of the capital request. In addition, the second spot on the list will be occupied by the deferred maintenance request. These two requests of \$10.7 million and \$20.1 million respectively, highlight the need to adequately fund multiple aspects of the facility plant asset. Each of these priorities serves to emphasize the importance that the University places on the maintenance and upkeep of its facilities. Each of these requests is integral to maintaining the campus while halting the growth of deferred maintenance that burdens the University. These requests along with those in the operating budget will help to stem the build up in those areas due to years of inadequate funding.

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 \$20 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. The Campus Infrastructure programs and College of Medicine/Research Resources Center (COM/RRC) Renovation fit this criteria for FY 2005.

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. The Lincoln Hall and Dentistry Remodeling projects fit this category in FY 2005.

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. Request in this category for FY 2005 include the Electrical and Computer Engineering Building, Pharmacy Addition and the College of Business Building.

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. It is for these reasons that Repair and Renovation and Deferred Maintenance requests for \$30 million are at the top of the FY 2005 capital request.

University projects recommended for funding by the General Assembly and approved by the Governor as part of the FY 2004 budget were well below what had been appropriated in recent years but nonetheless important.

- Repair and Renovation, all campuses - \$10.7 million
- Lincoln Hall Remodeling Planning Funds, UIUC - \$2.0 million

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

Table 1
History of Recent Capital Budget Actions
FY 1999 to FY 2004
(Dollars in Thousands)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Campus Requests						
Chicago	\$69,350.0	\$101,423.0	\$77,850.0	\$46,250.0	\$47,950.0	\$45,125.0
Springfield	3,670.4	4,139.4	5,582.7	30,330.0	15,330.0	3,863.0
Urbana-Champaign	73,920.0	109,391.0	100,415.0	166,787.0	91,634.0	120,312.2
TOTAL	\$146,940.4	\$214,953.4	\$183,847.7	\$243,367.0	\$154,914.0	\$169,300.2
IBHE Recommendations						
Chicago	\$18,280.4	\$46,280.4	\$14,395.2	\$12,165.9	\$20,165.9	\$20,165.9
Springfield	2,629.5	2,770.0	2,023.1	30,343.7	15,343.7	343.7
Urbana-Champaign	15,741.3	25,294.7	66,420.1	84,039.8	52,225.4	58,225.4
TOTAL	\$36,651.2	\$74,345.1	\$82,838.4	\$126,549.4	\$87,735.0	\$78,735.0
Regular Capital Appropriations						
Chicago	\$24,384.6	\$71,008.3	\$4,197.5	\$5,665.9	\$4,165.9	\$4,165.9
Springfield	2,575.3	737.2	1,664.6	15,343.7	15,343.7	343.7
Urbana-Champaign	10,350.2	8,940.1	17,459.8	39,039.8	6,225.4	8,225.4
TOTAL	\$37,310.1	\$80,685.6	\$23,321.9	\$60,049.4	\$25,735.0	\$12,735.0
Appropriations for Special Projects						
Venture Tech			\$23,500.0	\$105,900.0	\$100,600.0	
Total Appropriation	\$37,310.1	\$80,685.6	\$46,821.9	\$165,949.4	\$126,335.0	\$12,735.0

SUMMARY OF FY 2005 PRIORITIES

(\$346,795,000)

Overview

► The University's FY 2005 Capital Budget Request consists of 10 projects at a total cost of \$346,795,000. Table 2 represents a combined priority listing of the proposed projects for this year.

Table 2
FY 2005 Combined Capital Budget Request
Summary by Priority
(Dollars in Thousands)

Priority	Project	Chicago	Springfield	Urbana	Total	Cumulative
1	Repair and Renovation	\$ 4,165.9	\$ 343.7	\$ 6,225.4	\$ 10,735.0	\$ 10,735.0
2	Deferred Maintenance	8,000.0	125.0	12,000.0	20,125.0	30,860.0
3	Lincoln Hall Remodeling			51,560.0	51,560.0	82,420.0
4	Campus Infrastructure Program	20,000.0			20,000.0	102,420.0
5	Electrical & Computer Engr. Bldg.			83,430.0	83,430.0	185,850.0
6	Pharmacy Addition	57,745.0			57,745.0	243,595.0
7	College of Business Building			27,000.0	27,000.0	270,595.0
8	Dentistry Renovations	61,800.0			61,800.0	332,395.0
9	COM/RRC Renovations	10,400.0			10,400.0	342,795.0
10	Rehab Metal Buildings/Library		4,000.0		4,000.0	346,795.0
		\$162,110.9	\$ 4,468.7	\$180,215.4	\$346,795.0	\$346,795.0

Special State support will be requested for the National Bio-Containment Lab at UIC contingent on Federal funding approval.

It is important to note that while the priority list includes those projects most critical to the University each campus has a much larger list that the priority list is culled from each year. The combined priority list is not meant to show an exhaustive list of needs for each campus but merely a realization and sense of proportion for the state capital budget. If the entire University of Illinois list were submitted, a total request in the neighborhood of \$700 million would be the result. Table 3 reflects the entire capital budget request from the campuses of the University of Illinois. Additionally, there may be a special state request for the National Bio-Containment Laboratory at the Chicago campus if project approval is given from the Federal Government.

