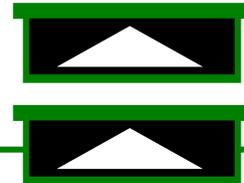


FY 2008 BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**

**PREPARED FOR THE
BOARD OF TRUSTEES
SEPTEMBER 7, 2006**

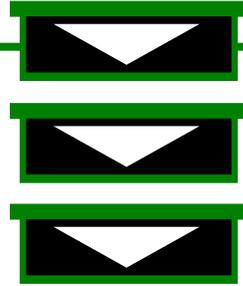


UNIVERSITY OF ILLINOIS
CHICAGO • SPRINGFIELD • URBANA-CHAMPAIGN

FY 2008

BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**



**PREPARED FOR THE
BOARD OF TRUSTEES
SEPTEMBER 7, 2006**

UNIVERSITY OF ILLINOIS

Chicago • Springfield • Urbana-Champaign

Office of the President
364 Henry Administration Building
506 South Wright Street
Urbana, IL 61801-3689

B. Joseph White
President

September 7, 2006

Dear Colleagues and Friends of the University of Illinois:

The University of Illinois is complex, consequential, and rich in history. We have high aspirations and important work to do. And we have the capacity not only to maintain our standing as a great American university, but to create a brilliant future.

I believe that the University of Illinois is an asset of extraordinary value in creating a prosperous future for the people of Illinois, the nation, and the world. Educated people and knowledge from research that creates new industries, companies and jobs are the wealth of the new economy. At the University of Illinois, we educate people and create new knowledge on a large scale, with excellence.

Creating the prosperous future we all desire requires leadership and our continuing efforts in carrying out the Compact between the University and its partners. As I have previously mentioned, the Illinois Compact is comprised of the State of Illinois, through its elected leadership and taxpayers; students and their families who both help underwrite the cost of education and benefit from it; the faculty-led research and scholarship enterprise; generous donors who provide a margin for excellence; and attentive leaders, such as the Board of Trustees and top administrators, who govern and manage the enterprise and who strategically reallocate and redirect resources for optimal benefit.

Over the past year, the University of Illinois's campuses and their operating units worked at a rapid pace developing ambitious and creative plans for a brilliant future. As resources are a necessary (but not sufficient) condition for excellence, funding requests for some of the strategic initiatives developed within these plans are included within the Strengthen Academic Quality component of the FY 2008 operating budget request. Resource requirements for other strategic initiatives will be outlined in subsequent budget requests as the campuses and their respective operating units progress in the execution of their plans.

In the pages that follow, we describe in detail the initiatives that are most important to us as we look ahead to FY 2008. In the operating budget, our greatest needs are to:

- **Strengthen academic quality** through competitive compensation programs, addition of new teaching and research faculty, academic program enhancements, and other strategic initiatives (\$70.1 million).
- **Address facility operations needs** through support for operations and maintenance of new facilities and enhanced facilities maintenance support (\$6.3 million).
- **Meet inflationary and other cost increases** due to payroll costs (e.g., Medicare, Workers' Compensation, Legal Liability) and price increases for utilities, the library, technology, and other increases specific to higher education (\$24.6 million).

These proposals total \$101.0 million, representing an 8.06 percent increase over our FY 2007 base operating budget (state appropriations plus income fund).

In the capital budget, our challenges are compounded by the fact that we have an aging physical plant, and we have received no capital appropriations for the last three years. From numerous projects across the three university campuses, we have identified our ten highest priority capital projects. Our top two priorities are Repair and Renovation (\$21.47 million) and Deferred Maintenance (\$20.1 million). In priority order, the remaining projects are: Lincoln Hall Remodeling (\$53.1 million); College of Medicine Rockford (\$14.25 million); Dentistry Modernization / Code Compliance (\$20 million); South Farms Realignment (\$43 million); Advanced Chemical Technologies Inflation (\$20 million); Electrical & Computer Engineering Building (\$42 million); Brookens Library Renovation (\$8 million); and Medical Sciences Building Modernization (\$20 million).

Thank you for the opportunity to present our budget needs for FY 2008 to the State of Illinois. If you have questions, please do not hesitate to contact me or my staff.

Sincerely,



B. Joseph White

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Capital Budget Request for FY 2008

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INTRODUCTION



INTRODUCTION

Overview



Since its inception in 1867 as one of the nation's original public land grant universities, the University of Illinois has witnessed significant periods of change and growth. From the "Illinois Industrial University's" first day of instruction in Urbana in 1868, to the opening of the Chicago Circle campus in 1965 and its subsequent consolidation with the University's Medical Center in 1982 to create the University of Illinois at Chicago, to the addition of the Springfield campus in 1995, the University has evolved and adapted to become one of the world's great institutions of higher education with three campuses sharing a common name, mission, governing body, senior leadership and unwavering commitment to academic excellence.



The University must have a clear strategy in place.

Knowledge is the most significant economic and social force of the 21st century and higher education will see its importance and influence grow in the coming decades. However, as in other industries and sectors, extraordinary, rapid change has become a constant. This dynamic environment provides challenges and for a great public research university like the University of Illinois, opportunities as well.

The challenges and opportunities facing the University of Illinois grow out of the changing environmental forces acting upon it. A few of the key forces include the following:

- Aggressive competition (nationally and internationally) for students, faculty, resources and reputation from both traditional and non-traditional providers has created a fluid educational marketplace which threatens to erode the quality of the University's academic programs.
- The growing demands for education, technological innovation in educational design and delivery and economic development through technological commercialization create high levels of opportunity as well as a challenge for the University. In particular, the market for on-demand education has expanded rapidly.
- There has been a sea change in the traditional model for financing public higher education in Illinois and across the nation. In particular, the significant shift in how the University is funded over the past few years has brought into stark contrast the alternative futures that it could face, ranging from a slow decline to excellence.

Perhaps more than any other innovation, the ongoing revolution in information and communication technologies has the potential to transform higher education and its contributions to society in education, research, service and economic development. The University of Illinois is uniquely positioned to take advantage of these technologies through its established capabilities and excellence in the sciences, engineering, healthcare, arts and humanities and professional fields combined with its land-grant mission and global presence. But, to do so effectively and in a way that does not diminish its core academic strengths, the University must have a clear strategy in place to fulfill its brilliant future.



The leadership of the University is committed to making tough-minded reallocation and reduction decisions.

The University of Illinois's impact is substantial and consequential. The University of Illinois encompasses 550,000 alumni in addition to 70,000 current students and 28,000 faculty and staff. It extends to the citizens of Illinois who helped build this great institution. It extends to the leaders and practitioners of business, industry and the professions in this important State and well beyond. And it extends to those who come to us for first-rate services: patients in our hospitals and clinics, on-line learners, fire and police training, users of Extension.

Many of these stakeholders care deeply about the state of the University and its future. Stewardship requires that the University's leaders—from trustees to administration, from Foundation to college advisory boards, from active alumni to entrepreneurial faculty, from tuition payers to taxpayers—share an unshakable commitment to the value and the values of public higher education, and particularly to the University of Illinois.

It is clear that a new understanding and an agreement or “compact” to ensure a reliable flow of resources to maintain and develop the excellence of the University of Illinois needs to be hammered out. The Illinois Compact comprises five parties, all doing their part to ensure proper funding for this dynamic treasure, the University of Illinois. The State of Illinois does its part. Tuition payers and their families—with proper financial aid—do their part. University of Illinois faculty through the excellence of their work and their success in winning competitive grants and contracts do their share. Private donors will do their part and step up as the University moves towards another capital campaign. Equally important, the leadership of the University at every level is committed to making tough-minded

reallocation and reduction decisions through good times and bad to ensure the resources with which we are entrusted are being put to the best and highest use. In short, the Illinois Compact binds us together in explicit support of the University, which itself expresses the highest aspirations of the State and its citizens.

The future of the University of Illinois will be built upon the legacy of success provided by previous generations of faculty, students, staff and other key stakeholders. To ensure that the University's future is worthy of its past and present greatness, it is essential to have a strategic plan that recognizes the extraordinary changes facing higher education; the opportunities presented by an expanding national and international marketplace for postsecondary education and training; and the parallel challenges of an environment characterized by increasing competition for the best students, faculty, staff and other resources. Creative and innovative strategies must be developed and implemented through the planning process that enable the University to successfully compete in this dynamic environment and to manage the strategic issues that are critical to achieving its vision. Perhaps more importantly, these strategies must be developed within a cohesive conceptual construct that recognizes and capitalizes on the distinctive strengths and contributions of the three campuses (Chicago, Springfield and Urbana-Champaign), University Administration, University of Illinois Foundation and University of Illinois Alumni Association toward this vision.



The State of Illinois, as a valuable member of the U of I Compact, must continue to provide State funding for the University of Illinois.

The University of Illinois strategic plan outlines the following four strategic goals:

- The University of Illinois will achieve and be recognized for both academic excellence and extraordinary education and development of our students.
- The University of Illinois will be the recognized higher education leader in innovation, quality and service.
- The priorities of the University of Illinois will reflect the most urgent needs of the State, our communities and the world.
- The University of Illinois will have the resources (people, money and facilities) required for excellence.

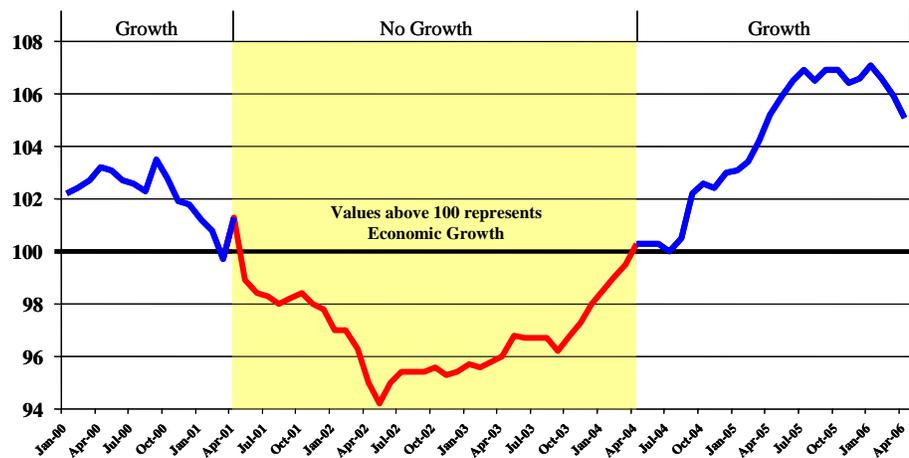
The University of Illinois is a treasure for our State and its people. But it is a dynamic treasure, not a museum treasure. It is dynamic because of the transforming power of education in people's lives. Today, in the face of new technologies and the

forces of globalization, a quality education has never been more important in enabling people to achieve their dreams. We see the growing divide between people with a good education—people who have bright prospects for their lives—and people who lack a good education and, as a result, face tough times which are likely only to get worse. The University of Illinois is a dynamic treasure because knowledge—the original, cutting edge knowledge that comes from research—is the true capital of the new economy. Land and natural resources still matter in a state’s endowment. But educated people and knowledge that creates industries to put those people to work matter more. The University of Illinois is a research powerhouse.

ECONOMIC ENVIRONMENT

The context in which the University of Illinois is requesting funding is important. This decade has been a challenging one for the State. The nation, and Illinois, had a significant economic downturn in the early part of this decade. As measured by the University’s Institute of Government and Public Affairs “Flash Index” in Figure 1, the Illinois economy had an extended period of contraction (as shown by the shaded area). Over the past two years the Illinois economy has been expanding significantly, along with tax revenues.

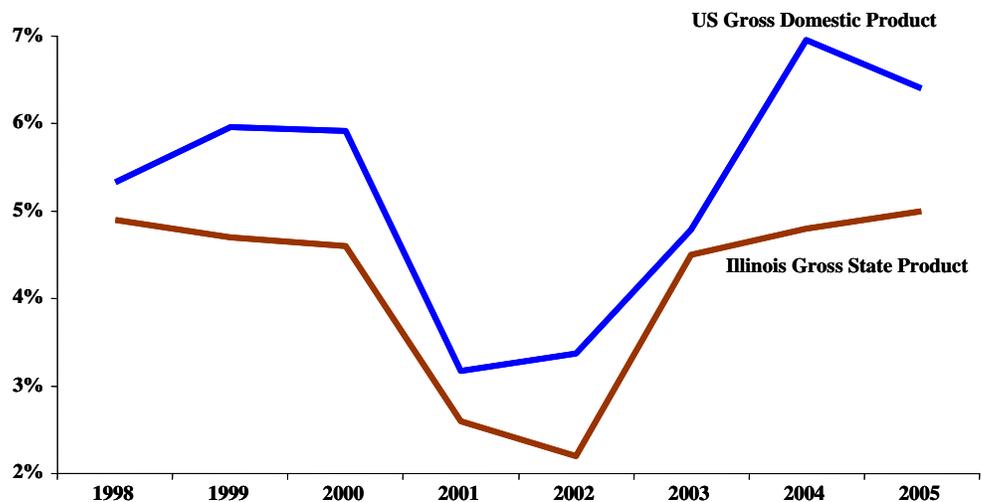
Figure 1
U of I Flash Index
January 2000 to April 2006



Source: IGPA, U of I

However even though the Illinois economy has been growing at a pace exceeding many of the states in the mid-west, its economic growth has been below national averages. State employment has lagged national averages, manufacturing employment is 25% below 1998 levels, with overall employment still below the 2000 peak. Trends for the last decade show that Illinois has underperformed national growth as measured by Gross Domestic Product (GDP) as shown in Figure 2. While it is possible that this trend may reverse, there is no evidence of this happening.

Figure 2
Illinois versus National Economic Growth
1998 to 2005



Source: Bureau of Economic Analysis (BEA)

In addition to economic growth weaker than national trends, the State has another major problem specific to Illinois. The State's five public pension systems are also underfunded with a current liability of over \$38 billion, a funding ratio of 60% at the end of FY 2005. State payments to the retirement systems are scheduled to increase from \$1.4 billion in FY 2007 to \$3.8 billion by FY 2010. The State faces many legal mandates and entitlements which require increased funding and has also determined that health care and elementary/secondary education are the State's highest priorities. In sum, there are more high priorities for State funding than available resources. The result has been limited available funds for direct appropriations to public universities.

The University of Illinois has faced a harsher financial environment in this decade than at any time in the last half century. The State appropriation to the University of

Illinois from general revenue funds is about \$710 million for our day-to-day operations. Along with student tuition, these funds pay most of our faculty and staff salaries and wages; heats, cools and lights our buildings; puts books in the libraries; and equips our classrooms and instructional labs. It is the foundation for our central mission of teaching, research, public service and economic development. The University Administration and faculty have worked closely with the Board of Trustees to address key issues of resource management, administrative reorganization, tuition and financial aid policies.

During FY 2002, the economic environment and outlook for State revenues changed dramatically. From FY 2002 to FY 2005, the direct general tax appropriation from the State declined by more than 16%, representing a loss of \$130 million. Consecutive years of mid-year rescissions totaled over \$75 million. In addition to these direct reductions, the University was faced with over \$100 million in unavoidable expenses such as Medicare payments, utility costs, legal liability costs, O & M for new buildings, salary increases and contract agreements over the last four years. The total reductions, redirections and unavoidable expenses facing the University has been \$220 million. Even with the addition of tuition increases, these reductions placed extreme stress on the University. The impact is felt now and will be for years to come.

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. Given those realities, the University has worked hard to reduce its budget. Principles were articulated to guide budget reduction steps. The funds from these reductions were used to protect core missions of the University. However, cost reductions alone cannot cover the entire burden of reduced State support. Over the next few years, the University will continue to lose faculty, administrative, professional and support staff positions. Many, but not all, personnel reductions can be addressed through attrition and closing vacant positions. The effects of these reductions are serious and long-lasting. Our ability to compete and sustain quality is severely strained. Cuts of the magnitude levied in past years 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. Stated simply, the University of Illinois is doing everything possible to protect the quality of its instructional programs.


*Unrestricted
Appropriations for
FY 2007 were 1.5%
greater than FY 2006
levels.*

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 University's capacity to teach students, erodes the quality of the education provided, limits research productivity, and constrains 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. However, 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 from FY 2002 to FY 2005 jeopardize each of those qualities.

Illinois has long 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 and family services 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. By maintaining State support at a steady level, the University of Illinois can focus on preserving the already high quality of our core missions of teaching, research, public service and economic development.

A NEW BUDGET FRAMEWORK

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

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

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 a renewed emphasis on 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 strategic 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.

The University has recognized the importance of addressing budget requirements via multiple sources, it is clear that the single most important sources of budget strength remains State tax dollars and tuition. 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 supported a larger share of the University's total budget over the past decade, it still requires more than a 1.3% rise in tuition to equal a 1.0% loss in State tax support. The University of Illinois cannot sustain, let alone enhance its quality without a firm foundation of annual State support.

FY 2007 BUDGET OUTCOMES

For Fiscal Year 2007, State support for the operating budget is 1.5% greater than FY 2006 levels. Additional tuition revenues were derived from three sources: general increases for all students, a set of special-purpose increases from which all income was specifically dedicated to improvement of instructional programs largely at the professional level and the third year of the tuition guarantee program.


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

In 2003, the University of Illinois Act was amended (110 ILCS 305/25) to include a four year tuition guarantee for new students beginning with the fall 2004 cohort. The purpose of the undergraduate guaranteed tuition plan is to provide a high degree of certainty about tuition costs for students and families. The plan applies to all undergraduate students enrolled in a baccalaureate degree program on one of the three campuses of the University of Illinois. The plan treats every student as part of a cohort defined by the date of entry to the University. Each cohort is guaranteed an unchanged tuition schedule for four years.

In FY 2007, a total of \$37.5 million was redirected through internal reallocations. 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.

FY 2007 continued the absence of new State funded capital projects for the University of Illinois. Our first capital priority is always repair and renovation of existing facilities on our three campuses. Continued internal reallocations will allow the University to address the most pressing needs to strengthen our traditional missions of teaching, research and public service.

The following tables and figures 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; 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, resting today at a level below that prior to the tax increase. For FY 2007, elementary/secondary education regained their 1980 share of 28.8%. For FY 2007, higher education's share of the total budget decreased further to 8.4%, down from 8.8% a year earlier. The State Pension fund portion of SURS funding for FY 2006 and FY 2007 was significantly reduced over prior estimates of funding need due to PA 98-4. This reduction in pension fund contributions primarily funded the increase to the higher education budget.

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

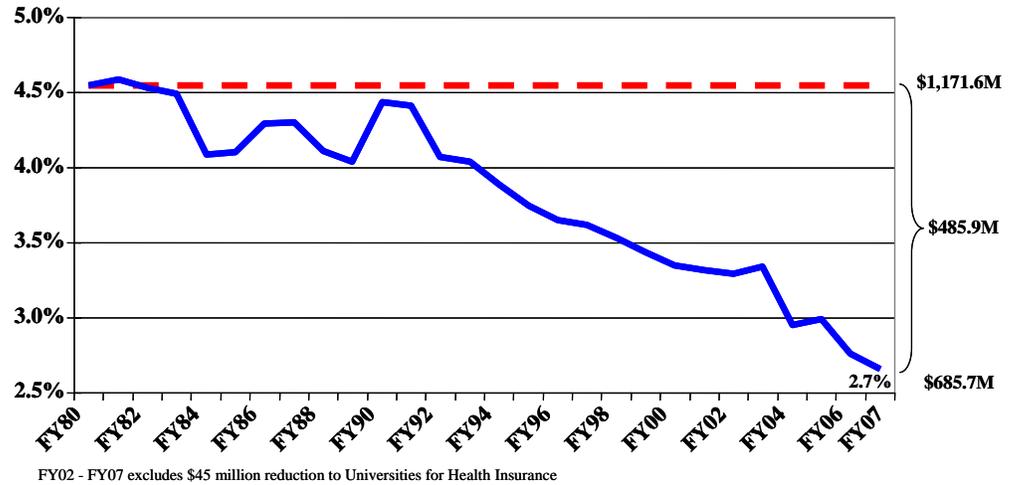
Year	Elementary/ Secondary	Higher Education	DCFS, Human Services, & Corrections	DHFS	All Other
1980	28.8%	12.9%	10.7%	33.8%	13.7%
1990	26.7%	13.1%	12.9%	30.7%	16.6%
1995	23.6%	11.3%	15.9%	35.4%	13.8%
2000	26.3%	11.0%	25.9%	23.1%	13.7%
2001	26.1%	11.1%	25.8%	23.5%	13.6%
2002	26.4%	11.1%	25.8%	22.5%	14.3%
2003	27.0%	10.9%	26.1%	23.3%	12.8%
2004	28.4%	9.9%	24.4%	29.1%	8.2%
2005	30.0%	9.6%	24.8%	26.3%	9.3%
2006	27.8%	8.8%	23.4%	30.6%	9.4%
2007	28.8%	8.4%	22.9%	30.3%	9.6%

Note: Beginning in FY04 the State's Group Health Insurance program moved from CMS (all other) to DHFS (fka Public Aid)

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 2007, that relationship had changed dramatically. The three human service agencies together have climbed to a share of 22.9%, growth of 77.5%, while higher education has fallen to 8.4% and a decline of about 35.9%.

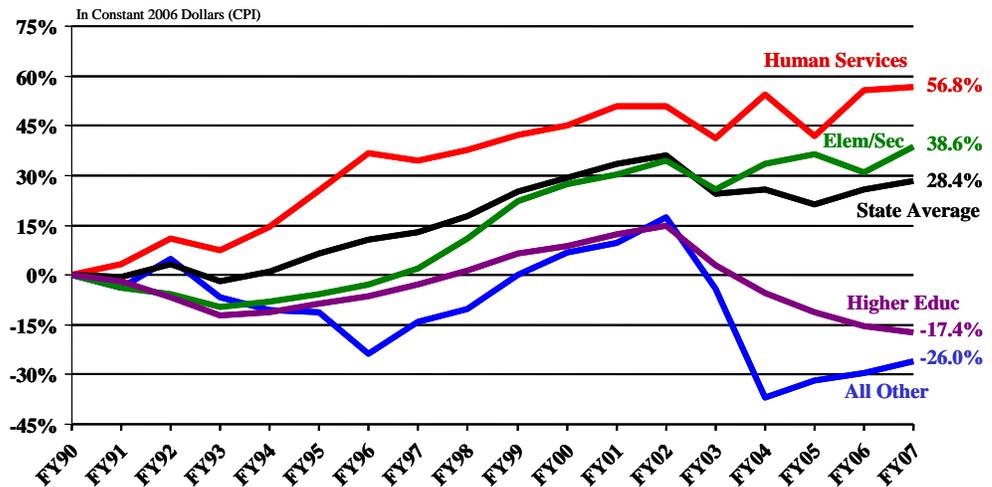
As a result of higher education's declining share of general tax appropriations, Figure 3 illustrates that the budget share for the University of Illinois has dropped substantially as well. Prior to the income tax increase of 1989-1990, the University of Illinois share of total State tax appropriations was 4.4%. For FY 2007, the University of Illinois share had declined substantially, down to 2.7%, a 38.6% decline.

Figure 3
University of Illinois
Share of State Tax Appropriations
FY 1980 to FY 2007



Changes in tax support among State agencies are further demonstrated by the trends shown in Figure 4, 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 gains from the late 1990s and early part of this decade completely eroded. Fiscal needs of agencies that support children and family services, mental health and corrections have been a higher State priority and their budgets have soared by 56.8% even after accounting for inflation.

