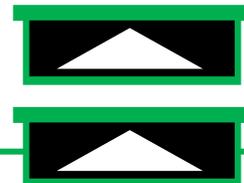


FY 2009 BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**

**PREPARED FOR THE
BOARD OF TRUSTEES
SEPTEMBER 6, 2007**

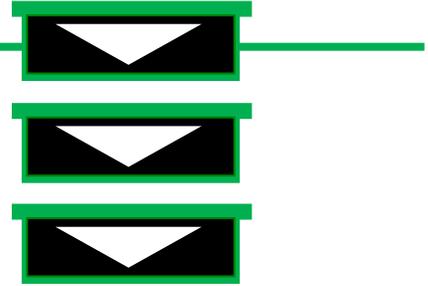


UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN • CHICAGO • SPRINGFIELD

FY 2009

BUDGET REQUEST

**FOR
OPERATING
AND
CAPITAL FUNDS**



**PREPARED FOR THE
BOARD OF TRUSTEES
SEPTEMBER 6, 2007**

September 6, 2007

Dear Colleagues and Friends of the University of Illinois:

The University of Illinois has high aspirations and important work to do. We have the capacity not only to enhance our standing as a great American university, but to help create a prosperous future for the people of Illinois, the nation and the world. I believe that the University of Illinois is an asset of extraordinary value in realizing this vision, because we educate people and create new knowledge on a large scale with excellence.

Creating the prosperous future we desire requires leadership and our continuing efforts in carrying out the Compact between the University and its partners. The Compact is comprised of the State of Illinois, through its elected leadership and taxpayers; students and their families; 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. Through this partnership, the University is making progress toward the goal of \$500 million in incremental resources between FY 2007 and FY 2011. Moreover, I believe our “Brilliant Futures” fundraising campaign will contribute significantly toward the University’s margin of excellence in the years to come.

Equally important to securing the University’s brilliant future are ambitious plans and priorities. The five major priorities that emerged from the University’s strategic planning process are to:

- Develop UIUC into the nation’s preeminent public research university.
- Develop UIC into the nation’s premier urban public research university.
- Position the U of I Medical Center and health sciences colleges for the next quarter century.

- Develop UIS into one of the nation's top five small, public, liberal arts universities.
- Successfully launch the Global Campus to offer a high quality, highly affordable and accessible U of I education to tens of thousands of Illinoisans and others unable to spend an extended period of time on one of our campuses.

I am proud that we have begun to make progress toward each of these priorities over the past year. Funding requests for some of the strategic initiatives developed to further address these priorities are included within the Strengthen Academic Quality component of the FY 2009 operating budget request.

In the pages that follow, we describe in detail the initiatives that are most important to the University of Illinois as we look ahead to FY 2009. In the operating budget, our greatest needs are to:

- **Strengthen academic quality** through competitive compensation programs, university strategic initiatives, and support for statewide priorities (\$93.1 million). (In this year's request, we have included proposals that would enable us to contribute to statewide priorities in teacher education, health care professions and energy research.)
- **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, worker's compensation, legal liability) and price increases for utilities, libraries, technology and other operating costs (\$18.9 million).

These proposals total \$118.3 million, representing an 8.92 percent increase over our FY 2008 base operating budget.

In the capital budget, we have identified our ten highest priorities from numerous projects across the three university campuses. Our top priority is Repair and Renovation (\$21.47 million), followed in priority order by: Lincoln Hall Remodeling (\$53.1 million); College of Medicine Rockford (\$14.25 million); Electrical & Computer Engineering Building (\$42 million); Integrated Bioprocessing & Research Lab (\$18.9 million); Advanced Chemical Technologies Inflation (\$20 million); Dentistry Modernization/Code Compliance (\$20 million); Public Safety Building (\$2.5 million); Medical Sciences Building Modernization (\$21.6 million); and Disability Research, Resources, & Education Services Building (\$50 million).

Colleagues and Friends

September 6, 2007

Page iii

There are two additional capital projects related to economic development and statewide healthcare not included in the priorities list for which the University will also be seeking capital support from the State. First, we are seeking \$60 million from the State for a Petascale facility at UIUC in support of a \$208 million grant recently announced by the National Science Foundation. During the national competition for this grant, the State committed to funding the project as an economic development initiative and the University needs to move quickly on planning this project. Second, we are seeking additional State funding for a hospital renovation and expansion at UIC in conjunction with the Master Design Certificate of Need (CON) recently approved by the Illinois Health Facilities Planning Board. Some of this funding will likely be needed in FY 2009 in order to meet the timeliness requirements of the CON.