Table 3
FY 2005 Capital Budget Request
Summary by Campus
(Dollars in Thousands)

Campus Priority	University Priority	Chicago	
1	1	Repair and Renovation	\$ 4,165.9
2	2	Deferred Maintenance	8,000.0
3	4	Campus Infrastructure Program	20,000.0
4	6	Pharmacy Addition	57,745.0
5	8	Dentistry Renovations	61,800.0
6	9	COM/RRC Renovations	10,400.0
7		EEI Ophthalmology/Otolaryngology	9,400.0
8		UIH Communication Infrastructure	3,200.0
9		Rockford Building Addition	12,000.0
10		College of Business Administration	60,000.0
11		College of Nursing Addition	80,000.0
12		Library Addition	35,000.0
13		A&DH Renovation Phase II	5,400.0
14		SEL Renovation Phase I	8,000.0
15		CAHS Building Infrastructure	10,000.0
16		Social Sciences Research Building	77,000.0
		Total	\$462,110.9
Campus Priority	University Priority	Springfield	
1	1	Repair and Renovation	\$ 343.7
2	2	Deferred Maintenance	125.0
3	10	Rehab Metal Building/Library	4,000.0
4		Campus Infrastructure Improvements	2,998.0
5		Conference Center	n/a
		Total	\$ 7,466.7
Campus Priority	University Priority	Urbana-Champaign	
1	1	Repair and Renovation	\$ 6,225.4
2	2	Deferred Maintenance	12,000.0
3	3	Lincoln Hall Remodeling	51,560.0
4	5	Electrical & Computer Engineering Bldg.	83,430.0
5	7	College of Business Bldg.	27,000.0
6		Education Addition/School of Social Work	76,000.0
7		Roger Adams Lab. Renovations	901.3
8		Burrill Hall Remodeling	30,900.0
9		Repair Electrical Distribution System	16,500.0
		Total	\$304,516.7

The first priority is a \$10,735,000 Repair and Renovation request, which is comprised of 5 projects at the Chicago campus, 1 project at the Springfield campus and 7 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 seeks \$20,125,000, one component of the multi-year deferred maintenance program. This level of funding along with the \$2 million found in the operating budget when combined with other fund sources will allow the University to not only stop the growth in deferred maintenance but reduce the backlog which has built up over the years.

Priority three seeks \$51,560,000 to complete a major remodeling of Lincoln Hall at the Urbana-Champaign campus. Planning funds of \$2 million were appropriated in the FY 2004 budget from the state.

The fourth priority provides \$20,000,000 for the renewal of building infrastructure systems at the Chicago campus. These funds will provide for roof and window replacement, renewal of vertical transportation systems and masonry repairs at several buildings.

The fifth priority of \$83,430,000 is for the construction of a new Electrical and Computer Engineering Building at the Urbana-Champaign campus.

Priority six seeks \$57,745,000 to remodel and construct an addition to the Pharmacy Building at the Chicago campus.

The seventh priority of \$27,000,000 is to construct a new College of Business Building at the Urbana-Champaign campus. These funds will be matched with private donations.

The eighth priority seeks \$61,800,000 in funds to remodel the Dentistry Building at the Chicago campus.

The ninth priority would provide \$10,400,000 for the remodeling of the College of Medicine Research Resources (COM/RRC) Center at the Chicago campus.

Priority ten seeks \$4,000,000 for the Springfield campus to rehabilitate metal buildings and library space vacated with the construction of the new classroom office building.

These projects are described in further detail in the pages that follow.

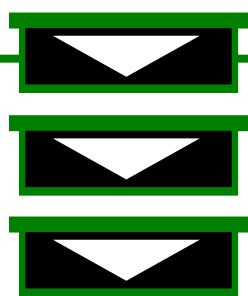
Table 4
FY 2005 Combined Capital Budget Request
Summary by Category and Campus
(Dollars in Thousands)

Category	Chicago	Springfield	Urbana-Champaign	TOTAL
Building, Additions and/or Structure	\$ 57,745.0		\$ 110,430.0	\$168,175.0
Land Acquisition				
Utilities				
Remodeling	104,365.9	\$ 4,468.7	69,785.4	178,620.0
Site Improvements				
Planning	\$162,110.9	\$ 4,468.7	\$ 180,215.4	\$346,795.0

Table 5
FY 2005 Combined Capital Budget Request
Future Funding Implications
(Dollars in Thousands)

Priority	Project	Category	FY 2005 Request	FY 2006 Cost	Cost for 2007 and Beyond
1	Repair and Renovation	Remodeling	\$ 10,735	\$ 10,175	\$ 10,175
2	Deferred Maintenance	Remodeling	20,125	20,125	20,125
3	Lincoln Hall Remodeling	Remodeling	51,560		
4	Campus Infrastructure Program	Remodeling	20,000		
5	Electrical & Computer Engr. Bldg.	Building	83,430		
6	Pharmacy Addition	Building/Addition	57,745		
7	College of Business Building	Building	27,000		
8	Dentistry Renovations	Remodeling	61,800		
9	COM/RRC Renovations	Remodeling	10,400		
10	Rehab Metal Buildings/Library	Remodeling	4,000		

CAPITAL REQUESTS



PRIORITIES

(\$10,735,000)

Priority 1: ➤ Repair and Renovation \$10,735,000 – All Campuses

As was the case in past years, the University's top priority is attention to annual repair and renovation. Attention to annual repair and renovation assures that those projects will not slip and fall into the deferred maintenance category. A total of \$10,735,000 is requested for the 13 projects outlined in Table 6. Detailed descriptions of these projects are found in the Repair and Renovation project description, following this Priorities section.