Figure 4
State Tax Appropriations Changes by Agency

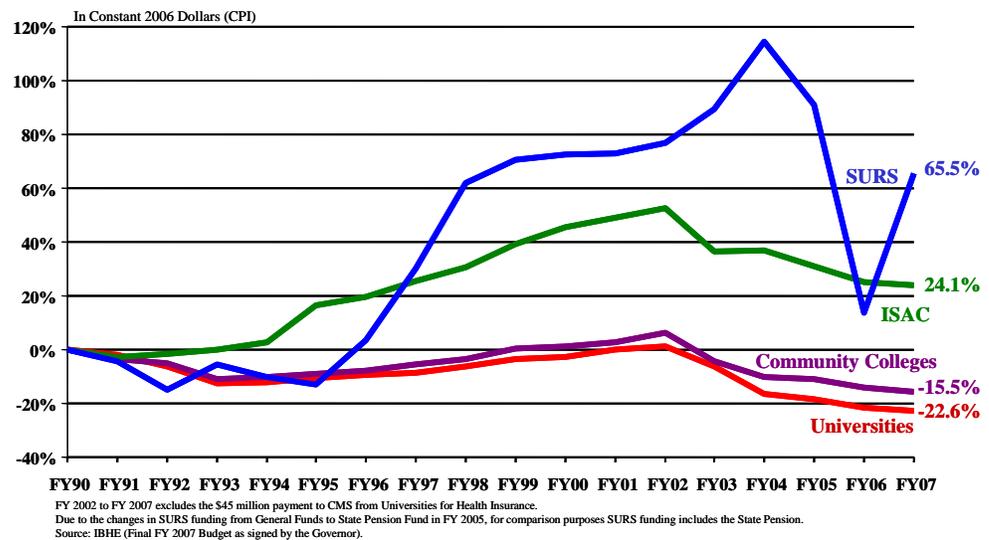


FY 2002 to FY 2007 excludes the \$45 million payment to CMS from Universities for Health Insurance. Health Insurance moved from CMS (included in All Other) to Human Services in FY 2006 and adjusted back to FY 2004. Source: Illinois State Budgets.

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 5 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 growth in ISAC support is clearly evident, driven upward by changes in the maximum award which students can receive, an expanding cadre of students seeking financial assistance and tuition and fee increases at universities, community colleges and selected for profit institutions. Other financial aid programs such as Information Technology Grants and the Illinois Incentive for Access program have also contributed to the rise in ISAC funding. As with all sectors within higher education over the past four years, ISAC faced significant reductions. In FY 2007, ISAC general revenue funding increased by 2.7%. The Monetary Award Program funding increased by \$7.6 million over FY 2006 and \$3.1 million in grant funding was added. Additional funding for ISAC has been appropriated based on the sale of all or portions of the loan portfolio. The student loan operating fund is expected to fund an additional \$26.8 million for MAP and \$34.4 million for the MAP Plus program.

Figure 5
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 5 is the dramatic growth experienced in SURS funding between FY 1995 and FY 2007. Responding to 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 received a significant but absolutely essential budget boost to preserve the strength of the retirement program serving higher education. The 1995 “catch-up” law combined with the bond sale created a very large pension funding obligation that, along with rising Medicaid and other program costs, posed a severe challenge to the State’s FY 2007 budget. The Governor and General Assembly responded by approving PA 98-4, which reduced the State’s required pension contributions to all systems by about \$1.2 billion in FY 2006 and \$1.1 billion in FY 2007 and recalculated the pension catch-up amounts required in FY 2008, FY 2009 and FY 2010. SURS contributions were reduced to about \$167 million (from \$365 million) in FY 2006 and \$252 million (from \$432 million) in FY 2007. SURS and ISAC funds do not fall under the governance of the Board of Trustees or administration of the University of Illinois.

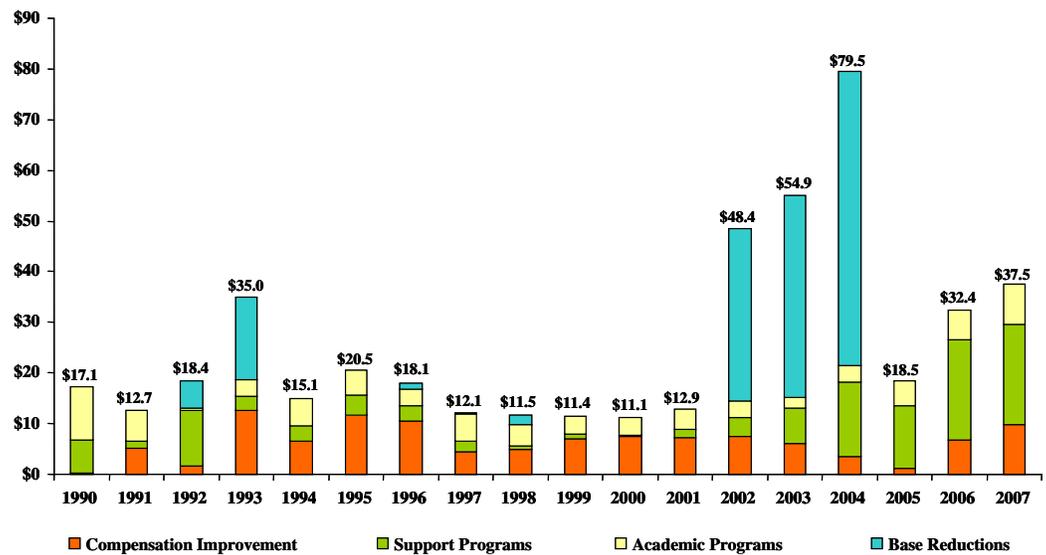
Even with improved investment earnings in the late 1990s, changes in accounting practices mandated by federal agencies, refinements in assumptions affecting long-term forecasts for pension liabilities and the creation of optional retirement plans, the growth rate in SURS support will continue to be significant for many

years. The General Assembly and Governor continue to review retirement systems and benefits.

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 \$299.3 million in existing resources have been redirected to high priority programs, and \$156.8 million was returned outright to the State via budget cuts. Figure 6 illustrates the size of the reallocations accomplished annually since FY 1990 and identifies the principal uses of reallocations each year.

Figure 6
Uses of Reallocated Funds
FY 1990 to FY 2007
(Dollars in Millions)

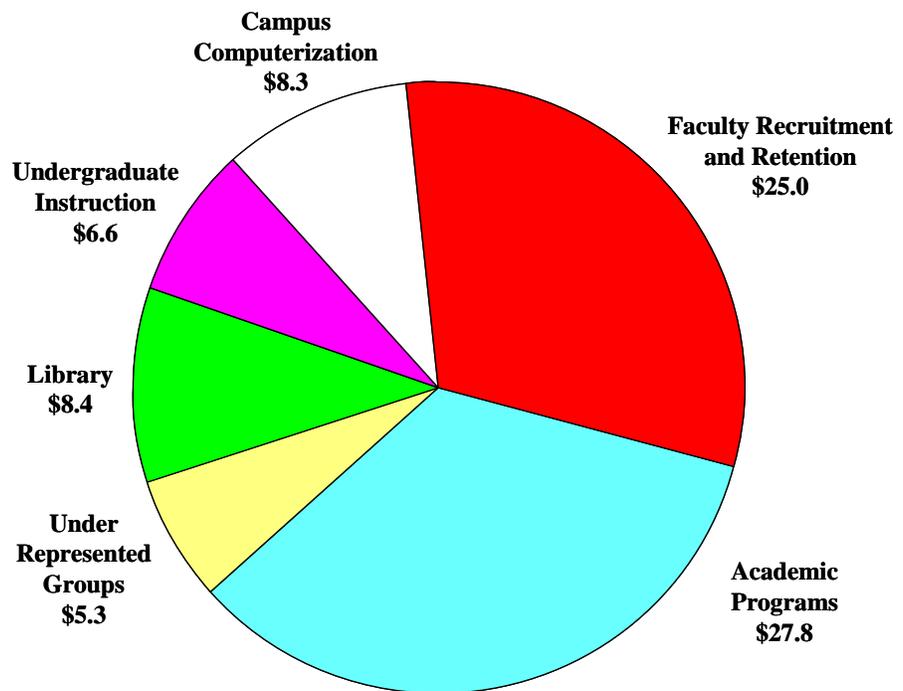


Given the University’s paramount need to address faculty and staff salary competitiveness, it is not surprising that compensation needs have claimed the largest single share of reallocated accomplishments. More than 27.9% of the total reallocation achieved since FY 1990 has been devoted to this requirement. Another 34.4% 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 nearly 42% 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, retention & compression efforts have captured another 30.7% of the reallocation pool, including special salary initiatives, laboratory remodeling and upgrades, equipment purchases and so on. As reflected in Figure 7, library initiatives and minority student recruitment and faculty recruitment, retention & compression efforts round out the major categories of program reallocations.

Figure 7
Reallocation for Academic Programs
FY 1990 to FY 2007



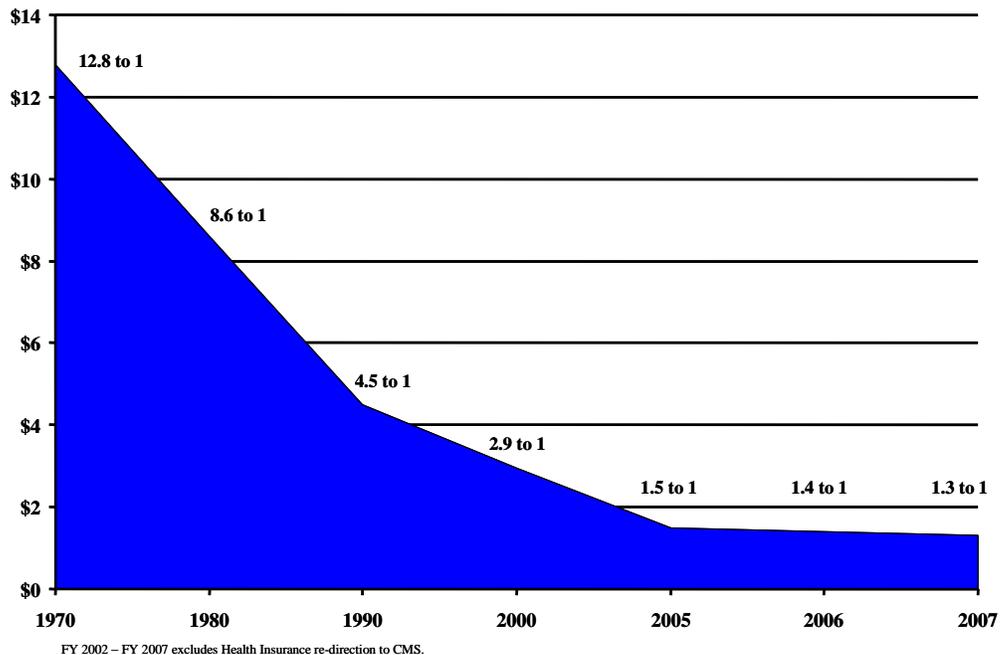
BUDGET TRENDS IN PERSPECTIVE: TUITION

▼
It requires a 1.3% 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 remained at approximately the level of the consumer price index. During the same period the University has continued to reallocated internally for high priority programs. In FY 2007, the University reallocated over \$2 for every \$1 it received in State support.

As illustrated in Figure 8, thirty-seven 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 \$1.30.

Figure 8
State Support Per Tuition Dollar
FY 1970 to FY 2007



SUMMARY OF THE FY 2008 BUDGET REQUEST

The University’s FY 2008 operating budget request includes three broad categories. Strengthen Academic Quality includes salary increases, support for recruitment, retention & compression of faculty and staff, and other strategic planning initiatives. A second section, Address Facility Operations Needs, includes additional resources

to operate and maintain new facilities and requests funds to expand operating budget support for facilities renovation needs. A final section of the request, Meet Inflationary and Other Cost Increases, includes requests to meet unavoidable cost increases related to mandatory payroll items and cost increases.

Strengthen Academic Quality



No initiative is more critical than developing and maintaining a competitive compensation program for faculty and staff. Thus, competitive compensation for faculty and staff is the University's paramount budget requirement and leads off the Strengthen Academic Quality section. New general revenue funds in FY 2007 provided for a 1.1% salary increase, leaving the University again vulnerable to erosion of competitiveness. To counter this problem, the University will supplement this minimal salary program by diverting funds from other purposes; to do otherwise, would damage the University's ability to compete for top faculty and staff. For FY 2008, 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 request for recruitment, retention & compression of critical faculty and staff should prevent further erosion in competitiveness. 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. It is essential that additional reallocation accompany these incremental advances, since serious competitive gaps remain for faculty and other employee groups.



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.

Campus strategic initiatives seek to extend the University's tradition of academic excellence through differentiated contributions to the University's overarching mission and vision. Targeting resources to these and other high priority strategic initiatives is a necessary, but not sufficient condition for excellence. Key to these initiatives is restoration and enhancement of the teaching and research faculty complement—the lifeblood of all major academic enterprises. Additional funds are sought to expand student advising and other support activities that improve the quality of undergraduate education, and also to further the University's leadership in cutting-edge, interdisciplinary research and scholarship.

Address Facility Operations Needs

▶ Address Facility Operations Needs includes two components. The first component requests resources to support operations and maintenance costs associated with newly constructed or significantly remodeled space. The second component continues the precedent set in FY 2000 to augment support for facilities maintenance 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 make it critical that a reliable source of funds is available. 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. 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.

Meet Inflationary and Other Cost Increases

▶ Meet Inflationary and Other Cost Increases address unavoidable costs associated with payroll and inflationary costs. 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.

▼
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 program with statewide scope and function, funded through a dedicated fund source (Fire Prevention). With the inclusion of this program to the University's recurring operating base funding, the responsibility for seeking incremental support for it falls to the University. Reflecting this request within the University's annual budget request document is the most appropriate place for it to be placed.

Additionally, two separate informational items are included at the end of the FY 2008 operating budget request. The first is a discussion on the urgent problem of medical malpractice costs and the challenges it presents to the University of Illinois. The second is a discussion on economic development funding that would provide for technology commercialization supporting IllinoisVENTURES.

Finally, the operating budget request includes one addendum, describing the State Universities Retirement System (SURS).

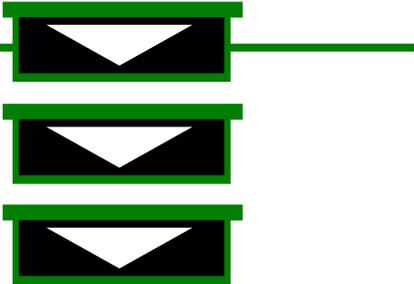
The full FY 2008 operating budget request is outlined in Table 2, which follows.

Table 2
FY 2008 Operating Budget Request
(Dollars in Thousands)

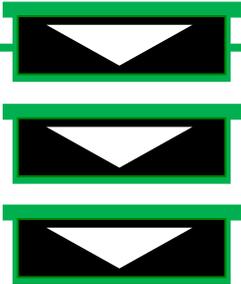
I. Strengthen Academic Quality		\$ 70,132.2
	<i>% of FY 2007 Base *</i>	<i>5.60%</i>
A. Compensation Improvements	\$ 41,332.2	
1. Salary Improvements - 4%	\$ 36,739.7	
2. Recruitment, Retention & Compression - 0.5%	4,592.5	
B. Campus Strategic Initiatives	\$ 28,800.0	
1. UIC	\$ 13,000.0	
2. UIS	1,900.0	
3. UIUC	13,900.0	
II. Address Facility Operations Needs		\$ 6,290.1
A. O & M New Areas	\$ 1,290.1	
1. Urbana-Champaign Projects	\$ 1,290.1	
B. Facility Maintenance Support	\$ 5,000.0	
1. Facility Maintenance Support	\$ 5,000.0	
III. Meet Inflationary and Other Cost Increases		\$24,573.4
A. Payroll Cost Increases	\$ 2,200.0	
1. Medicare	\$ 800.0	
2. Workers' Compensation	1,150.0	
3. Legal Liability	250.0	
B. Cost Increases	\$ 22,373.4	
1. General Price Increases - 2%	\$ 3,367.7	
2. Utilities Price Increases - 17.5%	13,861.0	
3. Library Price Increases - 10%	2,144.7	
4. IT Infrastructure Costs	3,000.0	
Total Request		\$ 100,995.7
	<i>% of FY 2007 Base *</i>	<i>8.06%</i>
IV. Statewide Program (FSI)	\$ 21.9	
V. Medical Professional Liability Insurance	\$ 12,000.0	
VI. Statewide Economic Development (Technology Commercialization)	\$ 3,000.0	

* FY 2007 Base: \$1,252,751.3

OPERATING BUDGET
REQUEST FOR FY 2008



**STRENGTHEN ACADEMIC
QUALITY**



SALARY IMPROVEMENTS

(\$36,739,700)

Overview



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 top faculty. Since 1990, the Urbana campus in particular has lost numerous faculty to competitors. The University must remain active in the market for top-quality faculty or risk falling behind. Enormous growth in college-age population in many states, combined with rising enrollments, exacerbates the competition for superior faculty.



Loss of State support for salary increases since FY 2002 poses perhaps the greatest challenge to the University's overall quality since the late 1980s.

In the last few years, many states across the nation have experienced budget pressures brought on by slow revenue growth and rising costs, presenting policymakers with difficult decisions. Despite this constrained budgetary environment, most states have approved modest salary increases for faculty and staff each year since FY 2002. Unfortunately, the State of Illinois has not provided funding for pay raises since FY 2002. In FY 2003, the University gave no salary increases for the first time since FY 1988. Over the last two years, the University has been forced to fund its own salary program internally through tuition allocation and reallocation of other funds. The timing of this loss of State support has been most inopportune, as the University had begun to regain salary standing lost in the late 1980s and early 1990s. State funding cuts have also forced the University to leave many faculty vacancies unfilled, mitigating progress in that area. Much damage has been done to the University's ability to compete; 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 that affects its ability to attract and retain personnel at all levels.

The last 18 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.



Eight years of progress in faculty salary competitiveness were undone in FY 2003. Internal reallocation to fund modest programs in recent years has exhausted the University's ability to reallocate further in future years.

Then came FY 2003. Most peer institutions gave raises of at least 2% to 5%. The University of Illinois and other public institutions in Illinois had no general salary increase program. Eight years of salary advances were undone in one.

Unfortunately, the State provided no salary appropriations in FY 2004, FY 2005 and FY 2006, but the University funded modest salary programs by diverting funds from

other purposes; to do otherwise would have shown disregard for the University's competitiveness and, more importantly, for 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.

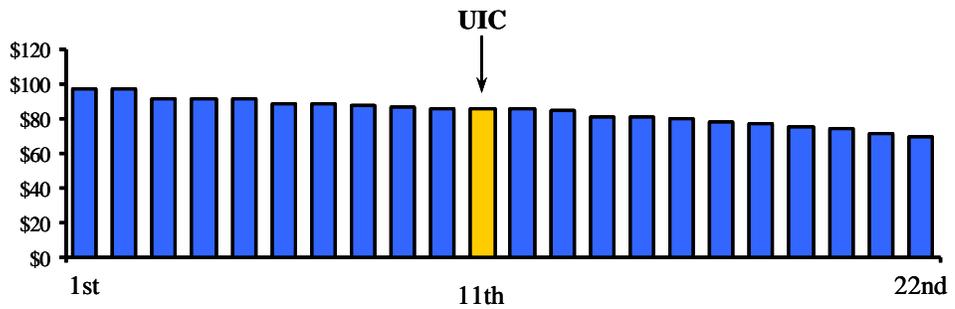
FACULTY SALARIES

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. An updated peer group was developed in FY 2002 for the University of Illinois at Springfield to better reflect the campus' evolving academic mission, as well as its quality and standing within the University of Illinois. The updated peer group for UIS was approved by the IBHE in 2004. Throughout this and later sections dealing with faculty salaries, the 1985 IBHE peer groups are used for the Chicago and Urbana-Champaign campuses, while the 2002 IBHE peer group is used for the Springfield campus.

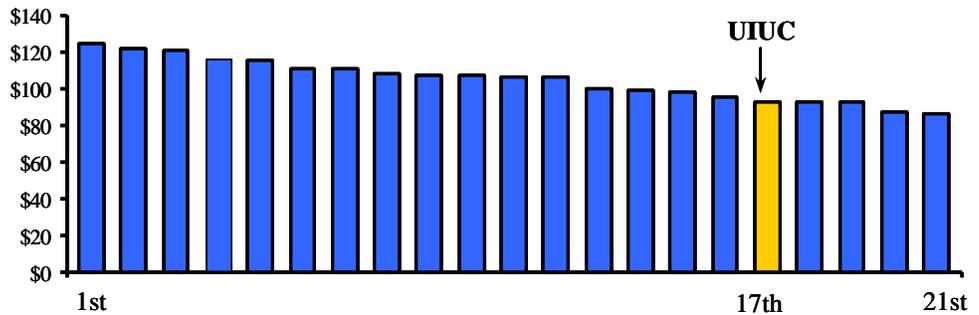
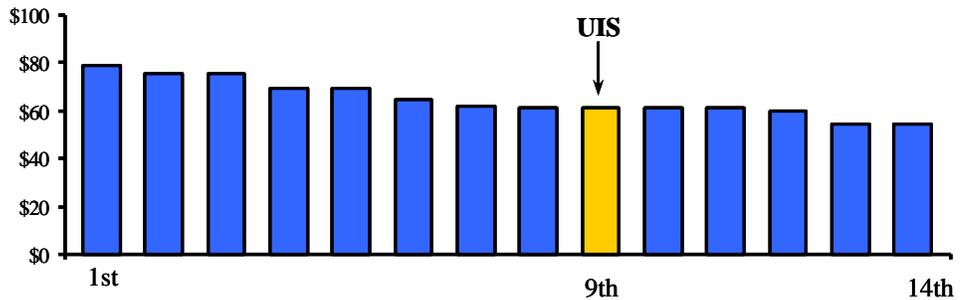
The competitive standing of each campus indicates how well its faculty salaries have fared relative to its peers. Figure 9 shows that UIC ranked 11th in its group in FY 2006 and UIS ranked 9th. UIC's rankings represents a loss of one place from FY 2005, while UIS lost two places due to specific one-time circumstances at two of its peer institutions. The University of South Dakota moved some departments to their Medical School and Auburn University at Montgomery implemented a single-year salary increase. Although the UIUC 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. UIUC ranked 17th in its group in FY 2006, one place up from FY 2005.

Figure 9
FY 2006 Competitive Standing among IBHE Peers
UIC, UIS and UIUC
(Dollars in Thousands)



▼
FY 2006 found faculty salaries at UIC and UIS ranked near the middle of their peer groups, but UIUC remained near the bottom.



Gains for the three campuses will be unlikely in FY 2007 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 3% to 5%, which (all other things

being equal) would keep all three campuses in similar rankings. Thus, the University has forfeited all or most of the competitive gains made from FY 1995 to FY 2002, even while inflation continues to erode the base pay of University faculty and staff.

FACULTY SALARIES BY DISCIPLINE



If Illinois’ constrained budget climate persists, the University will experience increased difficulty attracting and retaining faculty in high demand disciplines.

Another way to gauge faculty salary standing is to examine salaries by discipline from FY 1987 through FY 2006, 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.