Table 6
Repair and Renovation Projects by Campus

	Amount
Chicago Projects	
Dentistry Building, HVAC Phase I	\$1,000,000
Theater Building, Lecture/Recital Hall Renovation	800,000
College of Nursing, Biological Lab Infrastructure Renovation	865,900
Science and Engineering Lab, Fluid Thermal Lab Renovation	500,000
Grant Hall, Language Laboratory	1,000,000
TOTAL	\$4,165,900
Springfield Project	
Brookens Library, Window Wall Replacement	\$ 343,700
TOTAL	\$ 343,700
Urbana-Champaign Projects	
Turner Hall, Renovate Instructional and Research Laboratories	\$1,850,000
Transportation Building, Renovate Student Design Team Space	700,000
Noyes Lab, Repair Chimneys and Dormers, Phase II	800,000
Repair Campus Streets	500,000
Repair Steam Distribution System, Phase II	500,000
Krannert Center for the Performing Arts, Accessibility Upgrades, Phase IV	430,000
Quad Buildings, Repair Envelopes	1,445,400
TOTAL	\$6,225,400

Priority 2: ➤ Deferred Maintenance \$20,125,000 – All Campuses

Priority number two begins a new emphasis on the reduction of deferred maintenance. This request when coupled with the \$2 million operating funds request will help to build a consistent funding stream to service the facilities infrastructure. Without steady and sustainable revenue streams maintenance problems go from the regular maintenance category to the deferred maintenance

category. This problem when multiplied over many years has resulted in a large deferred maintenance backlog for the University. By placing this request at the number two position behind the traditional Repair and Renovation request the University is placing a very high priority on reducing its level of deferred maintenance. Table 7 is a list of the projects on the deferred maintenance list. A more detailed description follows the Repair and Renovation section.

Table 7
Deferred Maintenance Projects by Campus

Chicago Project	Amount
University Hall, Facade/Gallery Repairs	\$ 8,000,000
TOTAL	\$ 8,000,000
Springfield Project	Amount
Various Buildings, Replace HVAC Rooftop Units	\$ 125,000
TOTAL	\$ 125,000
Urbana-Champaign Projects	Amount
Natural History Building, Replace Roofs	\$1,500,000
Transportation Building, Replace Slate Roof	750,000
Chemistry Annex, Replace Slate Roof	750,000
Engineering Sciences Building, Replace Roofs	500,000
Quad Buildings, Repair Envelopes	3,646,000
Turner Hall/Transportation Bldg. Repair Elevators	600,000
Quad Buildings, Repair Electrical Distribution, Phase I	4,254,000
TOTAL	\$ 12,000,000

Priority 3:

► Lincoln Hall Remodeling \$51,560,000 – Urbana

Lincoln Hall currently serves the University of Illinois as a general classroom building and provides space for the College of Liberal Arts & Sciences, the largest instructional unit on the Urbana-Champaign campus. The building supports a very large volume of instructional activity and classroom use. The building was constructed in two stages, with the western half constructed in 1911 followed with construction of the eastern half and theater in 1930. Since that time the building has gone without a major renovation; the interior layout and infrastructure remain largely intact from initial construction.

In anticipation of the Spurlock Museum of World Cultures construction, a feasibility study was performed in 1999 to determine how best to use the space vacated by the museum relocation. This project will ultimately concentrate instructional space 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 Quadrangle building. The reconfiguration of space in Lincoln Hall will provide a variety of classroom sizes. The lower level will be designed for mechanical and storage space.

With this major remodel effort the building will be updated to modern life safety code requirements. Additionally, the facilities deferred maintenance will be addressed in this remodel abating an estimated \$11 million. All aspects of the building will be upgraded including electrical, plumbing, HVAC and communication systems. This will result in a completely renovated building within the academic core of the Urbana-Champaign campus that is organized to meet current academic demands, through new and emerging technologies with a modernized facility making it more efficient to operate.

Planning funds in the amount of \$2,000,000 were approved by the Governor in FY 2004. These funds will allow for the hiring of an architect/engineer to update the feasibility study and prepare bidding documents. The balance of the request totals \$51,560,000 which is requested in this FY 2005 Capital Request.

Priority 4:

► **Campus Infrastructure Program \$20,000,000 – Chicago**

Funding is requested to continue implementation of the University's plan for restoration of the exterior integrity of UIC's buildings and renewal of building infrastructure systems. UIC's FY 2005 program includes: roof replacement (Architecture and Art, Behavioral Sciences, Pharmacy and Paulina Street Buildings); window replacement (Medical Center Administration, Physical Education and Disability, Health and Social Policy Buildings); renewal of vertical transportation systems (Science and Engineering Labs, Science and Engineering South, Pharmacy and Richard J. Daley Library Buildings); masonry restoration (College of Medicine and Medical Center Administration); facade inspections (various buildings); lighting retrofits (various buildings); renewal of building electrical, HVAC, plumbing and fire protection systems; and life safety code corrections. This program is the continuation of the \$16,000,000 Roof/Masonry/Window Repair project at UIC found in the FY 2004 request.

Priority 5: ➤ **Electrical and Computer Engineering Building \$83,430,000 – Urbana**

This proposed building will give the Urbana-Champaign campus an opportunity to develop an environment in which overlapping and mutually compatible program strengths can be enhanced. The Departments of Computer Science, Electrical and Computer Engineering and selected units in the multi-disciplinary Coordinated Science Laboratory span the spectrum from theory to application. In common facilities, these programs have greater potential to generate new endeavors than the same units operating alone. While this facility will primarily serve the research missions of the Electrical and Computer Engineering Department, it will also improve and expand graduate education and enhance specialized upper-level undergraduate programs and projects.

This building will serve as part of a programmatic link from the Beckman Institute to the current Everitt Laboratory of Electrical and Computer Engineering for scientists and engineers in the electrical and computer engineering fields. Along with the Beckman Institute, Microelectronics Laboratory, Computer and Systems Research Laboratory and Digital Computer Laboratory Addition, this building will provide the modern facilities needed to reinforce and enhance the campus's reputation in electrical and computer engineering while forming the foundation for lasting preeminence in these fields.

Currently, the Electrical and Computer Engineering Department has a significant space deficit, which is further exacerbated by the poor quality of its existing space. It is possible that part of the assignable square footage in the Everitt Laboratory could be freed to create classrooms and other teaching facilities on the north end of campus. The building, as proposed, will act largely as a vehicle to relocate programs of mutual interest and upgrade the space in programs requiring more sophisticated space.

Priority 6: ➤ **Pharmacy Addition \$57,745,000 – Chicago**

The Chicago campus requests funds to construct a pharmacy research addition, which will provide 115,000 gsf of research labs, lab support, dry labs, lab-related offices and lab-related office support. The Pharmacy Lab was constructed in 1955 and has 281,133 gsf on the west side of the UIC campus. The majority of the labs in the building have been evaluated to be in poor condition with the recommendation

of renovation or completely decommissioned. Previous reviews have concluded that it would be more cost effective to build a new flexible lab building with open lab layouts, rather than to fix the deficiencies inherent in the existing lab design and infrastructure. Building infrastructure in the College of Pharmacy (COP) has degraded; problematic telecommunications, plumbing, vertical transportation, computer wiring, HVAC, roof systems and other systems need to be serviced or replaced. These systems have required several millions of dollars for repair and upkeep in the last several years and will likely require substantial additional dollars in the future. The construction of this addition will also allow for expansion of laboratory and laboratory support functions and will permit renovation of existing support services, student services and offices in the current pharmacy building.

The newly expanded research space will be occupied predominantly by faculty from the Departments of Medicinal Chemistry and Pharmacognosy, Pharmacy Practice and Biopharmaceutical Sciences, as well as units from the Program for Collaborative Research in the Pharmaceutical Sciences and the Center for Pharmaceutical Biotechnology. Completion of the proposed addition will allow the University to expand and consolidate most of the COP research programs. This facility will help alleviate the current wet research space deficit that now exists in the COP. It will provide additional laboratories and laboratory support for principal investigators and associated research staff. The construction of a new pharmacy addition will provide additional laboratory/support and office/support space in the COP, which is required to accommodate anticipated enrollment, research and program growth. Research grants and contracts in the college have more than doubled in the past five years, thus it is critical to keep pace with the growth.

The proposed addition will substantially upgrade the research elements of the COP's educational environment which is particularly important for the college's expanding graduate student program by the addition of new state-of-the-art laboratories. Expansion space is needed so that COP can retain a top-five ranking among schools of pharmacy in National Institutes of Health funding. That ranking is in jeopardy, given the rapid expansion of research space among other colleges of pharmacy.

Priority 7: ➤ **College of Business Building \$27,000,000 – Urbana**

The College of Business Building at Urbana-Champaign will be funded through state appropriations and gift funds provided through the College. Current plans envision an approximately one-half match from state funds with a total project cost of \$54,000,000. This new building will provide significant relief to the critical space needs of the College of Business.

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

Approximately half of the classrooms will be dedicated to undergraduate student education with a total capacity of over 600 students per period. The MBA Program space will provide classrooms (including three conference/seminar rooms), administrative offices, lounge, vending area, recruiting center and storage. The Technology and Communications Center will be the distance-learning center for the College of Business with interactive classrooms and a TV studio. This project will provide the College of Business with space contiguous with other buildings they occupy, necessitated by the College's constantly expanding student population and the desire to provide a better, more comprehensive program to those students.

Priority 8: ➤ **Dentistry Renovations \$61,800,000 – Chicago**

The University of Illinois at Chicago proposes to modernize the College of Dentistry building which is located in the west side medical complex. The 5 story building, constructed in 1973, houses the instructional, research and patient care activities of the College of Dentistry, including 350 dental and graduate students, 85 full time faculty, 116 part-time faculty and 136 support staff. The building's clinics accommodate 100,000 patient care visits each year. With the closing of two of the four dental colleges in Illinois, the Chicago campus shares the responsibility with Southern Illinois University of educating future dentists for the state.