The study compares faculty salaries by academic discipline for public institutions in the Association of American Universities Data Exchange (AAUDE) peer group. Institutions included in the following study are:

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

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

Table 3 summarizes average salary and rank by discipline reported for FY 1987 (prior to the “no salary increase” policy of FY 1988), FY 2002 and FY 2006. For

each discipline 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 2006

University of Illinois at Chicago and AAUDE Institutions
Weighted to UIC Distribution of Faculty

Academic Discipline	No. of Univ.	FY 1987		FY 2002		FY 2006			
		UIC Salary	Rank	UIC Salary	Rank	UIC Salary	Rank	Rank Ch. Since 1987	2002
Architecture	17	\$34,233	14	\$63,743	8	\$67,506	8	6	0
Business	22	45,451	11	102,327	15	107,606	21	-10	-6
Education	23	33,773	10	68,752	7	77,523	6	4	1
Engineering	20	47,921	2	92,588	3	101,475	3	-1	0
Foreign Languages	23	33,250	11	65,614	5	67,949	13	-2	-8
Letters	23	34,622	11	67,637	6	77,065	9	2	-3
Mathematics	23	42,184	12	77,123	16	90,126	14	-2	2
Philosophy	23	41,405	4	68,602	4	78,498	5	-1	-1
Physical Sciences	23	42,846	6	74,571	17	84,469	18	-12	-1
Psychology	23	41,351	9	74,479	7	84,204	13	-4	-6
Social Sciences	23	37,882	14	71,711	13	79,319	18	-4	-5
Social Work	15	36,274	9	59,171	11	66,428	12	-3	-1
Arts	23	33,340	7	64,144	4	67,954	7	0	-3

University of Illinois at Urbana-Champaign and AAUDE Institutions
Weighted to UIUC Distribution of Faculty

Academic Discipline	No of Univ.	FY 1987		FY 2002		FY 2006			
		UIUC Salary	Rank	UIUC Salary	Rank	UIUC Salary	Rank	Rank Ch. Since 1987	2002
Agriculture	15	\$40,698	6	\$78,254	6	\$87,744	9	-3	-3
Architecture	17	38,858	7	65,221	7	71,191	6	1	1
Business	22	52,341	3	113,231	8	128,273	12	-9	-4
Communications	21	36,213	5	73,598	4	88,302	4	1	0
Computer & Info.	19	50,285	7	99,268	2	102,531	3	4	-1
Education	23	41,424	5	70,959	3	81,144	4	1	-1
Engineering	20	53,995	2	96,741	2	108,358	2	0	0
Foreign Languages	23	38,917	6	62,999	6	73,392	2	4	4
Home Economics	15	32,947	6	72,290	3	80,675	7	-1	-4
Law	18	69,147	3	122,205	7	145,604	7	-4	0
Letters	23	35,365	7	68,358	6	73,450	3	7	3
Mathematics	23	46,480	11	73,215	14	85,091	12	-1	2
Philosophy	23	33,758	12	66,889	13	83,056	9	3	4
Physical Sciences	23	51,512	1	89,036	2	106,292	1	0	1
Psychology	23	44,929	3	85,943	5	90,079	8	-5	-3
Social Sciences	23	41,945	9	76,270	9	88,154	7	2	2
Social Work	15	38,342	7	55,660	9	59,379	13	-6	-4
Arts	23	36,360	7	59,701	8	66,542	8	-1	0

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. In FY 2006, UIC lost ground in all but 4 of its 13 comparison disciplines, while UIUC lost in 7 of its 18 comparison disciplines since 1987.

As a result, at UIC, only 4 disciplines (Architecture, Education, Letters and Arts) have held or improved their FY 1987 ranking, while salary rankings lag FY 1987 levels in the remaining 9 disciplines: Business, Engineering, Foreign Languages, Mathematics, Philosophy, Physical Sciences, Psychology, Social Sciences and Social Work.

At UIUC, 8 disciplines (Architecture, Communications, Computer and Information Science, Education, Foreign Languages, Letters, Philosophy and Social Sciences) improved their FY 1987 ranking, while 8 others declined. The decliners were: Agriculture, Business, Home Economics, Law, Mathematics, Psychology, Social Work and Arts. UIUC retained its FY 1987 ranking in Engineering and Physical Sciences.

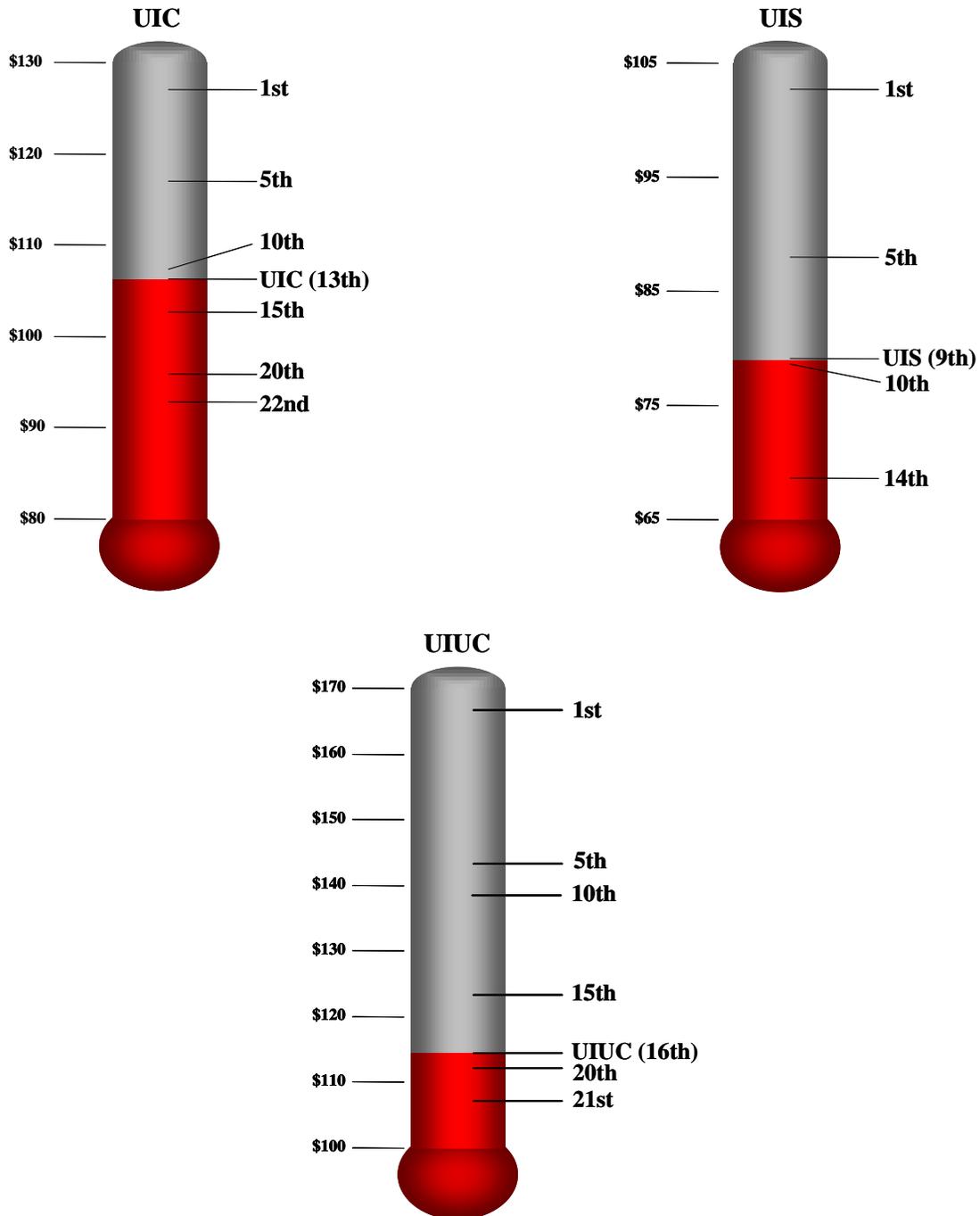
It is clear that past declines in State funding have hurt the University's ability to remain competitive for high quality faculty and staff, although the impact has been greater in some disciplines than in others. Despite progress in some fields, many disciplines continue to suffer from a loss of competitiveness. 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. Insufficient progress has been made since then. It is critically important that the University resume the road to recovery in FY 2008 and beyond.

TOTAL COMPENSATION

Total compensation represents the combination of average cash salary and employer contributions to fringe benefits. Figure 10 shows FY 2006 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 near the middle of the pack, UIUC ranks sixth lowest.

Figure 10
FY 2006 Faculty Average Total Compensation
U of I Campuses and IBHE 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 some gains. Absence of funding for salary increases since FY 2003 has left the University again vulnerable to erosion of competitiveness and exhausted its ability to reallocate funds in the future. Incremental funds totaling \$36.7 million are requested for FY 2008 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 years of ups and downs in the University's salary arch. The University's recruitment, retention & compression request asks for \$4.6 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 2006		State of Illinois January, 2006		% Over/Under State Class	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Chicago Campus						
Secretary IV	\$25,721	\$37,421	\$27,780	\$39,888	-8.0%	-6.6%
Staff Nurse II	\$55,770	\$91,299	\$47,568	\$64,092	14.7%	29.8%
Accountant I	\$29,289	\$52,982	\$33,288	\$50,460	-13.7%	4.8%
Library Clerk	\$20,943	\$31,668	\$23,712	\$32,652	-13.2%	-3.1%
Urbana Campus						
Secretary III	\$24,921	\$36,173	\$26,952	\$38,400	-8.1%	-6.2%
Storekeeper II	\$33,053	\$34,983	\$29,520	\$46,644	10.7%	-33.3%
Accountant I	\$29,309	\$53,001	\$33,288	\$50,460	-13.6%	4.8%
Automotive Technician	\$41,067	\$41,067	\$49,572	\$50,664	-20.7%	-23.4%
Springfield Campus						
Secretary IV	\$21,840	\$38,259	\$27,780	\$39,888	-27.2%	-4.3%
Chief Clerk	\$21,021	\$35,744	\$27,780	\$39,888	-32.2%	-11.6%
Account Technician III	\$29,738	\$53,859	\$30,864	\$45,660	-3.8%	15.2%
Building Service Worker I	\$18,740	\$33,657	\$28,620	\$43,428	-52.7%	-29.0%

For FY 2006, the University received no funds for a general pay increase for all employee groups. 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.

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 3.1% for the year ending December 2005. In comparison, compensation costs for State and local governments increased 4.1% percent for the year ending in December 2005.

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 welcome improvement. For FY 2004, the Governor and the General Assembly approved a plan using bonds proceeds to pay pension funding obligation to SURS and the other State-funded systems, which improved the systems' funding ratios but dramatically increased the State's debt and bond repayment costs. In May 2005, the Governor and the General Assembly passed a law reducing SURS contributions to about 46% of those called for in the 1995 law in FY 2006, and to about 58% in FY 2007. The 2005 law also requires the employer to fund the portion of pension increases that result from earnings increases over 6% in any year that is used to calculate a retiree's final average salary. The Addendum contains a more complete discussion of the SURS funding situation and some possible consequences to the University of the new 6% rule, which was softened under PA 94-1057 signed by the governor in July 2006.

For continuing employees, the 2005 law changed the interest calculation for SURS money-purchase annuities and eliminated such annuities entirely for new members hired after July 1, 2005. The law also set a new "pay-as-you-go" requirement for pension enhancements and required any enhancement to expire within 5 years unless specifically renewed. Moreover, it created an Advisory Commission on Pension Benefits to consider changing age and service requirements, automatic cost-of-living increases (COLAs) and employee payroll contributions, among other things. The Commission issued a report by November 1, 2005. Future recommended benefit cuts, if enacted, would most likely apply largely to new SURS members because the Illinois Constitution prohibits State funded pension benefits for continuing members from being "diminished or impaired." If so, such cuts might save the State money, but at the cost of possibly further undermining the University's ability to attract new faculty and staff.

It should be understood, however, that while achieving and maintaining adequate SURS funding remains a key concern for FY 2008 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 in total compensation. The adequacy of SURS' fiscal support must be assured. So, too, must improvements in the University's competitive position in total compensation be achieved.

RECRUITMENT, RETENTION & COMPRESSION

(\$4,592,500)

Overview



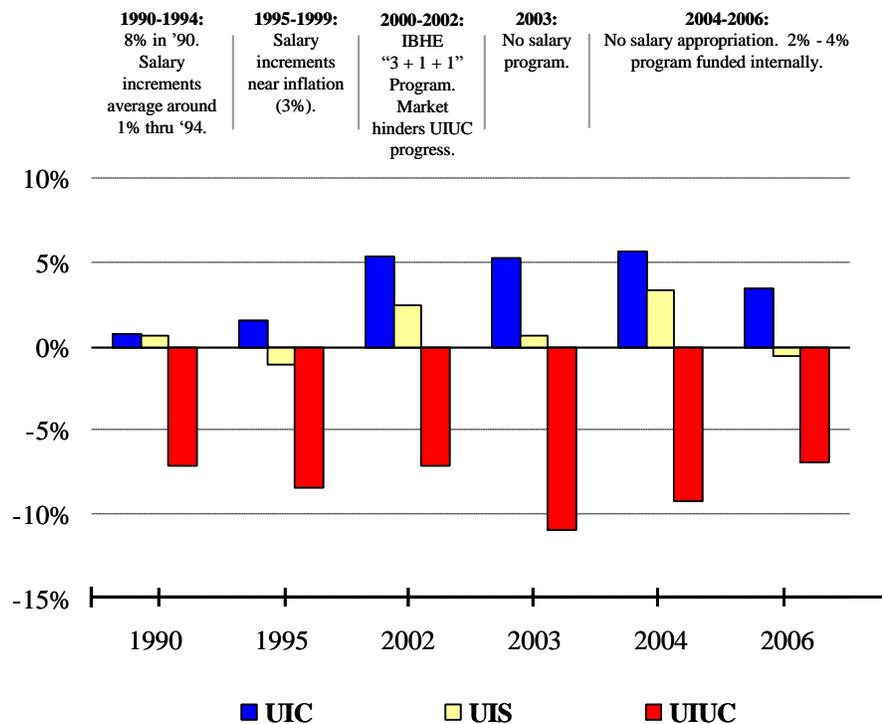
The quality of a university's instruction, research, public service and economic development activities depends in large part on the quality of its faculty. Facilities, library resources, staff quality and other factors are vital, too, but it is the mentor in the classroom, the laboratory investigator, the policy center director, the technological innovator, who bring life to an institution. A university's reputation turns on the interactions of its faculty with 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. The University of Illinois has had to pay market price to hire new faculty and has had to respond to outside offers in order to retain critical senior faculty, but the salaries of faculty in the middle ranks have been severely compressed and have lost competitive position. 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 those facts, an uneven history of salary increases can damage an institution, both in terms of competitiveness and morale.

Over the last two decades, faculty salary increases at the University of Illinois have ranged from zero (twice) to 8%, with most years between 2% and 5%. The University was highly competitive in the faculty salary market until the late 1980s. Beginning with the first 0% increase year, FY 1988, the University lost significant ground through FY 1994, made slow but steady progress from FY 1995 through FY 2002, fell again in the second 0% increase year of FY 2003, then recovered somewhat in FY 2004 and FY 2005. Figure 11 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 since 1990. (UIC and UIUC are compared to their 1985 IBHE peer groups, while UIS is compared to its 2002 IBHE peer group.) Salaries for UIC have generally exceeded the median, while those at UIS have hovered around the median. UIUC, mired far below its peer group median, has achieved slight progress in the last three years, but has remained around 7% below its peer group median.

Figure 11
Distance from IBHE Peer Group Median
UIC, UIS and UIUC



This up-and-down salary trend is also reflected in the peer group rankings, shown in Table 5. 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 three places to 18th. UIC and UIS have both lost 3 places since then while UIUC has gained 1 place and ranked 17th out of the 21 institutions in its peer group as of FY 2006.

Table 5
Full-Time Instructional Faculty Average Salaries FY 1987 to FY 2006, All Ranks
IBHE Peer Groups
(Dollars in Thousands)

University of Illinois at Chicago

1987		1994		2002		2006	
Chicago Campus							
Cal.-Santa Barbara	\$51.9	Massachusetts	\$62.2	Cal.-Santa Barbara	\$88.4	Maryland	\$97.0
Cal.-Irvine	50.0	Temple	61.5	Maryland	88.1	Cal.-Santa Barbara	96.9
Cal.-Davis	48.3	Cal.-Santa Barbara	59.5	Cal.-Davis	85.7	Temple	91.8
Cal.-Riverside	47.0	Hawaii	59.2	Cal.-Irvine	84.5	Cal.-Irvine	91.4
Massachusetts	45.4	Cal.-Irvine	58.7	Cal.-Riverside	82.8	Cal.-Davis	91.2
Va. Tech.	42.8	Maryland	58.1	Delaware	78.9	Cal.-Riverside	88.4
Maryland	42.3	Delaware	57.9	Massachusetts	78.8	Delaware	88.3
Florida	42.3	Cal.-Davis	57.4	UIC	76.7	Massachusetts	87.7
Arizona	42.0	Wayne St.	56.7	Temple	76.2	Va. Tech.	86.3
Arizona St.	40.5	Michigan St.	56.1	Va. Tech.	76.0	Arizona St.	85.7
Wayne St.	40.3	Arizona	54.4	Michigan St.	74.8	UIC	85.6
Michigan St.	39.8	Va. Tech.	53.5	Wayne St.	73.6	Michigan St.	85.3
UIC	39.7	Cal.-Riverside	53.1	Arizona St.	73.1	Arizona	85.0
Georgia	39.4	UIC	52.6	Arizona	72.9	Wayne St.	81.0
Temple	39.2	Arizona St.	50.9	Georgia	71.6	Florida	81.0
Hawaii	38.7	Utah	50.4	Florida	71.2	Utah	80.0
Delaware	38.3	Florida	50.4	Utah	69.6	Georgia	78.3
Va. Common.	37.3	Va. Common.	50.2	Va. Common.	69.1	Hawaii	77.6
Vermont	37.2	Georgia	49.9	Hawaii	68.5	Va. Common.	74.8
Utah	37.1	Oregon	49.0	Florida St.	66.9	Florida St.	74.3
Florida St.	37.0	Florida St.	47.8	Vermont	61.1	Vermont	71.3
Oregon	34.5	Vermont	n.a.	Oregon	60.5	Oregon	69.6

University of Illinois at Springfield

1987		1994		2002		2006	
Springfield Campus							
SUNY-Brockport	\$39.2	Shippensburg (Pa.)	\$57.5	Union	\$71.3	Union	\$79.1
Trinity	38.9	Trinity	55.1	Trinity	69.7	Trinity	75.8
Clark	38.3	Clark	52.2	Clark	68.4	Clark	75.3
Union	36.9	Union	52.0	Shippensburg (Pa.)	68.1	Shippensburg (Pa.)	69.6
Iona	36.0	SUNY-Brockport	50.0	Iona	59.4	Iona	69.5
Shippensburg (Pa.)	35.5	No. Michigan	49.4	UIS	58.1	SUNY-Brockport	64.5
No. Michigan	34.7	Iona	47.0	SUNY-Brockport	57.8	So. Dakota*	62.0
Wisc.-Green Bay	33.6	UIS	43.7	No. Michigan	57.2	Auburn-Mont.*	61.4
UIS	33.5	Lake Superior St.	43.3	So. Dakota	54.2	UIS	61.3
Charleston	31.9	Wisc.-Green Bay	43.2	Auburn-Mont.	52.8	Marist	61.1
So. Dakota	31.3	Auburn-Mont.	42.5	Charleston	52.8	No. Michigan	60.9
Auburn-Mont.	31.3	Marist	42.3	Marist	52.8	Charleston	60.2
Lake Superior St.	30.9	Charleston	38.8	Georgia St.	52.1	Wisc.-Green Bay	54.7
Marist	29.6	Georgia St.	38.2	Lake Superior St.	51.5	Georgia St.	54.1
Georgia St.	n.a.	So. Dakota	n.a.	Wisc.-Green Bay	51.3	Lake Superior St.	n.a.

* The University of South Dakota average excludes departments that were moved to the Medical School. The Auburn University at Montgomery average includes a specific single-year increase.

Table 5 (continued)
Full-Time Instructional Faculty Average Salaries FY 1987 to FY 2006, All Ranks
IBHE Peer Groups
(Dollars in Thousands)

University of Illinois at Urbana-Champaign

1987		1994		2002		2006	
Urbana-Champaign Campus							
Cal.-Berkeley	\$56.2	Chicago	\$75.9	Pennsylvania	\$107.5	Pennsylvania	\$124.2
U.C.L.A.	53.2	Pennsylvania	74.4	Yale	105.2	Yale	122.0
Cal.-San Diego	52.6	Yale	73.1	Chicago	104.0	Chicago	120.6
Columbia	50.3	N.Y.U.	71.3	Columbia	102.0	Columbia**	116.0
Chicago	50.0	Columbia	71.2	N.Y.U.	100.8	Northwestern	115.8
Pennsylvania	49.8	Northwestern	71.2	Northwestern	100.6	New York	111.1
Yale	49.5	Duke	69.9	Cal.-Berkeley	99.9	Duke	110.5
Johns Hopkins	49.3	Cal.-Berkeley	66.4	Duke	97.3	Cal.-Berkeley	108.1
N.Y.U.	48.0	Johns Hopkins	65.4	U.C.L.A.	96.9	Wash. U. (St. L.)	107.6
Michigan	47.6	U.S.C.	64.9	Cal.-San Diego	91.6	U.C.L.A.	107.5
Duke	47.6	Michigan	64.3	Wash. U. (St. L.)	91.2	Brown	106.5
Northwestern	46.8	Brown	63.3	U.S.C.	89.2	U.S.C.	106.1
Brown	45.3	U.C.L.A.	62.5	Michigan	87.3	Michigan	100.3
UIUC	45.1	Wash. U. (St. L.)	62.3	Johns Hopkins	87.3	Cal.-San Diego	99.5
U.S.C.	45.0	Rochester	61.7	North Carolina	85.9	Johns Hopkins	98.3
North Carolina	44.0	Cal.-San Diego	61.1	Brown	85.7	Texas	95.2
Wisconsin	44.0	Texas	59.8	Rochester	84.1	UIUC	92.9
Rochester	43.6	North Carolina	59.0	UIUC	82.3	Rochester	92.5
Wash. U. (St. L.)	42.8	Wisconsin	58.3	Texas	82.0	North Carolina	92.4
Texas	40.5	U. Wash. (Sea.)	57.5	Wisconsin	81.3	Wisconsin	87.0
U. Wash. (Sea.)	40.4	UIUC	57.3	U. Wash. (Sea.)	76.8	U. Wash. (Sea.)	86.8

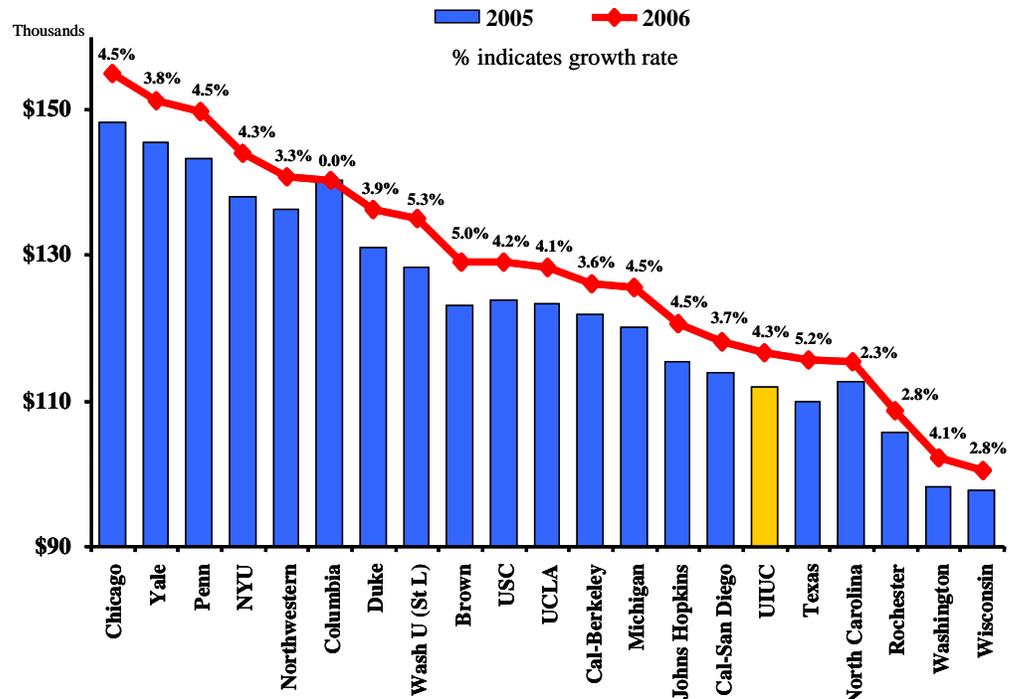
** 2005 average (Columbia University 2006 data unavailable).