Eighty percent of the course of study for a DDS degree consists of clinical patient care science instruction. This instruction is highly dependent on patient care

facilities from a standpoint of space, design and equipment. Every dental school's building must contain ambulatory care clinics and supporting technical laboratory facilities that are essential to the preparation of dental graduates for immediate entry after graduation into clinical patient care professional practice.

The majority of U.S. dental school buildings were constructed during the 1970s. The UIC building was completed in 1973. Since 1990, most U.S. dental schools have undergone renovation and re-equipping to bring their infrastructures up to current standards of patient care delivery with respect to infection control/instrument sterilization, fire and other occupant safety codes, Americans with Disabilities Act, Occupational Safety and Health Administration (OSHA) legislation and computerized information technology innovations which are changing dental diagnosis, therapy and instructional methodologies. A majority of U.S. dental schools have already completed renovation and re-equipping (e.g. University of Michigan, University of Iowa, Indiana University, University of Missouri at Kansas City) or plan to build new facilities (e.g. University of Maryland, Marquette University). Faculty and students are attracted to dental schools with state-of-the-art physical facilities and out-dated facilities are a barrier to competitive faculty and dental student recruitment at UIC.

The current UIC College of Dentistry building does not support these processes. It was built at a time when few of the above practices were even imagined. The building does not support high-fidelity clinical simulation, which hampers the transfer of knowledge and skill from the pre-clinic learning environment to clinical patient care.

While the College of Dentistry has been able to maintain adequate facilities that minimally meet accreditation guidelines, the College has not been able to keep pace with peer institutions. The college building consists of 5 floors with 190,000 nasf, of that approximately 100,000 nasf is devoted to patient care clinics, approximately 60,000 nasf is assigned to teaching and approximately 30,000 nasf is research laboratory space. A substantial technological infrastructure is required in a dental school building to support computer-based student instruction and simulation learning experiences which prepare the dental student for patient care, collect and

store digitized radiographic images, track patient diagnostic and treatment data and maintain a fully electronic patient record in our patient clinics.

Priority 9: ➤ **College of Medicine/Research Resources Center (COM/RRC) Renovation
\$10,400,000 – Chicago**

The COM/RRC Renovations request for funds is to correct priority 1, 2 and 3 deferred maintenance items in the Medical Sciences Building (MSB). The request will also concentrate on the programmatic renovation of 10,000 nsf for the RRC in MSB. With regards to RRC, this project, in part, is intended to be the third phase of a multi-year capital project, initiated by the FY 2002 and FY 2003 R&R Requests for Phase I and Phase II RRC projects.

The Vanderweil Facility Advisors (VFA, Inc.) Deferred Maintenance Report submitted in 2002, cites high-priority deferred maintenance requirements throughout MSB. These include the HVAC system, exterior facade, electrical, plumbing, equipment, interior remodeling and construction. RRC's remodeling and construction requirements are to provide proximate, accessible and operationally efficient facilities in order to provide central support services to research investigators in the new College of Medicine Research Building (COMRB). With adjacency to the new COMRB, MSB becomes a crucial support element for future research growth on the west campus.

The RRC currently provides centralized instrumentation and research support for faculty and principal investigators at the Chicago campus. RRC currently occupies laboratory space in the basement and on the first floor of MSB. Both locations are in a state of disrepair. As reported in the VFA report, the infrastructure is failing and life-safety-code compliance may not exist for certain uses. Furthermore, the RRC's location in the Molecular Biology Research Building has been reassigned for research laboratory use, thus driving the need for temporary relocation space on the third floor of College of Medicine West Tower. This is a stop-gap measure only and should not be considered as permanent relocation space.

Priority 10: ➤ **Renovate Metal Buildings/Library \$4,000,000 – Springfield**

Upon completion and occupancy of the new classroom office building currently under construction at the Springfield campus, approximately 40,000 square feet of

space will be vacated. Campus programs scheduled to relocate into the new facility prior to the beginning of the Fall 2004 semester are currently located in Brookens Library level 4, Health and Sciences Building level 1, Student Affairs Building (metal), Communication/Psychology/Visual Arts Building (metal) and College of Business and Management Building (metal). Although some office, classroom, and lab space may remain as is for the near term, the vast majority of this space will need to be renovated to accommodate the programmatic moves required to relocate and group widely disbursed elements of some support units and optimize the effective use of these scattered human resources. Renovation of the vacated space will be paramount to successfully relocate and consolidate various program units into optimal working space. In addition to other programmatic moves, this project will allow several programs in the division of Student Affairs to consolidate under one roof. This project will also allow renovation of vacated space in Brookens Library that will be critical to improving the quality and services of the Library. Funding for this project is critical to improve the campus by providing the quality of space that is required by several programs to effectively do their mission.

REPAIR AND RENOVATION PROJECT

DESCRIPTIONS

Chicago Projects (\$4,165,900)



Dentistry Building, HVAC Phase I – \$1,000,000

The Dentistry building's ventilation and air conditioning components and systems are at the end of their useful life. This request is the first phase of a multi-phased request to rebuild and replace the building's failing HVAC system. The scope of this work has been cited by the VFA "Deferred Maintenance Report" submitted in 2002. The first phase includes limited asbestos abatement, replacement of critically deteriorated mixing boxes, installation of missing hot decks and the replacement building of the first floor air handler. Related work required will necessitate removing and replacing some ceiling components, limited patching and painting of surfaces.

Theater Building, Lecture/Recital Hall Renovation – \$800,000

The requested funds will be used to update approximately 6,100 gsf of existing performance and lecture spaces in the UIC Theater Building with the primary purpose of improving room finishes, room lighting, theater lighting, acoustics and theater sound systems. The scope of this project includes patching, painting, limited restoration of wall and floor finishes, replacing fixed seating and carpeting to provide for ADA seating requirements. Additional work to be performed includes acoustical/sound treatment in rooms, replacing general room lighting and theater lighting control consoles. The project will also provide funds for the upgrade of the fire alarm system.

College of Nursing, Biological Lab Infrastructure Renovation – \$865,900

The College of Nursing building is more than 35 years old. Its heating, ventilation, air conditioning and electrical systems have deteriorated and are at the end of their useful life. The existing heating is substandard and the HVAC system is constantly being serviced and is inadequate to meet human comfort standards and support biological research laboratories. The scope of work for the first phase is the complete abatement of asbestos on the second floor. The second phase will target replacement of HVAC and controls systems and upgrade electrical service and distribution. Related work in completing both phases include asbestos removal, removing and replacing all ceiling systems, reusing the existing lighting, limited

patching, painting of surfaces and installing new flooring throughout. The first phase does not provide for the improvement or replacement of the HVAC equipment or components but will prepare the targeted areas for later phases that will.

Science and Engineering Lab, Fluid Thermal Lab Renovation – \$500,000

Heating, ventilation, air conditioning and electrical components are inadequate to support the proposed remodeling and renovation of laboratory support space to new laboratory space in the existing Science and Engineering Laboratory Building. The existing HVAC system was not designed to include laboratory functions and is inadequate to meet human comfort standards and support the proposed Fluid and Thermal Laboratory suite. This project scope requires a minimal amount of general construction including patching and painting of all rooms. Plumbing rehab work will include water piping, waste water piping, floor drains, wall drains and sinks. Lab infrastructure including fume hood, air, gas and vacuum piping will be upgraded. HVAC work includes upgrading the temperature controls, replacement of the room air distribution system and exhaust fan and ductwork system. The electrical power service and distribution, room lighting and telecommunication/data wiring and terminations will also be upgraded as part of this project.

Grant Hall, Language Laboratory – \$1,000,000

The proposed request for funds will renovate one floor of approximately 4,500 gsf in Grant Hall to accommodate the needs of the Language Learning and Tutoring Centers for the College of Liberal Arts and Sciences as well as other colleges who use the lab. The existing labs were constructed in the mid-1960s as part of the initial construction of campus and are equipped with outdated audio equipment. The physical space must be modified, renovated and reconfigured to allow for modern student learning experiences while emphasizing the campus commitment to cultural and linguistic diversity. The project will upgrade electrical, HVAC, lighting, communications and general room finishes as required to meet the program's needs along with fixed equipment needed to utilize the lab. Once complete the lab will include a foreign and English language lab, a student tutoring and study center and a refurbished modern classroom. The Language Lab will allow students to use specialized recording equipment to practice foreign language skills along with state-of-the-art computer work stations supported by specialized systems running on a local area network in a multimedia PC environment. A media center with an area

for film and international satellite TV broadcast viewing, a media resource library and offices for the administrative staff are also planned for the new center.

Springfield Project (\$343,700)

Brookens Library, Window Wall Replacement – \$343,700

This project proposes the replacement of single-pane window glazing on Brookens Library's window wall system with new double-pane, energy efficient glazing. Due to the deterioration of the existing sealant materials, the window areas have increasingly become a source of water leakage into the building. In addition, the existing single-pane window system is extremely energy inefficient, resulting in high utility costs for heating and cooling the facility.

Urbana- Champaign Projects (\$6,225,400)

Turner Hall, Renovate Instructional and Research Laboratories – \$1,850,000

Turner Hall was constructed in two phases in the 1960s comprised of instructional laboratories, classrooms, offices and research laboratories. This project focuses on remodeling of an instructional laboratory, a research laboratory and student services space. It is part of an ongoing effort to keep the spaces modernized and up-to-date. The spaces to be remodeled are Room W013-W023, a 1,600 plus square foot instructional laboratory and prep area in the basement; Room M019, a 1,417 square foot research laboratory in the basement; Room C514, a 275 square foot research laboratory; and the east half of the Annex, 2,006 square feet, housing the student lounge and the student counseling offices. The total square footage involved is approximately 5,000 square feet.

Room W013-W023 is a combination instructional laboratory/classroom space. The space, as currently configured, utilizes fixed seating, which is not consistent with the classes taught. The work will include the replacement of all fixed seating with movable seating; new flooring, lighting and ceilings; painting the walls; and some minor plumbing work involved with the relocation of an existing sink. The work for Room M019 consists of dividing this large laboratory into two spaces. It will include installing a new wall; replacing existing casework; and painting, plumbing, electrical and ventilation work. The work in Room C514 includes removing and replacing existing casework, new plumbing and electrical fixtures, painting and replacing existing floor tile. The work in the Annex includes replacing the existing exterior windows with operable windows; upgrading of carpet, paint and ceilings as required; rearranging existing office spaces; and rehabilitating the ventilation system

in these spaces. The programmatic renewal portion of this project is \$1,000,000. That work is coupled with \$800,000 of deferred maintenance and \$50,000 of capital renewal.