Source: 2006 AAUP Full-time Instructional Faculty Salary Survey.

Figure 12 shows why UIUC in particular regained some ground in FY 2005 and FY 2006. This figure compares FY 2005 and FY 2006 average salaries for full Professors at UIUC and its IBHE peers. When reading the figure, please note that “percent growth” in faculty salaries reflects not only institutional salary programs, but also promotion and tenure decisions, retirements, new hires and the like.

Despite no state salary appropriation in either year, UIUC had the 8th highest growth rate over the period, 4.3%, which was well above the peer group average growth rate of 3.8%. UIUC’s impressive growth was made possible through allocation of tuition revenue and reallocation of other internal resources. Publics together averaged 3.9% growth, while private institutions as a group averaged 3.8% growth. The University of Illinois displayed unmistakable commitment to faculty quality and job satisfaction by internally funding above market salary increases in a difficult budget year.

Figure 12
FY 2005 and FY 2006 Professors' Average Salaries
UIUC and IBHE Peers



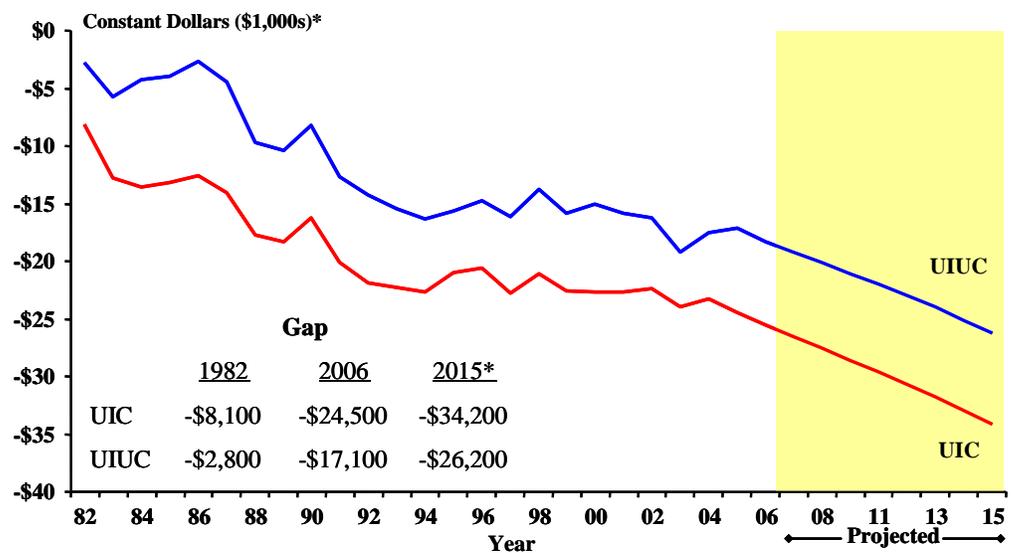
* Columbia did not report FY 2006 data, so FY2005 data was used.

A closer look at the last 20 years puts FY 2006 in context and reveals two major trends in the faculty salary market that do not bode well for the University of Illinois, nor for public higher education institutions across the country. First, funding for public university faculty salaries is closely tied to state revenue booms and busts. Illinois may go deeper into economic recession than many other states and may be slower to recover. This appears to have been especially true in the early 1990s, and somewhat true since 2002. Second, salary progression among private institutions does not slow nearly as much during economic downturns as it does for public institutions. Even with aggressive internal funding of faculty raises, it appears unlikely that public institutions can keep up if these trends continue.

Private institutions began to outpace publics in the faculty salary market in the late 1980s. Figure 13 shows the faculty salary deficit between UIUC and UIC and the average faculty salary at private Research I institutions in constant dollars from FY 1982 to FY 2006 with projections through FY 2015. UIUC was reasonably competitive in 1982, trailing by only \$2,800 and UIC was marginally competitive,

trailing by \$8,100. By FY 2006, the salary gap had exploded to \$17,100 at UIUC and \$24,500 at UIC. If the average annual rate of change from 1982 to 2006 continues through 2015 the results are staggering. UIUC will trail its private Research I competitors by \$26,200, and UIC will trail by \$34,200 if the trend continues.

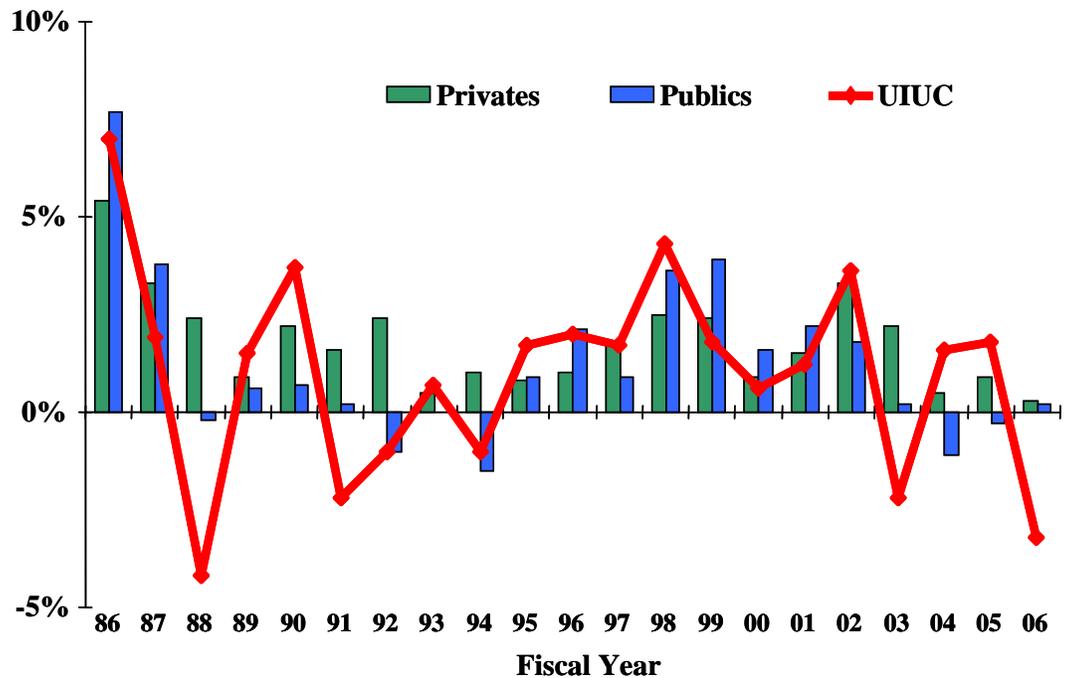
Figure 13
Salary Gap between UIC, UIUC and Private Institutions
Full-time instructional Faculty Average Salaries
(Dollars in Thousands)



*Constant (FY 2006) dollars calculated using CPI-U. 2007-2015 projected.
 Source: AAUP; BLS.

Figure 14 shows annual percent change in instructional faculty (Assistant Professor and above) salaries at UIUC and its IBHE peers since FY 1986, highlighting the years in which UIUC fell behind. Since 1986, the campus has had six years of negative real growth: 1988, 1991, 1992, 1994, 2003 and 2006. Public institutions as a group have had five such years: 1988, 1992, 1994, 2004 and 2005. Private institutions have had no years of negative salary growth. Cycles of State support for higher education have not played to the University of Illinois' favor, and in fact have given peer institutions, especially private ones, a widening advantage.

Figure 14
Annual Change in Faculty Average Salaries
UIUC and IBHE Peers



Note: Figure in constant (2006) dollars using CPI-U.

The University of Illinois’ status as an elite public institution can be maintained only while it remains a desirable workplace for top-flight faculty. A multi-year strategic, statewide commitment is required to restore competitiveness lost since the late 1980s. To that end, \$4.6 million in additional incremental funds are requested for recruitment, retention and compression programs for critical faculty and staff. These additional monies are necessary in order to avert erosion in faculty quality and morale.

CAMPUS STRATEGIC INITIATIVES

(\$28,800,000)

Overview



The University of Illinois' overall planning framework is shaped by its underlying intent: to combine academic excellence with an unprecedented commitment to innovation, quality and service so that each University campus and support organization is the best among its peers and competitors and is recognized as such. The following strategic goals support this intent and address the strategic issues facing the University of Illinois.

- The University of Illinois will achieve and be recognized for both academic excellence and extraordinary education and development of our students.
- The University of Illinois will be the recognized higher education leader in innovation, quality and service.
- The priorities of the University of Illinois will reflect the most urgent needs of the State, our communities and the world.
- The University of Illinois will have the resources (people, money and facilities) required for excellence.

The three University of Illinois campuses at Chicago, Springfield, and Urbana-Champaign serve Illinois, the nation, and the world through a shared commitment to the University's mission of excellence in teaching, research, public service and economic development. At the same time, each campus makes specific and differentiated contributions to the University's overarching mission and vision. The campuses are strengthened by intercampus cooperation and University-wide support services while carrying out their academic functions through delegated authority from the President and Board of Trustees. The plans developed by the three campuses build upon the traditional mission of the University (teaching, research, service and economic development) through distinctive strategies that seek to extend a tradition of academic excellence.

In addition, each University campus seeks to engage more actively in its local community, while also preparing students for lives of impact and leadership in an increasingly diverse, "flat" world, and fostering international partnerships in teaching, research, service and economic development that strengthen and enhance the University's global presence. The distinctive strategies included in each of the

three plans and at the school, college and major administrative levels also provide opportunities for innovative cross-campus synergies across the University's four core missions.

All of these points are addressed very directly in the overall budget proposal. All are of immediate concern in the priorities to strengthen academic quality at the University of Illinois.

UNIVERSITY OF ILLINOIS AT CHICAGO (UIC)

University of Illinois at Chicago intends to be, and be recognized as, the nation's premier urban public research university by:

- Capitalizing on UIC's particular advantages in health and biological sciences to excel as an internationally recognized center for research and creativity and in translating discovery into application, practice and the marketplace.
- Enhancing and developing academic programs that draw on the strength of UIC's cultural diversity, especially as that diversity manifests itself in a major metropolitan area such as Chicago (e.g., ethnic studies, religious studies, race and public policy, health disparities).

Restoring Faculty Complement

► Faculty salaries remain a priority. To maintain academic excellence, UIC must be prepared to compete with the best universities for top faculty members in every field. Some progress was made during the State's Recruitment and Retention of Critical Faculty and Staff initiative. However, after years of General Revenue Fund cuts and the need for internal reallocations to meet unavoidable cost increases, UIC has lost a significant number of faculty positions. The impact has been mainly on senior level faculty members; our best faculty members. As senior level faculty members have retired UIC has not had funds to replace them, nor has UIC had the ability to compete with other institutions to retain our best faculty members. For example, the College of Liberal Arts and Sciences had 67 fewer tenure and tenure-track faculty members in Fall 2005 than in Fall 2001. The only available fund source for restoration has been new revenue from tuition increases highlighting a problem for the Chicago campus. In order to provide access to quality higher education, UIC has maintained a policy whereby the most needy students, those who are eligible for the maximum Pell award, receive institutional grants to cover their

educational expenses. A greater proportion of the UIC student body has high financial need. As tuition increases, the result is a higher financial aid need that consumes much of that new revenue. Consequently, tuition increases alone have not been sufficient to maintain salary competitiveness. Therefore, in addition to the University-wide request for funding to improve compensation levels, UIC requires new State funds to restore faculty positions.

**Interdisciplinary
Activities**

▶ Examples of interdisciplinary activities that are of strategic importance to UIC include interdisciplinary health care education initiatives, the Cancer Center, clinical and translational research and Learning Sciences.

An important UIC focus has been towards building signature thematic interdisciplinary programs. UIC has numerous outstanding academic programs that naturally cluster into interdisciplinary teaching and research endeavors. By drawing scholars from across the campus into interdisciplinary efforts, the scholarly enterprise is enriched as a whole. This cross-disciplinary approach recognizes that the highest quality and most efficient teaching and research programs take advantage of collaboration. This method takes advantage of the best from each program while preventing inefficiencies and duplicative efforts. Additional State program funds are essential to support new faculty leaders who will build the academic infrastructure and facilitate additional interdisciplinary healthcare education initiatives. UIC will also utilize the funds to provide seed grants to allow current faculty to develop the interactions and collaborations needed for the creation of new knowledge.

UIC will continue to foster the development of cutting edge health care education delivery through an interdisciplinary team approach. The U.S. population is aging and individuals are living longer demanding better quality of life through comprehensive healthcare treatment and disease prevention programs. There is a need to respond to this demand and increase the number of highly-trained health care professionals that enter the workforce. New State funds will allow the Cancer Center to expand and enhance its impact on cancer prevention and treatment as well as inform health professional students and fund clinical and translational science efforts. The funding will allow UIC to build the infrastructure to more quickly translate bench-top research into clinical treatment options, affording patients access to the most advanced healthcare available.

Finally, UIC will expand upon the Learning Sciences initiative that has been developed by faculty members in Liberal Arts and Sciences in conjunction with the Colleges of Education and Engineering. New funding will allow the group to develop a doctoral program and foster collaborative, multidisciplinary and interdisciplinary research to discover how individuals learn through interaction with objects, artifacts, and other people in their environments. The mission reflects a commitment to the ideal that learning processes and outcomes for individuals are affected by the disciplinary, social, cultural and environmental contexts in which learning occurs. An important focus of the ongoing funded research is the study of learning and outcomes assessment of both students and teachers in the areas of math, science, reading comprehension and early language development. The goal of field work in this area is to understand and improve educational opportunities and outcomes for diverse learners across the life span.

The examples above represent current programs with strategic priority for UIC but which require additional resources to build excellence and maximize impact. Work in these areas will impact the healthcare fields, the knowledge base of understanding how we learn, and the practice of how we teach. Additional interdisciplinary initiatives will likely emerge through the strategic planning process that the UIC campus is currently engaged in.

Student Success



Student success is of utmost importance to UIC. We must be prepared to engage our students in challenging, top quality educational programs and provide a support infrastructure for them as they transition through the university experience and move on to careers or graduate education. Initiatives will include proactive advising and a mentorship program that will strengthen students' connection to UIC. In recent years, the campus has developed the academic infrastructure to facilitate student success. Examples include the establishment of the Math & Science Learning Center, a new general education program, the production of an undergraduate catalog that is easy for students to use, the development of student policy manuals and the coordination of recruitment activities. Further, the population of students who live on campus continues to grow which is an important part of the student success equation. The six-year graduation rate of new freshmen has increased from 30.5% of the class entering in 1991 to 49.8% for the freshman class entering in 1999. This is a major accomplishment. However, an infusion of State funds is

required for the advising and mentorship program to build upon this success. The timing is also crucial due to the Truth in Tuition legislation. As of Academic Year 2006-2007 four cohorts of students have tuition rates guaranteed for four years. The tuition rate in a student's fifth year and beyond will be significantly higher. UIC students have relatively high financial need, thus everything must be done possible to allow student completion in four years.

UNIVERSITY OF ILLINOIS AT SPRINGFIELD (UIS)

University of Illinois at Springfield (UIS) intends to become one of the top five small public liberal arts universities in the nation, while also building on its traditional strengths in public affairs, online education and serving non-traditional students by:

- Providing an intellectually rich, collaborative and intimate learning environment for students, faculty and staff, while serving local, regional, state, national and international communities.
- Expanding support for faculty and student scholarship; increasing opportunities for intellectual, cultural, social and personal enrichment; building on its record of accomplishment in civic engagement and public affairs.

Academic Excellence



UIS' first strategic goal is academic excellence, which will be achieved through excellence in teaching and excellence in scholarship. Excellence in teaching will be achieved through valuing and supporting innovation in teaching and promoting faculty contributions to the national dialogue on teaching and learning with the ultimate goal of preparing students to be leaders and thinkers in the world. Funding will be used to create a faculty development unit to support the growth of faculty as teachers, to improve assessment of learning outcomes and to provide resources for teaching forums and dialogues. In addition, UIS is committed to developing a faculty of teachers who are also scholars—teacher-scholars, students who collaborate with faculty on research projects, and staff who are engaged in advancing the professional practice in their fields. Funding will be used to support strategic planning initiatives aimed at developing faculty as teacher-scholars such as establishing a Center for Online Learning, Research and Service; creating an Experiential and Service Learning Institute; and providing operational funds for the Emiquon Field Station.

**Enriching
Individual Lives**

UIS' second strategic goal is providing an atmosphere that is vibrant and engaging with comprehensive and integrated initiatives that contribute to the intellectual, cultural, social and personal enrichment of all participants. One step in achieving this goal is to create a transitional partnership program that prepares students to be college ready and in good academic standing as the transition from high school to college or from community colleges to four-year institutions occurs. The program will offer assistance with the college admissions process, financial planning, placement testing and academic readiness. A second step will be to develop a nationally certified program of excellence in the area of first-year support services. Under the direction of the Division of Student Affairs, this center of excellence will be modeled on student-centered practices that are comprehensive, holistic and retention-focused. Designed to enhance the educational experience and personal development of first-time, first-year students and transfers, this center will provide summer bridge programs, non-academic first-year seminar courses, integrated community-learning initiatives and transitional support to guide students in their social adjustment from high school to college or from first semester to second.

**Making a Difference
in the World**

Whereas the goal of Enriching Individual Lives focuses on the way a UIS education will lead to the growth of the individual, UIS' third strategic goal, Making a Difference in the World, points to the way that UIS looks outward toward the betterment of society. With its location in the state capital, UIS has always had a special emphasis on public affairs, citizen engagement and effecting societal change. Our third goal echoes and updates those traditions. Making a Difference in the World is conceptualized as a series of activities related to reflection, dialogue and action on public policy and civic culture, resulting in engagement with the world outside of the university. One example of an initiative UIS seeks to undertake in this area is the Illinois Democracy Project. The aims of the project include encouraging the civic engagement of UIS students; improving access to and participation in elections and government at all levels; improving the quality of Illinois' electoral, legislative, executive and judicial processes; and improving the public policy content of news media coverage of political campaigns and government actions. UIS also seeks to build on the success of the long-running public radio program State Week in Review by creating a nationally syndicated public radio program on state policy and politics to be called State Capitol Report. This program will be a weekly hour-long broadcast, distributed nationwide. The

focus will be on state governments, policies and trends. In addition to a local production staff, the program would feature reports from journalists across the country about what is taking place in state governments. It would also include a focus on unique issues coming up in legislatures. State Capitol Report would feature commentary from national experts and would also take advantage of state government experts within the UIS Center for State Policy and Leadership.

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN (UIUC)

University of Illinois at Urbana-Champaign (UIUC) intends to become the indisputable leader among public research institutions, achieving global eminence and comprehensive excellence in teaching, research and scholarship, engagement and economic development by:

- Promoting innovation by creating an environment that enables breakthrough creative thinking in and across disciplines and promotes academic excellence and educational leadership.
- Establishing new interdisciplinary initiatives to address emerging research and educational opportunities in information systems; in bringing science and technology to bear on issues of health and wellness; in sustainable energy and the environment; and developing an outreach strategy to enhance UIUC's "Chicago presence" through targeted initiatives in P-12 education, the environment and entrepreneurship.

Strengthening Undergraduate Education



To compete favorably for the best undergraduate students, UIUC must provide educational experiences and services that will prepare students for leadership roles as engaged citizens in an increasingly complex global environment. To excel in this most fundamental aspect of our mission, quality must be ensured in the delivery of academic programs and services, and provide signature educational experiences.

UIUC will focus on the following key initiatives in undergraduate education:

- Center for Advising Excellence and Student Support. Create a campus-wide center for exemplary practice in undergraduate advising and support, serving undergraduate students. Access to high quality academic advising is a significant predictor of academic success and students' views about their college experience. In order to better serve our undergraduate students and to create a model of exemplary practice in undergraduate advising and

support, UIUC plans to create a Center for Advising Excellence and Student Support at the University of Illinois. As students move between academic programs, as the majority of undergraduates do, they often face challenges with access to optimal advising and support. In addition, student-to-advisor ratios across campus have increased to the extent many students do not have optimal access to advising resources. The Center for Advising Excellence and Student Support will ensure access to quality advising and support for all undergraduates and create an innovative advising and student support program that serves all undergraduates in need of academic assistance those in transition between programs of study, and those new to the university as transfer students.

- Illinois Honors Model Program. Partner with colleges to provide a freshman seminar and senior culminating experience for all James Scholar participants. The James Scholar program has a long tradition at the University of Illinois at Urbana-Champaign campus. In most colleges, the program serves high achieving students by engaging them in individual learning agreements, scholarship or research activities that supplement regular course assignments as negotiated individually between students and their professors. This program does not provide the consistent quality necessary to attract and serve honors caliber students. It can be difficult for professors to manage multiple individual learning agreements, and, in turn, it can be challenging for students to arrange these learning agreements. Through the Illinois Honors Program, UIUC will add two stable, small course experiences across colleges to add quality and consistency to honors offerings in a freshmen honors seminar and a senior/culminating honors experience. The overall aim is to provide a consistent and high quality Illinois Honors Program that effectively recruits the most talented students and provides them with critical learning opportunities.
- Learning and Leadership Opportunities. In order to promote the success and retention of freshmen and sophomore students UIUC will increase the availability of small enrollment courses in critical areas, namely rhetoric and gateway math/science courses. UIUC will increase the number of courses with enrollments of fewer than 20 students in these key areas. For example, to reduce course sizes in RHET 105 to fewer than 20 students will require 12 to 15 new course sections each year. Similar additional sections would be needed for MATH 220 and other key courses. Increased availability of small courses can improve learning outcomes, promote academic success and enhance retention during the critical first year of college.

The successful implementation of these initiatives will require additional faculty and academic professionals to design and deliver the academic courses and programs that will strengthen undergraduate experiences, reduce class sizes, and increase the availability of advisers.



strive to lead in the development of innovative models of graduate education, creating flexible interdisciplinary approaches to doctoral education that reflect the changing nature of present and future research and scholarship. Furthermore, there is increasing demand in the sciences and related disciplines for master's level professionals; the traditional focus on the doctoral degree must be reframed to enable preparation of master's degree professionals to meet increasing market and workplace needs in areas such as health, engineering, life sciences, bioinformatics and beyond. Critical academic initiatives at the graduate level include:

- Create models for interdisciplinary doctoral degree programs. UIUC has successful models of interdisciplinary doctoral education, such as the neuroscience Ph.D. and the multi-program M.S. in bioinformatics, but the present structure for developing and approving such programs is relatively inflexible and cumbersome. An approach that enables doctoral students to develop a program of study that fit their needs and interests would be ideal; fellowship support to recruit and retain top students in emerging interdisciplinary programs is critical to the development and success of these areas of study.
- Expand professional master's degree options in areas of critical need. UIUC aims to create professional science master's programs in at least six focus areas, including fields within engineering, life sciences, agriculture and informatics. Additional fellowship resources are needed to successfully recruit top candidates to interdisciplinary degree programs as current fellowship funding is not competitive to recruit top candidates.

**Critical
Interdisciplinary
Research Initiatives**



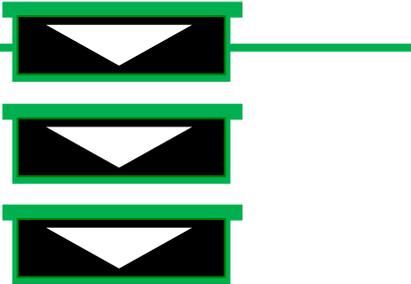
Innovative solutions to today's most pressing societal challenges will emerge from powerful developments in interdisciplinary research and scholarship. Three focused research and scholarly initiatives will bring together experts from a range of fields to advance science, technology, scholarship and practice in the following areas:

- Illinois Informatics Initiative. Invent the information environments of the future and educate those who will build and use them.
- Integrated Sciences for Health Initiative. Integrate and apply expertise in engineering and physical, life, behavioral and social sciences to improve human health.
- Sustainable Energy and Environment Initiative. Shape the economic future of our state and nation through research that, by integrating science, technology, economics, humanities and social science, will develop practices that encourage prudent use of our most vital resources—energy, water and land—and that will shape national research and policy agenda.