Transportation Building, Renovate Student Design Team Space – \$700,000

The space currently used for the capstone senior design course in the Department of General Engineering is outdated and badly in need of renovation. The renovation will bring these spaces up to modern laboratory standards that simulate the working environment and resources a young engineer will find in a top engineering company. This working environment is desirable since teams of students work on real design problems prescribed by outside engineering companies.

Renovations include replacement of radiators with fin tube heating; new lighting; electrical and voice/data systems; wall, floor and ceiling finishes; fixed equipment; and in one space, the introduction of a true fume hood, lab sink and safety shower. This request also includes \$200,000 of deferred maintenance work and \$20,000 of capital renewal that will be coupled with the programmatic remodeling.

Noyes Lab, Repair Chimneys and Dormers, Phase II – \$800,000

This request is a continuation of the FY 2004 request. The 100-year-old chimneys of Noyes Laboratory are in different states of disrepair, some have chips which occasionally fall while others are in danger of losing entire bricks. The immediate impact to instruction and research is caused by water seeping into the building which causes damage to the interior surfaces. The possibility of a chimney collapsing and causing structural damage and bodily injury is also a concern.

Repair Campus Streets – \$500,000

Existing pavement structures on Campus have numerous failures, irregularities and are not designed to handle present traffic loadings. Several streets have experienced increased mass transit traffic on campus. This project will address the improvement of traffic safety and serviceability by repairing existing pavement failures and installing an asphalt overlay on existing surfaces.

Repair Steam Distribution System, Phase II – \$500,000

This project is a continuation of the FY 2004 request. Portions of the UIUC steam distribution system are over 60 years old, with some portions of the north campus system over 80 years old and in need of repair to the structures and piping. The loss of heating due to steam distribution failure has the potential to disrupt instruction and research in dozens of campus facilities simultaneously.

This project will survey, design and implement repairs to the steam distribution system on the UIUC campus. Items in need of repair include the tunnel roof structural failure in the vicinity of the Main Library, north campus steam mains crossing Green Street, Peabody Avenue steam tunnel, Goodwin Avenue steam mains and tunnel vent access repair. It may be necessary to continue this repair effort in subsequent requests.

Krannert Center for the Performing Arts, Accessibility Upgrades, Phase IV – \$430,000

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 will be 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 finding their way within the facility. This request implements the master plan by remodeling the restrooms, ticket office and general site work to aid in accessibility for those patrons requiring it.

Quad Buildings, Repair Envelopes – \$1,445,400

The Urbana-Champaign campus recognizes a need to protect and preserve the rich heritage of aging facilities within the core campus. Renewing these historic buildings provides quality space for teaching and learning and provides essential care and stewardship of valuable assets. Among core buildings viewed as unique is one of the oldest buildings on campus, Altgeld Hall. The instructional areas and offices in this facility are experiencing air and water infiltration from leaking

windows, many original to the 106 year-old building, which causes plaster damage and damage to the structure as well as occupant discomfort.

This project will remove, rejuvenate, reinstall or replace historically significant windows in Altgeld Hall. Minor tuck pointing of stone and masonry in various areas of the exterior will also mitigate water transmission into the building. Supplemental campus funds and/or project phases may be required due to the age and condition of the windows.

DEFERRED MAINTENANCE PROJECT

DESCRIPTIONS

Chicago Project (\$8,000,000)

► **University Hall, Facade/Gallery Repairs – \$8,000,000**

University Hall, a 28-story high-rise building, was constructed in the early 1960s.

The structural framing consists of reinforced concrete columns, shear walls, one-way joists and exterior spandrel beams. The building has exposed aggregate pre-cast concrete curtain wall panels with narrow glass fixed windows on the east and west elevations. The curtain wall is set back 3 to 6 feet from the exterior plane of the concrete framing, creating exterior galleries.

The exposed concrete frame of this building has developed extensive deterioration in the form of cracks, delaminations and previously applied repair patches that have failed and spalled. A recent investigative study has indicated that this deterioration is due to inadequate thickness of concrete coverage over the reinforcing steel bars. The study reported that the deterioration has no impact upon the structural integrity of the building. However, periodic breaking of concrete presents a serious safety hazard to pedestrians around the building. Therefore, all deteriorated concrete needs to be removed and patched using state-of-the-art concrete restoration techniques.

The concrete rehabilitation work consists of removal of all deteriorated concrete, exposing the full length of corroded reinforcing bars, installation of supplementary mechanical anchors and embedded galvanic anodes and the forming and poring of a concrete mix, matching the original concrete as closely as possible. As a second line of defense against corrosion, a surface-applied Mitigating Corrosion Inhibitor or a solvent-based, breathable, acrylic, colorless coating will be applied to all exposed concrete.

The waterproofing membrane of the galleries has outlived its useful life and is allowing water to infiltrate into the building, which is causing damage to interior finishes and inconveniencing occupants. Hence, the waterproofing membrane of the galleries has to be replaced. The sealant for the pre-cast and curtain wall glazing is also more than 35 years old and needs to be replaced.