Successful interdisciplinary initiatives rely on strength in traditional core disciplines. UIUC must also invest in faculty hiring in disciplines that are essential to the success of the initiatives and to the comprehensive strength of the institution.

Targeted faculty recruitment will be essential to advance research and scholarship associated with the interdisciplinary initiatives and core disciplines. Emphasis will be placed on high impact scholars who bridge traditional disciplinary areas, have established records of success in securing external research support and can assume visible leadership roles in these initiatives.

ADDRESS FACILITY
OPERATIONS NEEDS



OPERATION AND MAINTENANCE NEW AREAS

(\$1,290,100)

Campus
Levels:
UIUC
(\$1,290,100)

▶ The FY 2008 request for funding of the operation and maintenance of new and significantly remodeled areas supports four facilities on one of the three University of Illinois campuses. The total space to be supported is approximately 431,396 gross square feet (gsf). All of these facilities represent significant additions to the UIUC campus to help support the mission of the University of Illinois and serve to provide teaching, research and support space.

These facilities create a demand that includes above average utility and other operating costs in comparison to most other facilities throughout the state of Illinois or on other institutional campuses.

As stated in past years, it must be reiterated that two of the State's policies for funding new areas are detrimental by their design. The first policy, the State's practice of funding utilities at a campus average and other costs at a statewide average creates a recurring operating deficit. Together, these losses combined with the lack of funding for certain projects contribute in total to real deficiencies that must be absorbed by the University. Due to the second policy which abolished the prior practice of fully funding new areas utilities, a facility no longer receives 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 as these facilities continue to age.

The University received no new areas support funding from the State for FY 2005, FY 2006 and FY 2007. The University was forced to reallocate over \$14 million to fund unavoidable costs of new areas. However, this practice is not one that the University can maintain without seriously infringing on the activities of its other

programs. It is critical that the State support the real operation and maintenance costs of facilities that it approves for construction.

For FY 2008, the requirement to support the operation and maintenance of new facilities totals \$1,290,110. Four projects, as shown in Table 6, require partial funding of the annual costs for operation and maintenance.

**Table 6
FY 2008 Operation and Maintenance
Requirements to Support New Areas**

	<u>GSF</u>	<u>Total Annual Cost</u>	<u>\$/GSF</u>	<u>Date of Occupancy</u>	<u>Months</u>	<u>FY 2008 Amount</u>
Urbana-Champaign						
Business Instructional Facility	162,000	\$ 1,309,860	\$ 8.09	May-08	2	\$ 218,310
Institute for Genomic Biology Building	179,396	1,999,122	11.14	Mar-06	4	666,374
Micro & Nanotechnology Laboratory Addition	44,000	804,438	18.28	Dec-06	4	268,146
State Natural History Survey Building	46,000	329,472	7.16	Dec-06	5	137,280
Total						\$1,290,110

URBANA-CHAMPAIGN PROJECTS

**Business
Instructional
Facility**



The College of Business is constructing a state-of-the-art instructional facility of some 162,000 gross square feet. This campus building will be the first Leadership in Environmental Design (LEED) building constructed on the UIUC campus. LEED buildings are constructed to create environmentally sound and resource efficient buildings by using an integrated design approach. Green buildings promote resource conservation, including energy efficiency, renewable energy and water conservation features; consider environmental impacts and waste minimization; create healthy and comfortable environment; reduce operations and maintenance costs; and address issues such as historic preservation, access to public transportation and other community infrastructure systems. The entire life-cycle of the building and its components is considered, as well as economic and environmental impact and performance.

Space will be provided for undergraduate and graduate programs of the College, but will also benefit students across the UIUC campus that take College of Business courses. The building will provide new facilities with modern instructional

classrooms. Several of the Colleges units will be accommodated in the new building including MBA and Accountancy along with a Technology and Communication Center which provides distance learning opportunities and interactive classrooms. The building is sited south of Wohlers Hall and David Kinley Hall providing space that is contiguous with the College of Business's other campus buildings. Set to open in May of 2008 two months of operations are requested at \$218,310.

**Institute for
Genomic Biology
Building**

▶ The mission of the Institute of Genomic Biology is to advance life sciences research and to stimulate bio-economic development throughout the state of Illinois. The institute will focus its mission of advancing life science research and bio-economic development into eight thematic areas which fall under one of the three program areas of systems biology, cellular and metabolic engineering and genome technology. Those eight research themes are as follows; bio-complexity, genomic ecology of global change, genomics of neural and behavioral plasticity, host-microbe systems, mining microbial genomes for novel antibiotics, molecular bioengineering of biomass conversion, precision proteomics, and regenerative biology and tissue engineering. Each of the thematic areas will be supported by a cluster of core facilities, including animal care rooms, plant growth chambers, microfabrication facilities, microscopy suite and bioinformation area. The administrative "gatehouse" will house conference facilities teaching laboratories outreach center and food service facilities. This 179,396 gross square foot building is complete and open with four months of new areas funds requested in FY 2008 equaling \$666,374.

**Micro &
Nanotechnology
Laboratory
Addition**

▶ At present, the Micro and Nanotechnology Laboratory is one of the finest university-based advanced semiconductor research facilities in the United States. The 88,000 gross square foot building, which opened in 1989, includes classroom space, clean room and general purpose laboratory space. The mission of the lab is to create, support and sustain an environment to facilitate advanced research in photonics, microelectronics, nanotechnology and biotechnology for the benefit of the University community, state of Illinois and society as a whole. The merging of long-standing expertise in optoelectronics with developing expertise in nanotechnology and biotechnology presents new challenges and new opportunities for increased multidisciplinary research in the Micro and Nanotechnology Laboratory. To pursue these emerging interdisciplinary research opportunities in

nanotechnology, optoelectronics, biotechnology and microelectronics, faculty and students must have additional high quality laboratory space. The expansion of the Micro and Nanotechnology Lab will accommodate research efforts in the areas of the optoelectronics and photonic systems, microelectronics for wireless communications, microelectromechanical systems and nanobiosystems. The new addition will add up to 44,000 gross square feet of space to the building providing offices for faculty and students, a clean room for bioprocess, general-purpose laboratories and an auditorium. Slated for completion in December of 2006 four months of support are requested at \$268,146.

**State Natural
History Survey
Building**



The Illinois Natural History Survey has been the guardian and recorder of biological resources for Illinois since 1858. With a presence on the Urbana-Champaign campus for over 100 years, the Survey investigates and documents the biological resources of Illinois and other areas to provide natural history information that is used to promote the common understanding, conservation and management of these resources. This new facility constructed on the South Campus in the UIUC Research Park totals 46,000 gross square feet. The building will provide offices, laboratories and storage areas for the Survey's specialized biological collections along with library space. This building is part of a larger plan to create a Survey campus in the Research Park. Slated for completion in December of 2006, five months of support in FY 2008 at \$137,280 is requested.

FACILITY MAINTENANCE SUPPORT

(\$5,000,000)

Overview

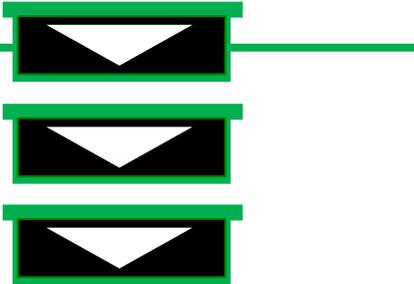
▶ Stated most simply, physical facilities are a critically important component of the academic support structure necessary to conduct instructional, research and service activities in any institution of higher education which in turn is critical in attracting top-quality faculty, staff and students. Academic facilities constructed and operated with State funds for the University of Illinois have a replacement cost of over \$5 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 \$10 million in central operating funds that constitute 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 2008, the University seeks \$5 million in operating funds to augment the larger deferred maintenance program. This program relies on funds from the operating budget, capital appropriations, internal reallocations and a special debt issuance targeted for release in FY 2006. The plan seeks to not only stop the growth of deferred maintenance items but eventually begin the reduction in this significant backlog. These operating funds coupled with those in the capital budget request will slow the growth in deferred maintenance needs by increasing expenditures to \$75

million by FY 2022 which is 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.

As the campuses age, so does the rarely seen infrastructure of the University, the utility infrastructure and distribution systems. There are significant opportunities for energy conservation projects. The University has undertaken large scale conservation projects which also reduced maintenance costs by replacing individual building chillers with the large centralized chiller facility at UIUC, and smaller cold water loops at UIC. With the dramatic increases in energy costs in the last 4 years the University needs even greater emphasis on this area to address the energy usage and distribution on each of the campuses. The University has identified over \$245 million of deferred maintenance projects in existing facilities that would have a direct impact on energy conservation. An active and direct effort on the deferred maintenance backlog will have a positive impact on reducing energy demand on campus.

**MEET INFLATIONARY AND
OTHER COST INCREASES**



PAYROLL COST INCREASES

(\$2,200,000)

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 be worrisome. Increases in funding are essential to provide for these unavoidable expenditures.

MEDICARE AND SOCIAL SECURITY CONTRIBUTIONS – \$800,000

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 17 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. Table 7 details annual appropriations and expenditures along with each year's percentage growth rate.

Table 7
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	10,009.3	2.6%
2004	10,037.1	10,272.8	2.6%
2005	10,037.1	10,656.0	3.7%
2006	10,037.1	11,525.0 (est.)	8.2%
2007	11,037.1	11,986.0 (est.)	4.0%

The FY 2006 appropriation is \$10,037,100 for the combined Medicare and Social Security requirements. In FY 2007, expenditures are expected to continue to rise, and through reallocation we have increased the FY 2007 budget by \$1 million. An increment of \$800,000 is requested for the FY 2008 appropriation. Because it is a federal mandate, this is truly an unavoidable increase for the University.

WORKERS' COMPENSATION – \$1,150,000

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 8 details the State appropriation to the University compared to actual expenditure claims. In the last fourteen years, the University has been forced to reallocate funds to cover increased claims. In addition, the Workers' Compensation Reform Act of 2005 is conservatively estimated to increase annual

expenditures by an additional 10%. 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 8
Appropriations and Expenditures for Workers' Compensation
(Dollars in Thousands)

<u>Fiscal</u> <u>Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>% Change in</u> <u>Expenditures</u>
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	4,622.3	25.3%
2004	3,570.0	5,462.7	18.2%
2005	3,570.0	4,815.1	-11.9%
2006	3,570.0	5,612.9	16.6%
2007	3,570.0	6,286.5 (est)	12.0%

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. The impact of the Workers' Compensation Reform Act of 2005 has contributed significantly to the increase in program costs—up 28% in FY 2006 compared to FY 2005. Cost containment efforts have been initiated, including worker safety training programs and aggressive return to work programs. Actuaries have projected payments for FY 2007 to be \$6,286,500 and when compared to the State appropriation leaves a shortfall of over \$2.7 million. The University has created extensive programs, charge backs 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 2008, \$1,150,000 for workers' compensation is requested.

LEGAL LIABILITY – \$250,000

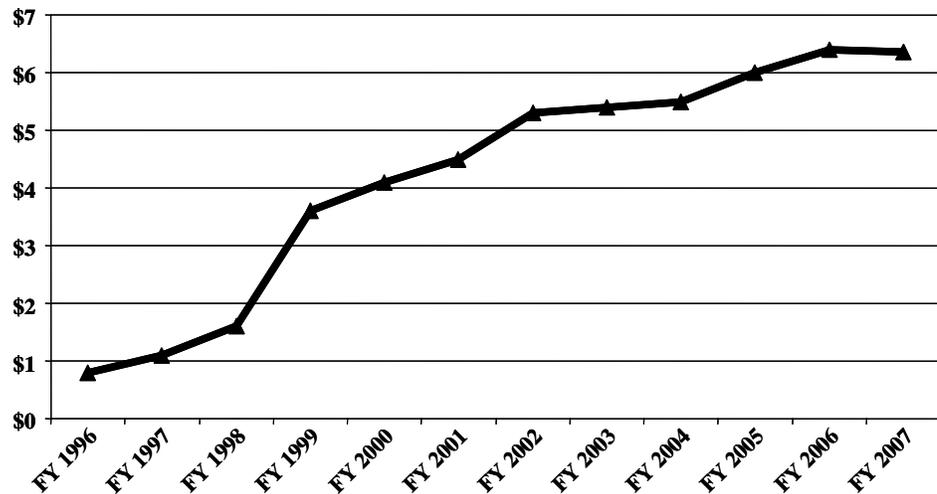
Following national trends, all forms of legal liability claim experience at the University of Illinois is deteriorating. Awards of the court are hitting new highs; claims are requiring more dollars to effect settlement. The Cook County venue is one of the most litigious in the country; awards and settlements 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 \$6.4 million during the period FY 1996 to FY 2007. 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 Cook County location—a highly litigious venue.

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 28,000 FTE employees and 70,000 students. An average of 20 to 50 claims are filed each year, a frequency less than .01%.

For FY 2006, the University allocated \$6.4 million to the Legal Liability fund and in FY 2007, the University allocated the same. Figure 15 is a graphical representation of the historical cost of the program.

Figure 15
Legal Liability
(Dollars in Millions)



For FY 2007 the cost of the program experienced some flattening, however it is too soon to know if this is an anomaly or a trend. Using the funding requirements of the past several years as an indicator, it is expected that funding needs will continue to increase although we hope we will continue to experience flat or decreasing costs due to loss control and loss prevention. All funding requirements are based on annual actuarial review.

The University will continue to attempt to control the acceleration in costs arising from this area through training, awareness and by improved procedures. In response to the large exposure employment practices claims presents to the University, a 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 \$250,000 for General and Board Legal Liability funding.

COST INCREASES

(\$22,373,400)

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 over \$55 million since 1990. Although inflation has been low, price increase support from the State has been absent for over a decade and a half.

- 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 2.9% 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 \$55.1 million since 1990.

- Utilities Price Increases

The University's utility budget continues to face compounding pressures from years of deficit funding and reallocation required to operate and serve the utility needs of the three campuses. Even with continued attention to energy and fuel expenditure trends in the marketplace and cost-saving technologies and fuel purchasing measures to avoid deficits, it is imperative that an increment be appropriated to be able to meet the University's continued utility cost and infrastructure needs.

- 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. In each of the last five fiscal years, when inflationary increases ranged from 8% to 12%, the Libraries received no new State dollars to support increases in library material prices. Without additional funding, 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.

- IT Infrastructure Costs

The University requests funding to address growth of hardware and software needs. While existing services must be maintained, new projects also require additional funding for hardware and software implementation. 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 – \$3,367,700

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.

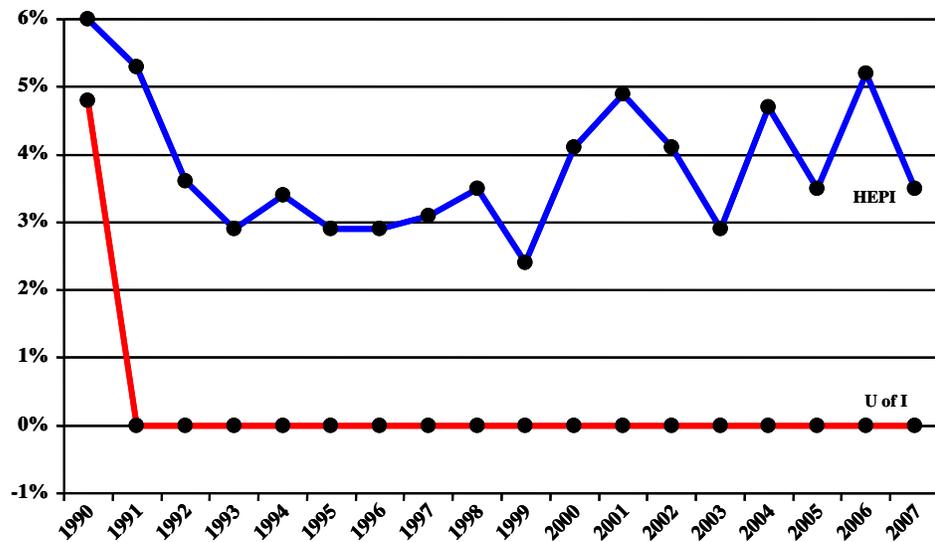
The diversity of University activities suggests that no single market indicator can adequately predict the effect of price increases on the University as a whole. For the purpose of the general price increase request, three inflationary measures are presented to assess the impact of price increases on 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

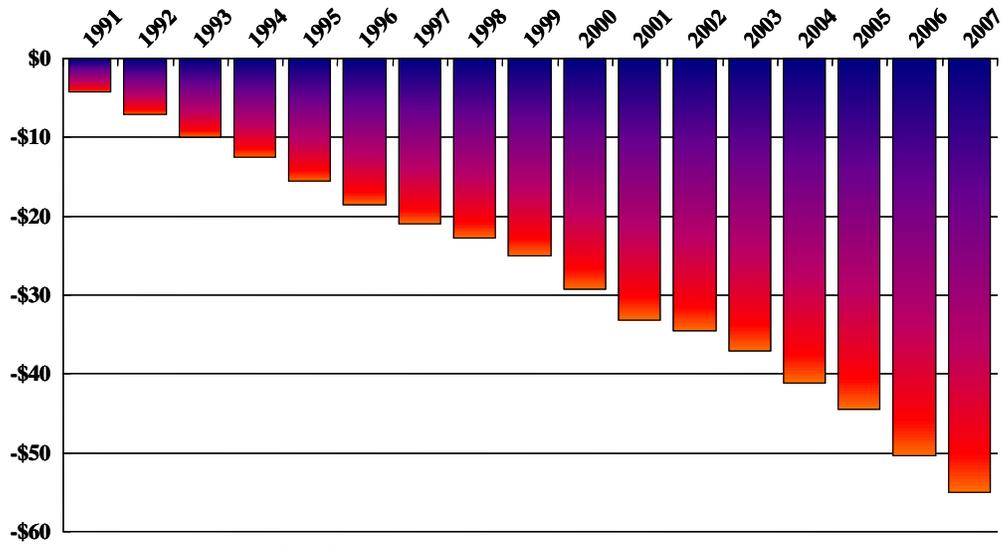
general price increase funding in the past seventeen years, the last one being in FY 1990. In FY 1990, the general price increase did not exceed the Higher Education Price Index, as shown in Figure 16.

Figure 16
Annual Inflation Increases
versus General Price Increase Appropriations



Budget recisions 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 \$55.1 million, as measured against the Consumer Price Index shown in Figure 17.

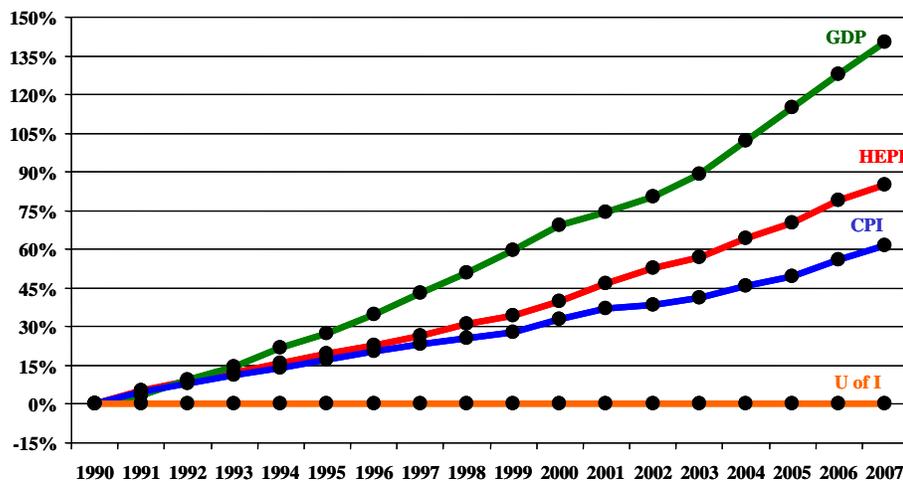
Figure 17
Cumulative Loss in Purchasing Power
(Dollars in Millions)



▼
The loss in purchasing power for general goods and services has reached \$55.1 million in the current year.

A review of the widening gap between inflation and University appropriations is displayed in Figure 18. This graph illustrates the wide disparity between actual general price increase appropriations to the University and inflation levels as estimated by Gross Domestic Product (GDP), CPI and HEPI indicators for FY 1990 through FY 2007. The University estimates FY 2007 and FY 2008 increases of 2% to 5% (CPI and GDP indices).

Figure 18
Cumulative Inflation Increases
versus General Price Increase Appropriations



For FY 2008, 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 2% or \$3,367,700 is sought.

UTILITIES PRICE INCREASES – \$13,861,000

Utilities funding requirements for FY 2008 are expected to require an increase of approximately 17.5%, a \$13.9 million increment above the FY 2007 direct utilities base for all the campuses of the University of Illinois system. In recent history, the base budget for utilities has been insufficient to cover the expenditures incurred during the year to heat, cool, power, light and serve the water and sanitary needs on all three University of Illinois campuses.

The significant reduction in State resources coupled with a large increase in fuel costs and increased state and federal regulations on plant operations have severely impacted the University and its ability to meet financial obligations. The last increment received from the State was for FY 2002. The University of Illinois continues to proactively manage the renovation of its utility infrastructure in order to avoid costs and more efficiently consume resources.

The Urbana campus' Abbott Power Plant is capable of operating on three fuels: coal, natural gas and #2 fuel oil. Coal and natural gas are the primary fuels with fuel oil used as a backup to natural gas. Coal is the most economic fuel on a per million BTU basis at a price of nearly \$2.40 per MMBtu, and is utilized to the greatest extent possible. However, it is also the most expensive fuel to use operationally. The plant has been designed in concert with the campus-wide central chilled water plants to reduce summer electric peaks. While two of the chilled water plants are solely electric, the newest and largest chilled water plant utilizes steam, which in turn makes use of summer steam capacity to run turbines designed to operate large industrial chillers. The three chiller plants are interconnected for maximum operational reliability and efficiency.

The Chicago campus is physically composed of two sides, the east and west side, with approximately one mile of residential and commercial development in between. Each side has a power plant and a central chilled water plant. The west side power

plant generates steam for heat and electricity through cogeneration. While cogeneration is also used on the east side for heating and electric production, a system of high temperature hot water boilers are the source of heat production. The heating and cooling distribution systems are isolated between the two sides, however for electricity, the campus sides are electrically connected at one interface point to the local utility for backup. Natural gas is the primary fuel with #6 fuel oil capabilities as back up for heat generation.

The Springfield campus has a central chilled water plant with multiple building based heating systems. Springfield has no electrical generation capabilities and relies on the local utilities for natural gas and electricity.

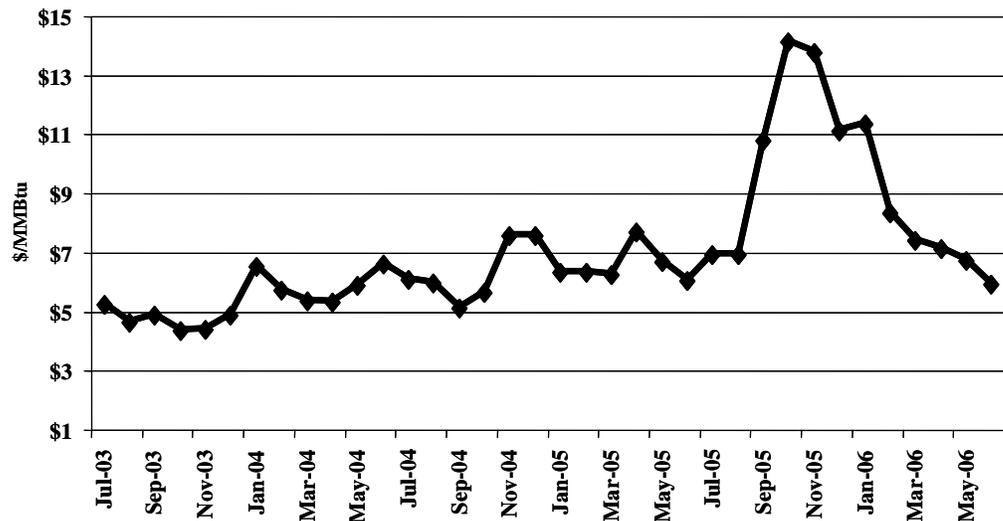
From FY 2002 through FY 2005, the State has reduced the base budget appropriations required to pay for all utilities. There is a real disconnect between the current budget and expenditures both current and forecasted. Over the last few years, the University has met the obligations of utilities costs through proactive budget management and through temporary internal reallocations to meet the deficits. The need for permanent new funds is real and apparent.