The existing stone ballast and roofing membranes at all galleries will be removed, the concrete decks will be repaired as required and a cold-applied modified bitumen membrane or fluid-applied urethane system of waterproofing will be installed. The entire existing sealant of the curtain wall will be removed and new sealant will be installed. The façade restoration will be accomplished on an elevation-based phasing scheme.

Springfield Project (\$125,000)

► **Various Buildings, Replace HVAC Rooftop Units – \$125,000**

Over the past few years, the campus has replaced nearly half of the 52 roof-top HVAC units. Many of the remaining units are nearing their life expectancy, are experiencing a high frequency of maintenance repairs and are in need of replacement. Funding for this project will allow the university to replace 10 to 15 aging HVAC roof-top units that serve metal buildings. HVAC roof-top units slated for replacement include the Human Resources Building, Business Services Building, Student Life Building, Student Affairs Building, Cox Child Care Building and College of Business and Management Building.

Urbana-Champaign Projects (\$12,000,000)

► **Natural History Building, Replace Roofs – \$1,500,000**

This historically significant, 111 year old, facility on the Quad serves thousands of School of Life Sciences students and faculty on a daily basis and is the home for the Natural History Museum. The research, instructional areas and offices are experiencing water infiltration from leaking roofs and built-in gutters, which causes plaster damage, peeling paint and wallpaper, structural damage as well as damage to museum exhibits and natural history collections. The slate roofs are in generally poor condition with most slate tiles in need of repair or replacement. The existing built-up roofing exhibits signs of membrane slippage, blisters and/or flashing failure and is leaking in several rooms. Entire roof systems will require replacement. This project will remove and replace the original slate roof (complete with felt and flashings), built-up roofs, gutters and downspouts.

Transportation Building, Replace Slate Roof – \$750,000

This historically significant, 91 year old facility serves engineering undergraduate students and faculty on the Urbana-Champaign campus. The instructional areas and offices are experiencing water infiltration due to roof leaks and cracks in masonry joints, which adversely impacts instructional resources and causes damage to plaster

and interior finishes. Wood is visible in several locations where the ridge cap has failed and is allowing water into the structure. The slate has previously been repaired in several areas but a more comprehensive replacement is required. This project will remove and replace the slate roof (complete with felt and flashings) and perform some minor tuck-pointing.

Chemistry Annex, Replace Slate Roof – \$750,000

This historically significant, 73 year old facility on the Quad serves thousands of undergraduate students and faculty on a daily basis. The instructional areas, offices are experiencing water infiltration due to roof leaks in multiple areas which adversely impacts instructional resources and causes damage to plaster, interior finishes and the structure. This project will remove and replace the original slate roof (complete with felt and flashings).

Engineering Sciences Building, Replace Roofs – \$500,000

The Engineering Sciences Building is a six-story research and instructional facility with recently remodeled interior spaces including offices, laboratories, an auditorium and a highly sensitive clean room. The roof has numerous active leaks that have been patched on several occasions but now the entire system has reached the end of its useful life, necessitating complete replacement. This project will remove and replace the existing built-up roof with a new roofing system, including a vapor barrier and new insulation.

Quad Buildings, Repair Envelopes – \$3,646,000

The Urbana-Champaign campus recognizes a need to protect and preserve the rich heritage of aging facilities within the core campus. Renewing these historic buildings provides quality space for teaching and learning and provides essential care and stewardship of valuable assets. Among core buildings viewed as unique is one of the oldest buildings on campus, Altgeld Hall. The instructional areas and offices in this facility are experiencing air and water infiltration from leaking windows, many original to the 106 year-old building, which causes plaster damage and damage to the structure as well as occupant discomfort. This project will either remove, rejuvenate, reinstall or replace historically significant windows in Altgeld Hall. Minor tuck pointing of stone and masonry in various areas of the exterior are

also planned. Project phases may be required due to the age and condition of the windows.

Turner Hall/Transportation Building, Repair Elevators – \$600,000

The existing elevator equipment 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. This retrofit will also increase the ADA accessibility to the upper floors of the facilities.

Quad Buildings, Repair Electrical Distribution, Phase I – \$4,254,000

The electrical main service and load distribution centers in the research, instructional, and administrative facilities in the core of the campus are past due for replacement. New parts in some cases are impossible to find and in other cases the equipment is nearing 70 years old and well past its useful life. Even though some of the older equipment is in fair condition, due to its age it may fail at any time, creating a safety condition or a hazard. Certain switchgear is no longer tested on a routine basis for fear it will fail catastrophically, disrupting power for an extended period of time. In addition, desired educational and research programs cannot be supported where the service and equipment is not large enough to accept the new loads associated with those programs. The new distribution systems will be sized for the anticipated loads.

This project will remove and replace electrical distribution equipment in the Library, English Building, Henry Administration Building and Noyes Laboratory. The cost estimate reflects the intention of the campus to create minimal disruption to the occupants by executing as much of the changeover during off-hours, weekends and holidays. It also reflects the potential need to replace aged and inadequate power cables and wiring as well as the need to provide proper electrical vaults. Additional phases in future fiscal years will address the electrical distribution needs in the remainder of the facilities on the Quad.