One of the major drivers of the utilities budget deficiency is the price of natural gas as well as fuel oil. As show in Figure 19, natural gas pricing volatility is well-represented in the swing from the low of July 2003 at just over \$5 per MMBtu to the high of October 2005 when the NYMEX closing price was over \$14 per MMBtu, an increase of \$9 in only two years. These extremely high prices were due in part to hurricane damage to natural gas facilities in the Gulf area. Fuel switching capabilities have routinely been exploited to maximum capacity to help alleviate some of the potential high costs of using natural gas as the main fuel on both campuses. While natural gas prices have pulled back from the recent winter high, the recent geopolitical events and reduction in domestic supplies have produced natural gas pricing expectations to average much higher over the next eighteen months. Pricing has been and will continue to be more and more volatile.

Fuel oil is also essential to utility operations on all three campuses and recently peaked over \$75 per barrel, where the price continues to remain and is not expected to waiver much in the near future. It is expected that high prices will remain and

peak again during the next few winters. While this year’s official EIA projections won’t be in until late fall, this year’s hurricane season is projected to be as severe as last year’s. The effects of this year’s hurricane season combined with normal to below-normal temperatures in the Midwest, may make this winter’s heating costs mirror that of last winter.

Figure 19
NYMEX Natural Gas Settlement Prices
FY 2004 to FY 2006



Another cost facing the University on the utility front is the increased pressure from state and federal requirements for renewable energy. As legislation moves to the forefront to determine state and federal requirements, all three campuses and satellite locations may be affected by increased capital and utility costs to implement the new technologies necessary to use renewable fuels.

Also to be considered this year, is the deregulation of electricity scheduled to begin in January 2007. The conversion of the Illinois electric market from regulated to unregulated presents many unknowns for consumers, for utilities and for the University. Studying markets on the East Coast, which recently became deregulated, has been an important, yet eye-opening task. In Maryland, electricity has been as high as nearly \$128/Mwh and in Connecticut, utility costs have risen as much as 72%. Similar prices may very well be a reality in the new electricity world in Illinois beginning in 2007, which will greatly distress the University’s budget and impede utility costs and operations.

Scenarios played out on the East Coast, may be similar to what we may see in Illinois in the coming months. The majority of the University's load is currently served by the two largest electric utilities in Illinois—the Chicago campus by Commonwealth Edison and the Urbana campus by AmerenIP. The 1997 state law restructuring the power industry and setting a 10-year rate freeze will expire at the end of 2006 and begin the power auction in January 2007. Current forecasts for increased costs project rate increases as much as 20% to 30%. These increases, which will greatly affect electric expenditures at the two main campuses, are seen as a result of the impending electric supply auction and the lift on the electric rate freeze in both AmerenIP and Commonwealth Edison service areas.

A much smaller element, but still to be considered is the water and sewer expenditures on the campuses. Water is projected to increase about 5% in the coming year across all three campuses and sewer is projected to increase by 6% at the Urbana campus. These increases may seem small, but become larger as new buildings come online and more water and sewer utilities are used on each campus.

Based on the forecasted cycles of natural gas, fuel oil prices and the impending rise of electric rates due to deregulation, combined with 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 the utilities expenditures. These combined circumstances warrant a budget increment of \$13.8 million for FY 2008 to provide for required increased allocations for all three system campuses.

LIBRARY PRICE INCREASES – \$2,144,700

The Libraries of the University of Illinois request a 10% increase in their materials budgets to provide for the quality collections and information resources that support the scholarship, research and teaching of students, faculty and researchers at the University and throughout the State. Over the past decade, annual inflation rates for library materials have ranged from 8% to 12%. For many of these years, the Libraries have received no material price increases from the State and modest increases from the University; when increases have been available, they have been no higher than 3% to 4%. In FY 2006, the Library at the Urbana-Champaign

campus (UIUC) cancelled some \$300,000 in journals; this follows on the previous year's cancellation of over \$500,000. Over the past 5 years alone, the UIUC Library has cancelled approximately \$2 million in journals. While some of these cancellations are tied to UIUC's strategic and ongoing shift from print to electronic, there is no underestimating the loss of critically important research material. In FY 2006, the Library at the Springfield campus (UIS) cancelled nearly \$50,000 in journals and electronic resources. While this may seem like a small sum, it represents 5% of the library's total materials budget. The Library at the Chicago campus (UIC) is preparing to cancel subscriptions and cut book purchases in the face of an estimated 10% increase in journal prices in FY 2007. To support work in disciplines that rely on publications from abroad, the libraries must also deal with the diminished value of the US dollar against foreign currencies. In these areas, including global resources and many areas of the humanities, a combined 20% to 25% inflation and devalued dollar impact is not uncommon.

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 and essential for students in online degree programs. These materials include many essential full text journal articles, electronic books and reference guides, additional abstracting and indexing services and new collections of electronic primary resource material. The accessibility of electronic material is essential for distance education programs and their searching capability makes them critically important in numerous disciplines. The three campus libraries have worked together to negotiate favorable prices for these resources. Even with these negotiated rates, electronic journals average between 10% to 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 material, they rely on access through an inter-library lending agency, the cost of which can average \$40 to \$50 per article to provide to users.

New electronic versions of many periodical titles, offered in addition to print versions, present additional challenges. Often, the versions differ, and in only a very few cases are electronic versions archived reliably enough so we can be confident that they will be accessible in the future. However, most users prefer electronic versions for access to current issues. In an effort to retain electronic access to

information, the Libraries are making the difficult choice to cancel print versions to have enough money to safeguard the online access. The UIUC Library has led a Committee on Institutional Cooperation (CIC) program to retain within the CIC, a single print archive of the publications of important journal publishers. UIUC and UIC have also taken a leadership role in joining digital preservation initiatives such as LOCKSS and Portico, both third-party repositories that hold publisher content in case of worst-case situations that can affect digital content. These programs are just getting started, and have their own associated costs, but nevertheless are important initiatives that we can and do support in an effort to secure access to scholarly material for our future users.

These factors continue the erosion of Libraries collections that began about 20 years ago. Many of our peer institutions' library collections have not suffered the same fate. The Libraries at the University of Illinois continue to lose their place as an important competitive factor in attracting high quality faculty who rely on their institution's library support to carry out their teaching and research. Engineering at UIUC provides an important example of this dilemma: the University of Michigan provides some \$300,000 more to its engineering library budget annually than is available for the UIUC engineering collection, despite the fact that the College of Engineering is nationally recognized as the leader in educating engineers for today and tomorrow. The funding of a university's Library is a clear barometer of how well this vibrant link is understood on each campus. In recent campus surveys of graduate and undergraduate students, users repeatedly ask for more electronic resources and books. The value placed on our collections enabling them to fulfill educational and research goals is substantial. Both the prestige and the success of our campuses are driven by the faculty's research accomplishments and students' ability to learn. These in turn are directly dependent on the ability of the Libraries to ensure access to collections of all types and to provide students with the tools they need to negotiate an ever increasingly complex information environment.

The 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 nearly 8 million items. The UIC Library of the Health Sciences is one of the largest medical libraries in the nation and is designated by the National Library of Medicine as the regional medical library for ten states from Kentucky to

North Dakota. In this role, it is obligated to obtain and preserve a print archive of expensive medical journals. 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 Library at UIS supports students with a collection numbering 536,743 volumes; 2,646 periodical subscriptions; 4,000 films, videotapes and DVD's; 1,868,238 microforms; and over 200,000 government publications. More than one-quarter of enrollments at UIS are now online and the library has been aggressive in purchasing electronic resources to meet the needs of distance education students. Due to the public policy focus of UIS and its location in the State capital, the UIS Library also serves as a resource for State government agencies. The UIS Library's special collections unit houses an oral history collection containing interview tapes and transcripts (recently digitized) 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 an 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 UIUC Library is a major educational and cultural resource and a critical investment for the University and the State of Illinois. Many of the dividends that the University of Illinois gives back to the citizens of this State are realized because of the collections and information resources that the Library provides. 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

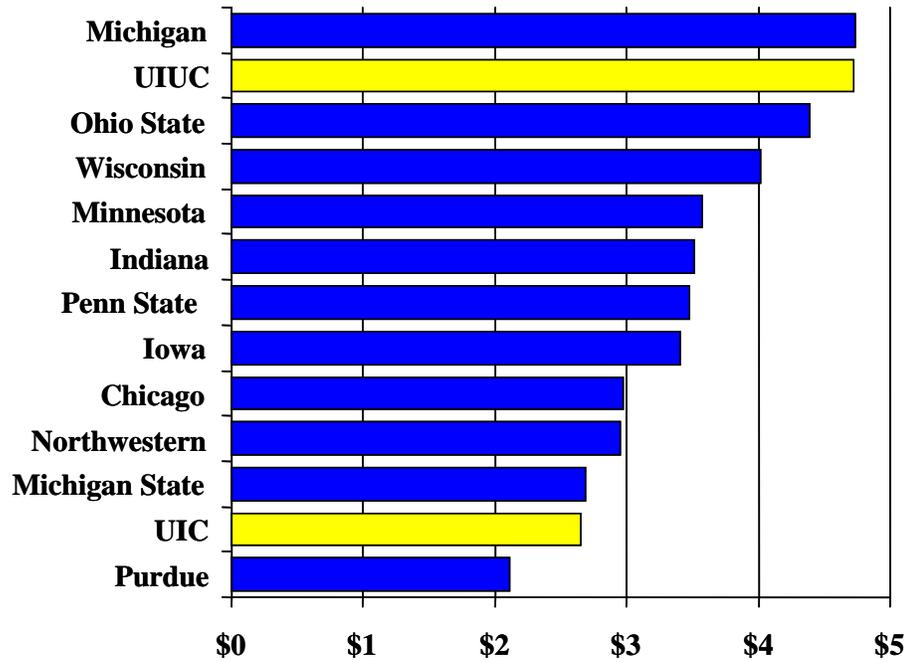
agriculture, post-genomics and biotechnology, engineering, the arts and social policy.

Strong and unique collections have long been a hallmark of the UIUC Libraries. With a collection of more than 23 million items, it is one of the world's great research libraries. Distinguished collections in areas as diverse as American history, chemistry, English literature, emblem books, engineering, mathematics, music and Slavic languages and literature attract and support the work of distinguished faculty and students as well as scholars from around the world. Special collections, including holdings on Carl Sandburg, James B. Reston, John Milton, William Shakespeare, Marcel Proust, H.G. Wells, Mark Twain, John Phillip Sousa and Shana Alexander further enhance the Library's unique importance to scholars. The Library has received seed money to begin a robust digitization program to make its valued collections even more accessible to the citizens of Illinois and scholars throughout the world. This program will require additional recurring resources to sustain it.

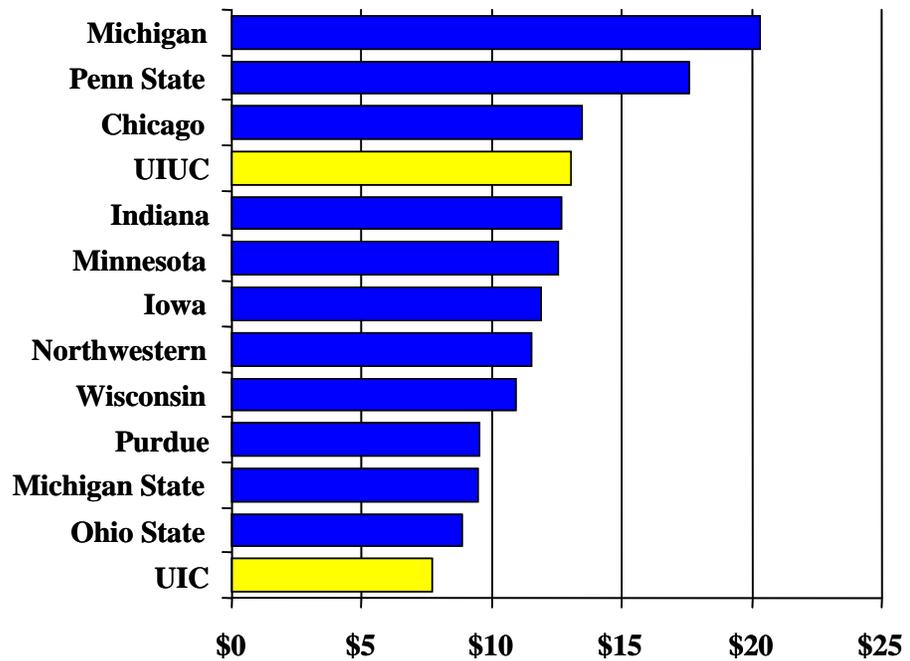
Among the members of the Association of Research Libraries (ARL), the UIC and UIUC Libraries' materials expenditures declined. The UIUC Library ranking dropped from 8th in FY 1985 to 17th in FY 2005, while the UIC Library declined from 64th in FY 1988, the first year the UIC Library became an ARL member, to 68th in FY 2005. Figure 20 shows the Committee on Institutional Cooperation (CIC) Libraries materials expenditures in FY 1985 compared to FY 2005. In FY 1985, the UIUC Library materials expenditures ranked second among the thirteen CIC member libraries, by FY 2005 UIUC's position fell to 4th, dropping below both Pennsylvania State and the University of Chicago in material expenditures dollars by approximately \$4.5 million and \$.5 million, respectively. In addition, both Indiana and Minnesota are now only about \$.5 million below UIUC's expenditures for library materials. Despite reallocated funds from the campus the UIC Library fell to last place among CIC Institutions in FY 2005 at the same time that it has leapt past Michigan State, Purdue and Indiana in federal research expenditures.

Figure 20
Library Materials Expenditures by CIC Institutions
(Dollars in Millions)

FY 1985



FY 2005



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 twenty years, have seriously compromised the quality of the Libraries' collections.

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 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 2008 to offset the damaging effects of zero price increases over the last five years, the inevitable continued inflation, the need to keep pace with the demands of their users and recovery of a small portion of the ground lost over the past twenty years.

IT INFRASTRUCTURE COSTS – \$3,000,000

An increment of \$3 million is requested for enterprise-wide administrative information technology cost increases. These expenses traditionally have not been addressed in University of Illinois information technology budgets but have been addressed by targeted, large efforts, such as the UI-Integrate project. There are many factors that contribute to the University's need to remain current and allocate recurring budgeted funds rather than periodically mounting large refresh efforts; some of these are:

- Security risks to information technology are significant and increasing. As a result, vendors publish frequent security patches, and we must remain on current, supported hardware and software platforms in order to accept and implement these patches.
- In the past many exception processes or occasional processes were not automated. As more processes are automated, more individuals require access to and increased usage of systems. In addition, in the past some data was not captured in systems and/or was allowed to "age out." As the University increases its reliance

- upon electronic systems and related data stores, access to and use of systems increases.
- The University's increasing dependence upon electronic records and increasing use of document management is resulting in increases in the amount of disk storage required.
 - Using current, supported hardware and software has become a necessity due to the increasing number and complexity of business rules that must be supported. Some of these change frequently, such as financial aid with multiple regulatory upgrades required throughout the year. Our systems must maintain currency, because of the complex interdependencies among hardware platforms, software infrastructure (e.g. operating systems, data base management systems) and the application systems that support those business rules.

This increment is intended to address growth in the following four areas of hardware and software:

- Growth in hardware needed to continue existing services. This includes additional hardware to deal with increased usage of existing systems. The primary component of this is the need for increasing amounts of disk space needed as records are added to existing systems. The overall industry trend in this area has been growth at a rate that doubles disk space every 20 months, or approximately 60% annually. In predicting University of Illinois usage, we believe that we can hold that growth to 45% annually through establishment and enforcement of reasonable disk usage guidelines.
- Increases in software maintenance expenses. The overall industry trend for increases in annual software licensing fees is in the range of 12%. For planning purposes, we use a figure of 8% annually, because the University of Illinois has contracts with some of our large vendors that cap increases.
- Increased hardware and software expenses due to new projects. A pool of Information Technology Priorities Committee (ITPC) funds has been established for expenses related to the implementation of new projects, but no funding sources have been identified for ongoing, post-implementation hardware and software maintenance and growth resulting from those new systems.
- Hardware refresh. The overall industry recommendation for hardware (e.g. server, disk storage) replacement is three years. However, we estimated an average four year replacement cycle, because a few components have a somewhat longer lifecycle and in a number of cases the life of hardware can be safely extended for one year beyond the vendor recommendation through the purchase of extended maintenance contracts.

The requested increment of \$3 million would not be sufficient to cover all of the anticipated incremental expenses, however, this is a problem that has existed for many years (portions of this are similar to deferred building maintenance) and it is

not clear that it can be resolved in a single year. Also, there are a few items in the hardware refresh category that have high costs at the point of replacement which will cause us to see variations in expenses from year to year. It may be reasonable to deal with large spikes in expenses on a one-time basis when they arise, however, without allocating additional recurring funds, the University would have to face other approaches to IT management such as:

- Requiring that all new projects include a post-implementation funding mechanism to address that portion of growth resulting from new projects.
- Dropping maintenance on some components. This puts the University at risk of security breaches due to unavailability of critical software patches in unsupported environments, possible system failures resulting in loss of service and diversion of limited, existing technology staff to resolving failures thereby increasing the time to correct problems and raising the cost of new projects.
- Use of out-of-date, unsupported hardware. This puts the University at risk of being unable to run current software versions and possible hardware failures resulting in loss of services.
- Reducing capacity of services as components fail and potentially rationing services.

By establishing funding that will cover a significant portion of the anticipated needs, we can help to ensure that a major overhaul of systems and hardware due to lack of maintaining currency can be avoided in the future.

STATEWIDE PROGRAM



ILLINOIS FIRE SERVICE INSTITUTE

(\$21,900)

Overview

▶ 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, thru student fees, grants and donations. One-eighth of this one percent tax on fire insurance and related premiums is designated for Illinois Fire Service Institute use. This allows the Institute to offer most courses and services free of charge.

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 five major purposes:

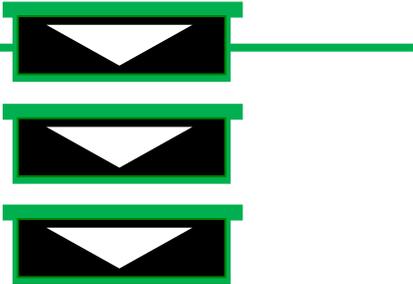
- To conduct programs of training and education for paid and volunteer fire fighters and officers on campus, and at regional and local sites throughout Illinois.
- To provide adequate teaching and training facilities for the Institute.
- To permit program growth and improvement.
- To conduct action-oriented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

For the past 82 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 at Urbana-Champaign campus. Attendance at the Institutes' programs annually averages over 40,000 enrollments, 450,000 student instructional hours and over 1,000 classes reaching career and volunteer firefighters in virtually every county in Illinois. Since the formation of the Illinois Terrorism Task Force (ITTF) in 1999, IFSI has been co-chair of the ITTF Training Committee and receives substantial grant funding to deliver homeland security training to first

responders statewide. 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 \$21,900 is required for FY 2008.

**MEDICAL PROFESSIONAL
LIABILITY INSURANCE**



MEDICAL PROFESSIONAL LIABILITY INSURANCE **(\$12,000,000)**

Overview



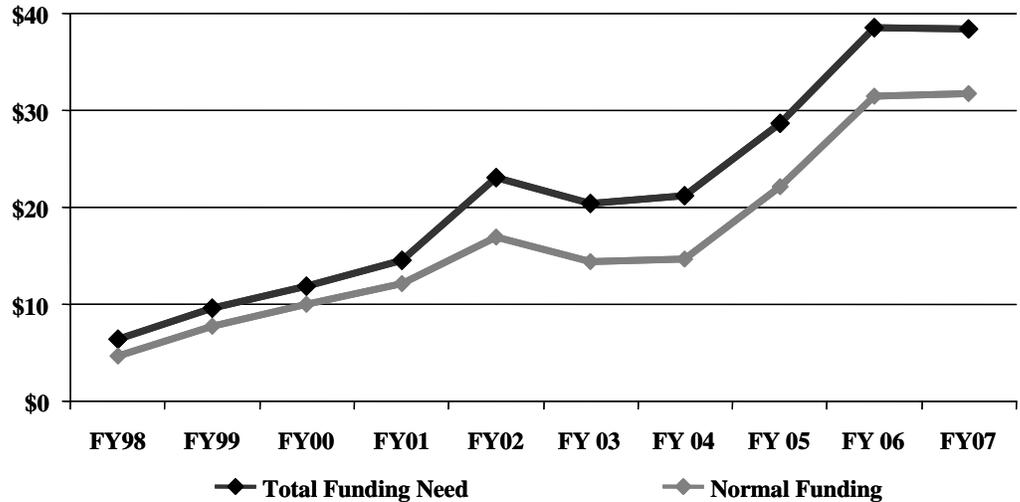
Nationally the substantial increase in costs associated with medical liability continues. It is rare that a week goes by when an article about escalating malpractice costs is not in a local newspaper. Various reform proposals have included caps on damage awards but the issue of balancing a patient's right to sue because of medical error against the cost of litigations continues to be hotly debated. The reality is that even the tort reform legislation passed in Illinois will not have an impact on funding our self-insurance program in the near future because of the fear the legislation will be overturned as it has been the last two times.

No single factor may be responsible for rising malpractice insurance costs. However, the reality is we are in the midst of a national crisis. It will come as no surprise that malpractice coverage has become so expensive that physicians are closing practices, retiring early, or moving to areas where insurance costs less. The AMA continues to make liability reform their top legislative priority.

Following national trends, the University of Illinois claim experience 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 total funding requirement for the Hospital/medical professional liability self-insurance program has increased 500% since FY 1998 increasing from \$6.4 million to \$38.5 million in FY 2007. Normal funding (the projected, future cost for claims incurred in the upcoming year) has steadily lost ground since FY 1996. Both the "total funding requirement" and the "normal funding requirement" are discounted to recognize the time value of money and the long time required to effect closure. Figure 21 shows medical malpractice funding trends.

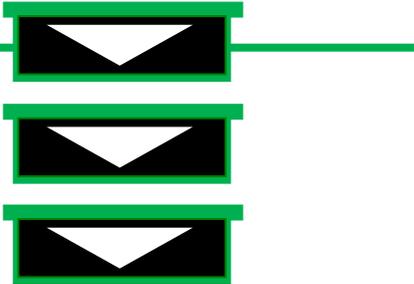
**Figure 21
Medical Malpractice
FY 1998 to FY 2007
(Dollars in Millions)**



In FY 2006, there were 17,936 hospital discharges and 425,245 outpatient visits. During the same period in excess of \$5.3 million was paid by the University to settle 16 claims. In addition, the University’s actuary estimates the discounted outstanding liabilities for medical liability claims is roughly \$117 million.

The University of Illinois Medical Center (UIMC) is a prestigious academic medical center providing high-level medical care for difficult medical problems; additionally, the University provides a broad range of services for participants in the State’s entitlement programs. An outside audit has indicated that existing procedures and risk management programs in the hospital and clinics are appropriate and effective. Loss control programs are in place, but claims happen. If national trends play out at the University of Illinois Medical Center, the incidence of claims and the cost to adjudicate those claims will increase despite tort reform.

**STATEWIDE ECONOMIC
DEVELOPMENT**



TECHNOLOGY COMMERCIALIZATION

(\$3,000,000)

Overview

▶ Illinois VENTURES, LLC (VENTURES) was created by the Board of Trustees to catalyze and accelerate the development of successful new companies based upon the University's technology contributing to the growth of the high-tech economy in Illinois. Other benefits of this process include commercially successful, profitable new technology businesses based on the results of University research positively impacting workforce development and job creation, new and expanded economic opportunities and ultimately, increased state and local tax revenues.

In FY 2007 the University allocated \$2 million to stabilize the operating budget of Illinois VENTURES. It is expected that \$750,000 (netting \$661,000) in dedicated State grant funds through the Illinois Department of Commerce and Economic Opportunity will be available for support of start-up companies. This combination of dedicated State grant support and University institutional funds is used for start-up and business incubation services that include assisting new companies with business planning, market research, financial planning, management recruitment, business development, recruitment and referral of business support services and recruitment of scientific advisors. In providing these incubation services, VENTURES also leverages the talents of faculty, graduate and professional students to provide value to early stage companies. Notable are the MBA intern programs on the Chicago and Urbana-Champaign campuses which have MBA students with technical backgrounds participating in the due diligence process on high tech start-up company investment opportunities.

These funds additionally supported pre-seed and seed stage funding (on a merit basis through a private equity based due diligence process using appropriate financial instruments) to the most commercially promising and maturing start-up companies. Without these early stage funds, continued commercial development of the new companies would be significantly impaired. VENTURES also was authorized by the Board of Trustees to raise a private equity fund to complement the pre-seed developmental funding. The fund closed at approximately \$30 million in June, 2005. The availability of developmental/pre-seed through early professional round capital has helped close the "gap financing" problem facing new high tech

companies based on University technology. VENTURES has engaged against other capital formation activities as well, including the establishment of a network of private sector seed and venture investment entities for syndicating investment opportunities and the development of relationships with industry partners and public agencies engaged in early stage technology investment. VENTURES early stage developmental funding has leveraged approximately \$7 in third party co-investments for each dollar from VENTURES.

VENTURES has evaluated more than 450 technology commercialization opportunities and is currently providing consultation and/or developmental financing to more than 50 new high-tech businesses pursuing markets that range from fuel cells for portable devices to biohazard and chemical weapons detection to nanoscale innovation for drug delivery and electronics to groundbreaking drugs for treatment of cancer, stroke and Alzheimer's disease. Its level of engagement with these emerging companies ranges from:

- Introductory (early market assessment and business strategies);
- Developmental (pre-seed funding for professional services and business planning);
- Seed funding (for prototype development and testing); and
- First professional round financing (for product commercialization and distribution).

A number of these high-tech companies have completed multiple rounds of external (private equity) financing, an important metric for business potential, including Tekion (formic acid fuel cell technology for portable electronic devices), Dzyme Tech (catalytic DNA biosensor technology for detecting heavy metals and diverse analytes), RiverGlass (data analytics software that correlates and merges multiple, varied data streams and then applies sophisticated real-time data analysis and modeling techniques to that merged stream), pSi-Tech (flexible electronics, specifically flexible microstructured semiconducting technology), Transplan (medical device technology that significantly extends the time organs remain viable for transplantation) and Mobitrac (software for mobile resource management).

The requested \$3 million in funding will provide for technology commercialization supporting Illinois VENTURES. This investment will position VENTURES to more effectively meet the business development and early capitalization needs of new companies that are based on University technology and are positioned to impact the growth of the Illinois high-tech economy through job creation, new and expanded economic opportunities and tax revenue generation.

ADDENDUM



ADDENDUM

RETIREMENT

Overview



The level of funding of the State Universities Retirement System (SURS) has been a source of significant concern through the years. Although legislation passed in 1967 required 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 was never 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 toward 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.

Unfortunately this improved funding level 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 mandated 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 was intended to strengthen the financial condition of the Retirement Systems and help preserve funding stability for pension systems despite periodic fiscal constraints in the rest of the State budget.

A mandated new valuation methodology and a new set of actuarial assumptions altered, to some degree, the 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 value. This change alone significantly increased the funding ratio of assets to liabilities, and the funding ratio was increased even further by a new set of actuarial assumptions adopted in December 1996 that recognized strong returns on SURS assets, which lowered projected future liabilities. The System's funding ratio peaked at over 88% in FY 2000.

Unfortunately, investment returns in 2001 and 2002 were negative, and only about 3% in FY 2003. As a result unfunded liabilities increased greatly for SURS, as they did for all of the State's retirement systems, which also experienced poor investment returns. At the end of FY 2005, the funding ratio for SURS was only about 66%.

Faced with an extremely constrained budget situation in FY 2004, the General Assembly and the Governor approved PA 93-2, authorizing the sale of \$10 billion in pension obligation bonds in order to meet the statutory pension funding obligations. The infusion of money combined with extremely strong investment performance has increased the funding ratio of SURS from a low of 53.9% at the end of FY 2003 to 66% at the end of FY 2004. The law called for the State's pension contribution to be split between payments to the pensions systems and interest and principal payments on the bonds. Under current law there would be a ramp up in funding for the retirement systems, going from \$1.4 billion in FY 2007 to over \$3.6 billion in FY 2011. For SURS, funding will increase from \$211.6 million in FY 2007 to \$750 million in FY 2011. This significant increase in employer contributions will dramatically impact the availability of State revenues for other purposes.

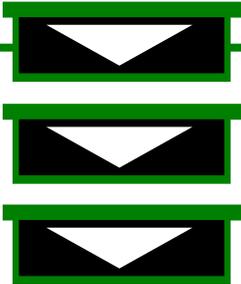
The 1995 "catch-up" law combined with the bond sale created a very large pension funding obligation that, along with rising Medicaid and other program costs, posed a severe challenge to the State's FY 2006 budget. The Governor and General Assembly responded by approving PA 98-4, which reduced the State's required pension contributions to all systems by about \$1.2 billion in FY 2006 and \$1.1 billion in FY 2007 and recalculated the pension catch-up amounts required in FY 2008, FY 2009 and FY 2010. SURS contributions were reduced to about \$167 million (from \$365 million) in FY 2006 and \$252 million (from \$432 million) in FY 2007. The law also made the following major substantive changes to SURS:

- The State Comptroller (rather than the SURS Board) will now certify the SURS effective rate of interest for the money-purchase formula.
- The money-purchase formula is not available for new SURS members hired on or after July 1, 2005.
- The Governor created an Advisory Commission on Pension Benefits and their recommendations from October 2005 are as follows:
 1. The Commission recommends that the State adopt means by which to dedicate revenues in excess of a specific target percentage of growth towards the additional funding of the pension systems when those targets are met, and establish a minimum when those targets are not met.
 2. The Commission recommends that if the State sells certain assets, then 100% of the resulting revenues should be dedicated towards reducing liabilities, including the Pension Systems' unfunded liabilities, as a component part of a broader plan to reduce those unfunded liabilities.
 3. The Commission recommends that the General Assembly consider creating incentives for employees to continue working beyond the year when they achieve the maximum pension percentage as a means to reduce the State's pension costs.
 4. The Commission recommends that the General Assembly consider the issuance of Pension Obligation Bonds as quickly as practicable as a financing instrument to reduce the State's pension costs, as long as (1) there are favorable market conditions and (2) the issuance of such POBs is a component part of a broader plan to reduce the Pension Systems' unfunded liabilities.
 5. The Commission recommends that the General Assembly should explore new revenue sources dedicated to reducing the Pension Systems' debt, as a component part of a broader plan to reduce the Pension Systems' unfunded liabilities.
 6. The Commission affirms the significance of the benefit reforms achieved in the 2005 Spring legislative session, and also affirms that, at the present time, most SERS, TRS and SURS benefits and employee contributions are comparable to other public pension systems in the United States and recommends that the General Assembly should regularly review, as part of the agreed bill process as well as a part of their normal budgetary review process, the affordability of the Pension Systems' plan provisions regarding benefits and make an affirmative determination thereon.
- Employers must pay the actuarial value of pension increases that result from earnings increases over 6% in any year used to calculate a retiree's final rate of earnings. This provision does not apply to raises paid under collective

bargaining agreements in effect before July 1, 2005. This legislation was modified under PA 94-1057 and signed by the Governor in July 2006 to further clarify the basis used for calculations and to address exclusions such as overload work and certain promotions.

While the University understands the very difficult budget situation facing Illinois, it also supports adequate annual funding for all State pension systems, including SURS. SURS should be viewed not only as an important part of the University's benefit package, but as a crucial component of the State's commitment to higher education.

CAPITAL BUDGET REQUEST
FOR FY 2008



CAPITAL BUDGET



BACKGROUND AND CONTEXT

Overview



Perhaps too obvious yet worth stating is the fact that academic and administrative facilities exist 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 needs each year. As buildings age through their normal life cycles, it is crucial to address minor repair and renovation needs as they occur. Failure to do so accelerates deterioration and leads to costly major remodeling requirements more quickly than would be necessary if prudent attention to annual repair and renovation were possible. Changing programmatic emphases in academic units also create the need for relatively small remodeling projects which can be addressed quickly to make existing space more useful for emerging academic priorities. Toward that end the University is coming off of three consecutive fiscal years with a limited capital budget appropriation. As stated previously, consistent and steady funding patterns are supremely important to maintain the physical plant. The past three years without repair and renovation funding only exacerbates the deferred maintenance problem while making it more difficult to reduce it in the future. Based on these factors the University has once again placed the repair and renovation request at the top of the capital list for \$21.5 million. Once again the deferred maintenance request is in the second priority slot. The two requests of \$21.5 million and \$20.1 million respectively, continue the University of Illinois focus of maintaining 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. With that in mind the University has recently issued Certificates of Participation in order to jump start the reduction of deferred maintenance on each campus. That along with the recently approved Academic Facilities Maintenance Fund should provide a solid starting point to attack the maintenance problem on each campus. However, state support is still critical and an important leg of the funding stool to halt the growth of deferred maintenance and provide adequate support of the physical plant.



Annual attention to a wide array of facilities needs is essential.

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 \$2 million to \$15 million. Major remodeling projects can also result from the need to enlarge the capacity of a building, change its functional use, upgrade or extend campus wide infrastructure systems. For example, as technological advances have accelerated over the past two decades and computers now permeate the conduct of almost every phase of instruction and research activity, the need to expand electrical and cooling capacity for individual buildings and for entire campuses has grown dramatically. Much like the two-pronged approach for smaller repair and renovation projects, the University is seeking another source of funding for these major building remodels. The Facilities Maintenance Support in the operating request is another vehicle through which the University hopes to establish a regular and sustained funding source to remodel those facilities in the central core of campus which serve the basic educational needs of the student body.

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



*The University
received no capital
budget appropriation
in two of the last three
years.*

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

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

In this context where steady and measured funding increases for facility needs are vitally important the last three capital budgets have been disappointing. For the third straight year capital funding needs were not acted on by the General Assembly. However, release of planning funds were secured for the three University projects that were recommended by the Governor in FY 2006. Planning funds for Lincoln Hall, Electrical & Computer Engineering and the Post Harvest Crop Research Lab have been released so that planning activities on these projects can continue or begin.

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

Table 1
History of Recent Capital Budget Actions
FY 2002 to FY 2007 Governor's Level
(Dollars in Thousands)

	FY 2002	FY 2003	FY 2004	FY 2005*	FY 2006	FY 2007
Campus Requests						
Chicago	\$ 46,250.0	\$ 47,950.0	\$ 45,125.0	\$ 162,110.9	\$ 114,665.9	\$ 93,691.3
Springfield	30,330.0	15,330.0	3,863.0	4,468.7	4,468.7	4,812.4
Urbana-Champaign	166,787.0	91,634.0	120,312.2	180,215.4	176,077.4	236,550.8
Total	\$ 243,367.0	\$ 154,914.0	\$ 169,300.2	\$ 346,795.0	\$ 295,212.0	\$ 335,054.5
IBHE Recommendations						
Chicago	\$ 12,165.9	\$ 20,165.9	\$ 20,165.9	\$ 22,114.4	\$ 23,054.5	\$ 25,254.5
Springfield	30,343.7	15,343.7	343.7	458.2	458.2	458.2
Urbana-Champaign	84,039.8	52,225.4	58,225.4	59,860.7	59,952.7	89,100.7
Total	\$ 126,549.4	\$ 87,735.0	\$ 78,735.0	\$ 82,433.3	\$ 83,465.4	\$ 114,813.4
Regular Capital Appropriations						
Chicago	\$ 5,665.9	\$ 4,165.9	\$ 4,165.9	\$ 4,165.9	\$ 4,165.9	\$ 4,165.9
Springfield	15,343.7	15,343.7	343.7	343.7	343.7	343.7
Urbana-Champaign	39,039.8	6,225.4	8,225.4	9,225.4	15,215.4	6,225.4
Total	\$ 60,049.4	\$ 25,735.0	\$ 12,735.0	\$ 13,735.0	\$ 19,725.0	\$ 10,735.0
Appropriations for Special Projects						
Americans with Disabilities Planning Funds Venture Tech	\$ 105,900.0	\$ 100,600.0				
Total Appropriation	\$ 165,949.4	\$ 126,335.0	\$ 12,735.0	\$ 13,735.0	\$ 19,725.0	\$ 10,735.0

* Funding recommended by Governor but not approved or passed by General Assembly.

SUMMARY OF FY 2008 PRIORITIES

(\$261,945,000)

Overview



The University's FY 2008 Capital Budget Request consists of 10 projects at a total cost of \$261,945,000. Table 2 represents a combined priority listing of the proposed projects for this year.

Table 2
FY 2008 Combined Capital Budget Request
Summary by Priority
(Dollars in Thousands)

Priority	Project	Chicago	Springfield	Urbana	Total	Cumulative
1	Repair and Renovation	\$ 8,331.8	\$ 687.4	\$ 12,450.8	\$ 21,470.0	\$ 21,470.0
2	Deferred Maintenance	8,000.0	125.0	12,000.0	20,125.0	41,595.0
3	Lincoln Hall Remodeling			53,100.0	53,100.0	94,695.0
4	College of Medicine Rockford	14,250.0			14,250.0	108,945.0
5	Dentistry Modernization/Code Compliance	20,000.0			20,000.0	128,945.0
6	South Farms Realignment ¹			43,000.0	43,000.0	171,945.0
7	Advanced Chemical Technologies Inflation ²	20,000.0			20,000.0	191,945.0
8	Electrical and Computer Engineering Bldg ³			42,000.0	42,000.0	233,945.0
9	Brookens Library Renovation		8,000.0		8,000.0	241,945.0
10	Medical Sciences Building Modernization	20,000.0			20,000.0	261,945.0
		<u>\$ 90,581.8</u>	<u>\$ 8,812.4</u>	<u>\$ 162,550.8</u>	<u>\$ 261,945.0</u>	

¹\$43 M includes funding for three facilities: 1) Bioprocessing Research Laboratory (\$18 M); 2) Swine Biogenetic and Biomedical Research Laboratory (\$15 M); and 3) Feedmill (\$10 M). In June 2006, CDB released \$1.9 M for planning for the Bioprocessing Research Laboratory; construction funding of \$18 M is still needed for the Lab. For FY 2008, additional funding of \$25 M is requested for the Swine Lab and the Feedmill projects. The Bioprocessing Research Laboratory was submitted in response to a request from the Governor for Economic Development projects.

²\$64 M was appropriated for the ACT project (\$6 M for planning in FY 2002 and \$57.6 M for construction in FY 2003), but the funds have not been released to date. For FY 2008, an additional \$20 M is requested to offset the cost increases that have occurred over the five years the funds have been "frozen" and to enable a full build-out of the facility as originally approved.

³This project was submitted in response to a request from the Governor for Economic Development projects. In the FY 2008 request, the total project budget for ECE has been increased from \$60 M to \$90 M with \$45 M each to be provided by state and private support (i.e., an additional \$15 M from both state and private sources is needed for the project). Because CDB released \$3 M for planning purposes in January 2006, the amount requested is \$42 M.

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 \$600 million would be the result. Table 3 reflects the entire capital budget request from the campuses of the University of Illinois.

Table 3
FY 2008 Capital Budget Request
Summary by Campus
(Dollars in Thousands)

Campus Priority	University Priority	Chicago	
1	1	Repair & Renovation	\$ 8,331.8
2	2	Deferred Maintenance	8,000.0
3	4	College of Medicine at Rockford Building	14,250.0
4	7	Advanced Chemical Technologies Inflation Adjustment	20,000.0
5	5	Dentistry Modernization Code Compliance	20,000.0
6	10	Medical Sciences Building Modernization	20,000.0
7		Advanced Pharmaceutical Research Pavilion	66,000.0
8		Stevenson Hall Classroom Modernization	19,300.0
9		Douglas Hall Classroom Modernization	14,800.0
10		Lincoln Hall Language Business Class. Mod.	14,800.0
11		Health Sciences Teaching Learning Center	120,000.0
		Total	\$ 105,854.3
		Springfield	
1	1	Repair & Renovation	\$ 687.4
2	2	Deferred Maintenance	125.0
3	9	Brookens Library Renovation	8,000.0
4		Public Safety Building	1,750.0
5		Rehab Metal Buildings	2,000.0
6		Campus Infrastructure Improvements	3,000.0
		Total	\$ 15,562.4
		Urbana-Champaign	
1	1	Repair & Renovation	\$ 12,450.8
2	2	Deferred Maintenance	12,000.0
3	3	Lincoln Hall Remodeling	53,100.0
4	6	South Farms Realignment	43,000.0
5	8	Electrical & Computer Engineering Bldg.	42,000.0
6		Burrill Hall Remodeling	35,000.0
7		Natural History Building	62,700.0
8		David Kinley Hall Remodeling	15,000.0
9		Roger Adams Lab. Renovations	1,100.0
10		Repairs to UIUC Electrical Distribution System	19,200.0
		Total	\$ 295,550.8

The first priority is a \$21,470,000 Repair and Renovation request, which is comprised of 4 projects at the Chicago campus, 2 projects at the Springfield campus and 11 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 recent COPS issuance and AFMA fee 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 \$53,100,000 to complete a major remodeling of Lincoln Hall at the Urbana-Champaign campus. Planning funds of \$5 million have been released from appropriations in FY 2004 and in FY 2006.

The fourth priority seeks \$14,250,000 when combined with federal and university resources will allow for construction of a new \$31,500,000 facility for the College of Medicine Building at Rockford campus.

The fifth priority seeks \$20,000,000 to modernize the Dentistry Building and correct code compliance issues in the building.

The sixth priority provides \$43,000,000 for the ongoing relocation, rejuvenation and construction of the South Farms at the Urbana Champaign campus. \$1.9 million in planning funds for the Bioprocessing Research Lab have already been released by the State.

The seventh priority requests \$20,000,000 to protect against inflationary losses in the construction of the Advanced Chemical Technologies Building. Initial

appropriations were made in FY 2002 and FY 2003 but construction has been delayed due to the state’s fiscal condition.

The eighth priority is a State private match seeking \$42,000,000 from the state and \$45,000,000 from private sources to construct a new Electrical and Computer Engineering Building at the Urbana-Champaign campus. \$3 million in planning funds have already been secured from the State.

Priority nine seeks \$8,000,000 for the Springfield campus to renovate the Brookens Library. The thirty year old building needs repairs to the mechanical systems and a programmatic reconfiguration of several floors.

The tenth priority seeks \$20,000,000 to rehabilitate the Medical Sciences Building at the Chicago campus.

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

Table 4
FY 2008 Combined Capital Budget Request
Summary by Category and Campus
(Dollars in Thousands)

<u>Category</u>	<u>Chicago</u>	<u>Springfield</u>	<u>Urbana-Champaign</u>	<u>Total</u>
Building, Additions, and/or Structure	\$34,250.0		\$85,000.0	\$119,250.0
Land Acquisition				0.0
Utilities				0.0
Remodeling	56,331.8	\$8,812.4	77,550.8	142,695.0
Site Improvements				0.0
Planning				0.0
	<u>\$90,581.8</u>	<u>\$8,812.4</u>	<u>\$162,550.8</u>	<u>\$261,945.0</u>

Table 5
FY 2008 Combined Capital Budget Request
Future Funding Implications
(Dollars in Thousands)

Priority	Project	Category	FY 2008 Request	FY 2009 Cost	Cost for 2010 and Beyond
1	Repair and Renovation	Remodeling	\$21,470.0		
2	Deferred Maintenance	Remodeling	20,125.0		
3	Lincoln Hall Remodeling	Remodeling	53,100.0		
4	College of Medicine Rockford	Building	14,250.0		
5	Dentistry Modernization/Code Compliance	Remodeling	20,000.0		
6	South Farms Realignment	Building	43,000.0		\$88,300.0
7	Advanced Chemical Technologies Inflation	Building	20,000.0		
8	Electrical and Computer Engineering Bldg	Building	42,000.0		
9	Brookens Library Renovation	Remodeling	8,000.0		
10	Medical Sciences Building Modernization	Remodeling	20,000.0		

CAPITAL REQUESTS



PRIORITIES

(\$261,945,000)

Priority 1: Repair and Renovation \$21,470,000 – All Campuses

As in past years, the University's top priority is focused on 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 \$21,470,000 is requested for the 17 projects outlined in Table 6. Detailed descriptions of these projects are found in the Repair and Renovation project descriptions, following this Priorities section.

Table 6
Repair and Renovation Projects by Campus

Chicago Projects	Amount
General Use Classrooms Renovations	\$ 3,500,000
Dentistry Building, Elevator Renovations	2,400,000
Science & Engineering Lab East, Lab Renovations	1,300,000
Dentistry Building, Code Compliance	1,131,800
Total	\$ 8,331,800
Springfield Projects	Amount
Campus Buildings, Life Safety Corrections	\$ 180,000
Campus Buildings, Programmatic Remodels	507,400
Total	\$ 687,400
Urbana-Champaign Projects	Amount
Freer Hall, Remodel Gym 311 into Office Space	\$ 1,690,000
Art & Design Building, Instructional Labs	2,000,000
Natural Resources Building, Remodel for Social Work	2,000,000
Main Library, Remodel Phase V	2,000,000
Veterinary Medicine, Large Animal Clinic Remodel	2,000,000
Engineering Science Bldg., Replace Roof	350,000
Krannert Center, Repair West Stairs, Phase II	350,000
Repair Campus Streets	500,000
Psychology Building, Replace Roof	375,000
Materials Research Lab, Replace Roof	730,000
Music Building, Replace Roof	455,800
Total	\$ 12,450,800

Priority 2:



Deferred Maintenance \$20,125,000 – All Campuses

Priority number two continues an initiative started three fiscal years ago to place renewed emphasis on the reduction of deferred maintenance with a portion of funding coming from the state. Funding in the form of state capital dollars 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. Toward that end the University has begun the reduction of deferred maintenance with the initial phase of an internally funded program. Table 7 is a list of the projects on the deferred maintenance list. Detailed descriptions of these projects are found in the Deferred Maintenance Project section on page 27.

**Table 7
Deferred Maintenance Projects by Campus**

Chicago Projects	Amount
Art & Architecture, Roof Replacement	\$ 1,000,000
BSB Roof Deck & Paver Replacement	1,500,000
Vertical Transportation Upgrades	5,500,000
Total	\$ 8,000,000
Springfield Project	Amount
Various Buildings, Replace HVAC Rooftop Units	\$ 125,000
Total	\$ 125,000
Urbana-Champaign Projects	Amount
Natural History, Replace Roofs Phase I	\$ 800,000
Transportation Building, Replace Slate Roof	750,000
Veterinary Medicine Teaching Hospital, Replace Metal Roof	1,400,000
Kenney Gym, Abatement	800,000
Quad Buildings, Repair Envelopes	3,650,000
Turner Hall/Transportation Bldg. Repair Elevators	600,000
Quad Buildings, Repair Electrical Distribution, Phase I	4,000,000
Total	\$ 12,000,000

Priority 3:**Lincoln Hall Remodeling \$53,100,000 – 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.

This renovation is absolutely critical to the successful continuation of existing programs that use the building. Several programs are in need of additional space to meet programmatic needs. With this major remodel effort the building will be updated to modern life safety code requirements. Additionally, Lincoln Hall's deferred maintenance addressed in this project will abate 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. Another \$3,000,000 in additional planning funds were included in the FY 2006 Governor's Capital Budget Recommendation and were recently released. The request for the Lincoln Hall Remodel totals \$53,100,000 in this FY 2008 Capital Request.

Priority 4:**▶ College of Medicine Rockford Building Addition \$14,250,000 – Chicago**

The College of Medicine at Rockford was established in 1971 specifically to train primary care physicians and has graduated over 1,200 doctors. It is one of four regional sites of the University of Illinois College of Medicine (Chicago, Rockford, Peoria, Urbana-Champaign), which is the largest medical college in the United States and one of only a few medical college programs in the nation that specifically recruits and trains medical students from rural areas to practice in rural communities.

In Illinois and nationally, most rural counties are medically underserved, affecting access to quality health care, infant mortality, life expectancy and economic development. The University proposes to construct the National Center for Rural Health Professions, a \$31.5 million, 60,000 square foot building addition to the Parkview Avenue campus in Rockford, IL. Additional space is needed to support the College's expanding programs in rural medicine and rural health care.

The new facility will house classrooms, laboratories and offices for the Center's multiple programs and projects including the College's Rural Medical Education (RMED) Program, Project EXPORT Center for Excellence in Rural Health and the Northern Illinois Area Health Education Center (AHEC). Additionally, Center space will be devoted to library resources and distance-learning labs, as well as rural and community-based research programs. The \$31,500,000 project is an amount to be funded from the joint contributions of the University, State, and Federal Government.

Priority 5:**▶ Dentistry Modernization/Code Compliance \$20,000,000 – 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 five 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. 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. Projects currently underway are beginning to address fire alarm, emergency generator, escalator and building egress issues. Elevator and fire sprinkler projects are part of the FY 2008 Repair and Renovation request.

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 five 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.

This modernization project will replace or upgrade all heating, ventilating and air conditioning systems. Additional work will include the installation of fire suppression systems including sprinklers, fire walls, fire rated doors, new standpipes, removal of dumb waiter conveyor system (hazard) and providing proper egress and existing distances for the entire building. As part of this process, the building's ceiling and lighting system needs to be replaced and upgraded. The lighting system was based on a 120-volt system that is outdated and energy inefficient. Conversion to a 277-volt system (with new fluorescent lamps) will significantly improve life cycle costs and free up normal power capacity for the building to address current and future power needs. Finally, the buildings network infrastructure will be upgraded to allow for important Digital Radiography functions.

Priority 6:



South Farms Realignment \$43,000,000 – Urbana

To continue the update of the south farm research centers for the College of Agriculture, Consumer and Environmental Sciences (ACES), a project of \$43,000,000 is requested for FY 2008. The project will provide facilities for the Bioprocessing Research Lab, Feed Mill and the Swine Biogenic Development and Evaluation Center and required infrastructure. Additionally, demolition of existing vacated facilities will be accomplished with this project. Subsequent phases will include the following facilities; Crop Sciences/Agricultural and Biological Engineering Research Center, Natural Resources and Environmental Sciences Complex, Animal Farm Services Center, Dairy Research Center, Equine Research Center and require an additional funding.

Given trends in biotechnology and in the world economy, the crop bioprocessing initiative will position Illinois as a leader in systems research focused on crops all the way from the field to the consumer with the Bioprocessing Research Lab. This facility will enhance research on value-added products including:

- renewable industrial uses of crops;

- new human foods as well as pharmaceuticals and nutraceuticals;
- improved crop quality that helps Illinois meet the demands of new markets;
- new techniques of wet milling, dry milling, soybean processing, and oil extraction, as well as grain and oilseed handling, drying and storage;
- the viability of genetically modified grains and oilseeds, how these behave when dried, milled or processed, and their safety when used in food products; and
- generation of new products that will improve environmental quality.

Crop bioprocessing will be an interdisciplinary program, with several departments across campus potentially involved.

The Crop Sciences/Agricultural and Biological Engineering Research Center will include a multipurpose building, project buildings, machine/equipment storage, laboratories and test facilities and irrigated experimental plots. The facilities will assist ACES to seek cutting edge solutions to new marketing opportunities and crop production problems.

The Feed Mill Center will include capacity for milling, pelleting, bulk liquid handling and storage, automated bagging, bulk bag filling, bulk ingredient receiving and storage, continuous flow drying and small isolated batch drying. Intended to be a state-of-the-art facility, the Feed Facility will provide students with the opportunity to obtain experience with feed manufacturing technologies. In addition, the facility will allow ACES to purchase and store sufficiently large quantities of grain and other feed ingredients to enhance the consistency and integrity of experimental diets while optimizing operational and economic efficiencies in feed manufacturing, storage, utilization and nutrient recycling.

The Swine Biogenetic and Biomedical Research Facility will include a core facility, utility structures, animal housing modules, labs, surgery facilities, isolation facilities, quarantine facilities and barns. Since swine are the preferred animal model for many human diseases, the complex will provide the opportunity to improve human health in addition to improving the economics of animal agriculture in Illinois. The program is an interdisciplinary effort.

Priority 7:**Advanced Chemical Technologies Inflation \$20,000,000 – Chicago**

The Advanced Chemical Technology Building (ACTB) building design was approved at the November 11, 2004 Board of Trustees meeting. The State of Illinois provided a total of \$64 million in state capital support for the ACTB, beginning with a \$6.4 million appropriation for planning in Fiscal Year 2002, and another \$57.6 million in construction funds in Fiscal Year 2003. In October of 2002, due to state budgetary constraints, a hold was placed on the bidding of all construction contracts. Because the cost of construction materials, labor and energy has escalated significantly during the time that this project has been on hold, we are seeking additional funds to permit a full build-out of the proposed facility.

The building design will facilitate collaboration between researchers and will provide space to advance technology transfer, education and engagement. This will result in sharing of technology and development of novel, highly fundable research ideas that would not otherwise have emerged from isolated work groups. The ACTB will be a 78,000 nsf facility, housing faculty from chemistry, biology and physics. The facility will contain laboratory space for chemical scientists and other synergistic groups of researchers who will benefit from contiguous research space. It will provide space for labs, offices for Principal Investigators, shared conference and support facilities. The ACTB will be physically connected to and located immediately south of Science and Engineering South.

Priority 8:**Electrical and Computer Engineering Building \$42,000,000 – Urbana**

Funded with private matching gifts of \$45,000,000 this \$90,000,000 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. \$3 million in planning funds have been released by the State for planning purposes leaving the FY 2008 request at \$42,000,000.

Priority 9:



Brookens Library Renovation \$8,000,000 – Springfield

This 200,000 square foot facility, constructed in 1975 as the first major permanent building on campus has served the university well over the years, but is now in need of major renovation. With the completion of the new classroom office building, University Hall, several campus units have relocated to the new building leaving others in need of rehabilitation. Funding for this project will allow the campus to renovate the Library, addressing programmatic and mechanical concerns that currently exist. This project creates a great opportunity to rehabilitate the library into a superb learning center, by moving all the academic program space in the facility to one level of the facility and by relocating the library's services and collections to areas that will provide the optimal use of space.

Brookens Library currently is split into two separate sections, a library side and an academic office/classroom side on levels three and four. Academic classrooms and offices are located primarily in the north and west sides of the facility on both levels, with the library collections and reader study areas located in the south and east sides. The College of Education is housed on the third level along with the majority of the

classrooms located in Brookens. This configuration has presented numerous problems, not the least difficult way finding, uneven temperature control and inefficient use of space. This project will help alleviate the innate problems of a split facility by relocating all the academic programs to level 4 and consolidating all the library collections and services on the first three levels. Other improvements include the ability to provide better temperature control to all spaces in the facility and to improve the way finding in the facility. Additionally, renovation of the facility will allow the library to optimize use of the space by relocating several library services and collections to renovated space that will better serve the students and campus community. This project will also include an upgrade to the entrance of the facility that will increase Brookens Library's presence on the new UIS quadrangle.

Priority 10:**Medical Sciences Building Modernization \$20,000,000 – Chicago**

This project will initiate a multi-phase program of renovation and infrastructure renewal for the Medical Sciences Building (MSB) at UIC. The MSB building is a forty-two year old facility. Due to its age this building cannot support state-of-the-art research. However, the basic design concept of the building and especially its floor-to-ceiling height make it well-suited to modernization. Although its laboratories were considered to be state-of-the-art at the time of construction, major renovation and renewal work is required due to changes in research technology, related infrastructure support requirements and the obsolescence of the basic building systems. The project will include both infrastructure renewal and programmatic upgrades. Project funds will also support floor-by-floor renovation of laboratory space for use by highly productive faculty from the Colleges of Pharmacy, Medicine, Public Health, Nursing, Dentistry and Associated Health Sciences and the life science departments of the College of Liberal Arts and Sciences.

A significant portion of the project budget will support infrastructure renewal and upgrading of the building's HVAC, electrical and plumbing systems. This work will include upgrading and/or replacement of electrical gear and distribution systems, piping and air handler units and building control systems. Laboratory upgrades will include lateral distribution of building utilities and specialty gas and water services; replacement of flooring and ceilings; installation of fixed research equipment and

casework including fume hoods and exhaust systems; and renewal of associated support spaces, offices and public circulation areas.

The core programmatic emphasis of this project will be renovation of space for the UIC Research Resources Center (RRC) and the creation of "Class A" laboratory space for use by health sciences researchers. RRC maintains and supports high-technology scientific equipment for use by research faculty and staff. Modern biomedical research is extremely sophisticated and complex and requires a broad range of technical support services. RRC personnel provide research teams with access to state-of-the-art instruments, training on use of the instruments, and specialized service and expertise in the application of the equipment to solve a wide range of problems for chemical, biological and structural characterization. RRC also provides computational and statistical services for analysis and interpretation of experimental results and operates electronic and mechanical shops for fabrication of special equipment and apparatus necessary for conducting cutting-edge research. RRC and laboratory renovation will include demolition of existing conditions, installation of new flooring, casework with non-porous bench tops to control contamination, and associated gases, water, electrical and data services. The renovated RRC space will house electron microscopes, confocal and optical microscopes, flow cytometers, peptide synthesizers, protein sequencers, mass spectrometers, proteomics, nuclear magnetic resonance spectrometers, a magnetic resonance micro-imager, DNA sequencers, a transgenic production facility, genomic chip facilities and tissue culture services. Renovated research laboratory space will be designed to support selected high-priority research techniques that cannot be accommodated in older, less modern laboratory buildings.

REPAIR AND RENOVATION PROJECT

DESCRIPTIONS

Chicago Projects (\$8,331,800)

▶ General Use Classrooms, Renovations – \$3,500,000

The requested funds will be used for the renovation of existing classrooms to improve the teaching and learning environment in rooms that are currently inadequate and in poor condition. The room finishes, work surfaces, acoustics, room lighting, HVAC, electrical distribution and the data/technology systems are in need of upgrades. The scope of this first phase includes limited demolition, replacement of floor finishes, patching, painting, acoustical lay-in ceilings, upgrades to the electrical power and data distributions, new lighting and lighting controls, classroom technology upgrades, replacement of student furniture and work surfaces.

Dentistry Building, Elevator Renovations – \$2,400,000

The College of Dentistry has a group of two and a group of three traction passenger elevators that are almost forty years old. These elevators have exceeded their useful life and therefore experience frequent breakdowns. The parts for the selectors and controllers are no longer manufactured and are extremely difficult to procure. Additionally, these elevators do not conform to current ADA and building codes. Because the escalators in the building were abandoned due to obsolescence and maintenance issues, it is essential that these elevators are renovated in order to provide working vertical transportation for the occupants of the building.

The scope of this work will include procurement and installation of new controllers, machines, secondary sheaves, signal fixtures, cab assemblies and cabs, hatch doors, door operators, elevator recall, ADA features, machine-room architectural and air modifications.

Science & Engineering Lab East, Lab Renovations – \$1,300,000

The requested funds will be used for the renovation of two separate laboratory suites which serve the Department of Earth and Environmental Sciences. These labs total approximately 6,030 square feet in the Science & Engineering Laboratory East. The primary purpose of this project is to improve the teaching and learning environment in rooms that are currently inadequate and in poor condition. The room finishes, work surfaces, acoustics, room lighting, electrical distribution and data/technology

system and distribution need to be upgraded. The existing building HVAC system will remain, although it is nearing the end of its useful life. The scope of the project includes: limited demolition, replacement of floor finishes, patching, painting, painting existing casework, acoustical lay-in ceilings, plumbing modifications, modifications/upgrades to the electrical power and data distribution systems, new lighting and lighting controls, classroom A/V teaching/technology upgrades, supplemental air-conditioning unit in one laboratory suite and the replacement of student laboratory furniture and work tables.

Dentistry Building, Code Compliance – \$1,131,800

The existing five-story, 380,000 gsf College of Dentistry Building was constructed in 1973. Approximately half of the building is devoted to patient care clinics; the remainder is dedicated to teaching and research laboratory functions. Because the building's current outdated facilities are a barrier to provision of state-of-the-art patient care and competitive faculty and student recruitment, plans for an extensive renovation have been developed. However, several mission-critical issues must be addressed immediately, including fire and life-safety code compliance, ADA accessibility and compliance with OSHA and HIPPA regulations. This phase of a multi phased project will include the installation of a fire sprinkler riser for the entire building, and sprinkler heads for as much floor area as possible. As part of this work, ceiling tiles and lighting will be replaced and upgraded as needed. Existing standpipe risers may be utilized as sprinkler risers.

**Springfield
Projects
(\$687,400)**



Campus Buildings, Life Safety Corrections – \$180,000

The University is currently in the process of completing a life safety code assessment at each campus. The audit will be a survey of non residential space at each campus. The facility assessment for life safety code compliance at UIS' non-residential facilities include the Public Affairs Center, Brookens Library, Health & Sciences Building and the 5 major metal buildings located on the east side of campus.

With the assessment results, UIS will be able to evaluate condition and code based deficiency requirements for each building. This project will use results of the assessment to formulate a project list based on the survey to focus deficiencies in the areas of fire alarm systems, fire suppression systems, hazardous areas, and means of

egress. Funding will be required to address the most critical life safety projects from this new facilities assessment.

Campus Buildings, Programmatic Remodels – \$507,400

Occupancy of the new University Hall has freed up space for possible programmatic relocations in Brookens Library, Health & Sciences Building and in the following metal buildings: Student Affairs, Communication/Psychology/Visual Arts and College of Business and Management. This project will allow the campus to initiate some of the smaller programmatic relocations that the campus urgently needs. With the major renovation projects included in the regular capital request, funding is needed which will allow the campus to address some of the smaller, yet critical scoped projects requiring minor renovations. These smaller projects are targeted to create greater efficiencies by and between supporting campus units.

**Urbana-
Champaign
Projects
(\$12,450,800)**

Freer Hall, Remodel Gym 311 into Office Space – \$1,690,000

In the 2001 annual report for the College of Applied Life Studies, the shortage of teaching, research and office space in Freer Hall for faculty in the Department of Kinesiology was identified as a problem that has reached crisis proportions. The absence of space to support teaching, research and service mission is severely limiting their ability to achieve departmental objectives.

In response to these needs, the college and department have developed a proposal to renovate 6,000 square feet of space in 311 Freer Hall. This renovation would provide new space for faculty offices and multi-purpose research spaces. In addition, the proposal has the potential to provide accessibility to labs that are currently located on the third and fourth floors that are currently reachable only by stairs and not consistent with ADA requirements.

The plan will provide approximately 2,500 square feet of offices for faculty, post-doctoral and research assistants. In addition, approximately 3,500 square feet would be made available for laboratories and data collection areas to support several large research projects that have recently been awarded to the Department of Kinesiology researchers. Additionally, space in this newly remodeled facility will support the campus' interdisciplinary Initiative on Aging. The urgent and immediate implementation of this project is essential if departmental research and teaching

goals are to be achieved. This remodeling effort includes new walls, ceilings, flooring, lighting, electrical service, voice and data service and HVAC systems. The programmatic renewal portion of this project is \$690,000. That work is coupled with \$900,000 of deferred maintenance and \$100,000 of capital renewal.

Art & Design Building, Instructional Labs – \$2,000,000

Built in the late 1950s, the Art and Design Building has undergone only minor repairs and upgrades. The building's present condition reflects the wear and tear of 50 plus years of continuous use. New program and equipment needs have rendered the original space configurations outmoded, inefficient and ill-suited to their purposes.

This project will reconfigure spaces, address life safety concerns and update "worn out" facilities. This renovation will replace HVAC systems; lighting, electrical and voice/data systems; room finishes where necessary; and any safety needs to make the spaces safe for students and instructors alike.

Natural Resources Building, Remodel for Social Work – \$2,000,000

The Illinois Natural History Survey (INHS) and the Illinois State Geological Survey (ISGS) currently occupy the Natural Resources Building (NRB) on the University of Illinois Urbana-Champaign Campus. Through a combination of funding sources from the State of Illinois, the INHS will be vacating the NRB to new locations in the University of Illinois Research Park. The NRB will be remodeled to accommodate the relocation of the School of Social Work and off-campus ISGS offices to NRB.

The request for \$2,000,000 will be combined with campus funds to update this building to accommodate the new programming. Specifically, these funds will be applied to the antiquated mechanical, electrical and plumbing systems of the building.

Main Library, Remodel Phase V – \$2,000,000

With the exception of an addition to the northwest corner of the Main Library in 1964, the user and staff spaces of this building have changed very little since the Library was dedicated in 1929. The Library remodeling effort is improving the logical arrangement and upgrading to modern standards the quality of the space

occupied by various departmental libraries located primarily on the second and fourth floors of the Main Library.

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

Veterinary Medicine Large Animal Clinic Remodel– \$2,000,000

The University of Illinois at Urbana-Champaign College of Veterinary Medicine is one of Illinois' most public portals. The Large Animal Clinic, being one of the campus buildings most frequently visited by the public, was completed some 25 years ago. With the combination of intensive use (24 hrs/day, 7 days/week) and reduced levels of maintenance funding, the facilities have deteriorated and are in need of funding to address health and safety risks to faculty, staff, students, clients and animals; bio-security issues; and code compliance issues.

In FY 2004, the College provided \$500,000 to address the most urgent of needs cited by the Council on Education accreditation site team in 1999 and the University-wide facilities condition audit completed in 2001. The proposed work will be a continuation of that effort and includes the remodeling of the remaining two animal wards; installation of new, impervious floor surfaces in surgical suites; replacement of fencing and gating for animal handling; HVAC system upgrades; and general aesthetic repairs such as painting, ceiling tile replacement, new lighting, cabinetry and interior door replacement.

Engineering Science Building, Replace Roof – \$350,000

The Engineering Sciences Building is a 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 of approximately 185 squares. This project will remove and replace the existing built-up roofs with a new roofing system including a vapor barrier and new insulation.

Krannert Center, Repair West Stairs Phase II – \$350,000

Major repairs are needed on the steps annually to reduce tripping hazards on these heavily traveled and high visibility stairs. The crumbling steps and risers create a possibility of serious injury to people entering the building and a high maintenance burden requiring partial closure and safety barricades multiple times per year. This project will repair the south steps on the west side of the building and replace them with concrete treads and risers to match the work completed on the north set under Phase I.

Repair Campus Streets – \$500,000

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

Psychology Building, Replace Roof – \$375,000

The roofing system has almost doubled its design life expectancy and is operating well beyond its limits. Leaks occur regularly due to the splitting seam, causing damage to plaster and finishes inside the building that require costly repairs and impact instruction and research. The project will remove and replace approximately 130 squares of existing roofing including new insulation. The price has been adjusted to factor in the height of the work at over eight stories.

Materials Research Lab, Replace Roof – \$730,000

The roofing system has well exceeded its designed life expectancy and is beginning to leak in multiple locations, impacting critical research and valuable equipment. This project will remove and replace approximately 266 squares of existing roofing including new insulation. The price has been adjusted to factor in the difficult

access to the site, mechanical equipment on the roof and a significant quality of copper flashing that must be replaced.

Music Building, Replace Roof – \$455,800

The roofing system has exceeded its designed life expectancy and is beginning to leak in multiple locations, impacting instruction, equipment, interior finishes and the structure. This project will remove and replace approximately 256 squares of existing roofing including new insulation. The price has been adjusted to factor in the difficult access to the site for materials and equipment.

DEFERRED MAINTENANCE PROJECT

DESCRIPTIONS

Chicago Projects (\$8,000,000)



Art & Architecture, Roof Replacement – \$1,000,000

The art and architecture building's roofing systems and waterproofing membrane systems are 30-plus years old, and have outlived their useful life. Both systems should be replaced as they are showing signs of deterioration and leakage. The scope of this project consists of the observation, cost analysis and tear-off of the entire roof of the buildings down to bare concrete, installing new tapered insulation, installing a new roofing membrane system, installing associated sheet metal flashing work and other related work. The existing concrete patio on the roof surface will be removed, along with the waterproofing membrane and a new waterproofing membrane, insulation and removable pavers will be installed on this section. The removable pavers will allow maintenance of the membrane without wear and tear on the roof's surface.

BSB Roof Deck & Paver Replacement – \$1,500,000

The building was built in 1968 and the original granite paving and decking is in need of repairs. Several of these above grade granite decks were installed over a membrane waterproofing system. The waterproofing system has failed and is allowing water to infiltrate the building, causing damage to interior exposed concrete & masonry surfaces and other wall finishes within the building. The grade level granite pavers are also in need of repairs. Over the years freeze-thaw cycles have displaced many of the pavers, creating a tripping hazard at the building entrances. The scope of work will include removal of all the granite pavers, tear out of existing membrane waterproofing and insulation, repair of exposed reinforced concrete decks, beams, walls and stairs, installation of new membrane waterproofing, insulation, replacement of surface drains and installation of a new paving surface.

Vertical Transportation Upgrades – \$5,500,000

The vertical transportation systems in a number of UIC buildings are failing and in need of repair. These systems are in poor condition with many over 40 years old that require a complete overhaul to provide safe reliable service. Many of the units have equipment and parts that are now either obsolete or not readily available to

procure leading to extended downtime. This project will seek to make repairs to escalators and elevators in eleven campus buildings with associated architectural and electrical modifications.

**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 UIS to replace 10 to 15 aging HVAC roof-top units that serve metal buildings. HVAC roof-top units slated for replacement include Human Resources, Business Services, Student Life, Student Affairs, Cox Child Care and College of Business and Management Buildings.

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

► **Natural History Building, Replace Roofs Phase I – \$800,000**

This historically significant, 113 year old, facility on the Quad serves thousands 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, 93 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.

Veterinary Medicine Teaching Hospital, Replace Metal Roof – \$1,400,000

A temporary repair to the extensive rust damage on the metal roof on the Veterinary Teaching Hospital in the 1990s is failing, leading to the potential for severe water damage to the structure and interior finishes. This project will repair and replace metal roofing around the entire facility.

Kenney Gym, Abatement – \$800,000

This project will abate asbestos floor tile and mastic throughout the building and provide new floor coverings. It will also abate lead paint from interior surfaces, windows and doors. Complete window and door upgrades will occur if funding permits. Kenney Gym is utilized by University High School students during the school year for athletic events and physical education classes. Kenney Gym is listed in the National Register of Historic Places.

Quad Buildings, Repair Envelopes – \$3,650,000

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 – \$4,000,000

The electrical main service and load distribution centers in the research, instructional and administrative facilities in the campus core 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 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.