Thank you for the opportunity to present our budget needs for FY 2009. If you have questions, please do not hesitate to contact me or my staff.

Sincerely,

B. Joseph White

TABLE OF CONTENTS

Introduction	Introduction	1
	Economic Environment	4
	A New Budget Framework.....	8
	FY 2008 Budget Outcomes	8
	Budget Trends in Perspective: Reallocation.....	14
	Budget Trends in Perspective: Tuition	15
	Summary of the FY 2009 Budget Request	16
Operating Budget Request for FY 2009	Strengthen Academic Quality	
	Salary Improvements	20
	Faculty Salaries.....	22
	Faculty Salaries by Discipline	24
	Total Compensation.....	26
	Staff Salaries	28
	State Universities Retirement System.....	30
	Recruitment, Retention & Compression	32
	Statewide Priorities	39
	Teacher Education	40
	Healthcare Professions.....	42
	Energy Research	47
	Campus Strategic Initiatives	50
	University of Illinois at Urbana-Champaign	51
	University of Illinois at Chicago.....	55
	University of Illinois at Springfield.....	59
		Address Facility Operations Needs
	Operation and Maintenance New Areas.....	62
	Urbana-Champaign Projects	63
	Facilities Maintenance Support.....	65

TABLE OF CONTENTS

Meet Inflationary and Other Cost Increases

Payroll Cost Increases 67

 Medicare and Social Security Contributions 67

 Workers’ Compensation 68

 Legal Liability 70

Cost Increases 72

 General Price Increases..... 73

 Utilities Price Increases 76

 Library Price Increases 78

 Information Technology Increase..... 84

Statewide Program

Illinois Fire Service Institute..... 87

Medical Professional Liability Insurance

Medical Professional Liability Insurance..... 89

Statewide Economic Development

Technology Commercialization 91

Addendum

Retirement..... 94

**Capital
Budget
Request for
FY 2009**



Capital Budget Request for FY 2009

Background and Context..... 1

Summary of FY 2009 Priorities 4

Capital Requests

Priorities 9

 Repair and Renovation 9

 Lincoln Hall Remodeling 10

 College of Medicine Rockford Building Addition 11

 Electrical and Computer Engineering Building..... 11

TABLE OF CONTENTS

Integrated Bioprocessing and Research Laboratory	12
Advanced Chemical Technologies Inflation.....	13
Dentistry Modernization/Code Compliance	13
Public Safety Building.....	15
Medical Sciences Building Modernization.....	15
Disability Research, Resources & Education Services Building.....	17
Repair and Renovation Project Descriptions	19
Urbana-Champaign Projects	19
Chicago Projects	23
Springfield Projects	25

LIST OF FIGURES

Introduction

Introduction

Figure 1:	U of I Flash Index	4
Figure 2:	Illinois versus National Economic Growth	5
Table 1:	State of Illinois General Tax Appropriations	10
Figure 3:	University of Illinois Share of State Tax Appropriations	11
Figure 4:	State Tax Appropriations Changes by Agency	12
Figure 5:	Cumulative Change in State Tax Appropriations by Higher Education Sector	12
Figure 6:	Uses of Reallocated Funds FY 1990 to FY 2008.....	14
Figure 7:	Reallocation for Academic Programs FY 1990 to FY 2008	15
Figure 8:	State Support Per Tuition Dollar FY 1970 to FY 2008.....	16
Table 2:	FY 2009 Operating Budget Request	19

Operating Budget Request for FY 2009

Strengthen Academic Quality

Salary Improvements

Figure 9:	FY 2007 Competitive Standing among IBHE Peers UIUC, UIC and UIS	23
Table 3:	Faculty Salary Study by Discipline FY 1987 to FY 2007.....	25
Figure 10:	FY 2007 Faculty Average Total Compensation U of I Campuses and IBHE Peer Groups.....	27
Table 4:	Salary Comparisons among State Comparison Groups	29

Recruitment, Retention & Compression

Figure 11:	Distance from IBHE Peer Group Median UIUC, UIC and UIS ...	33
Table 5:	Full-Time Instructional Faculty Average Salaries FY 1987 to FY 2007, IBHE Peer Groups	34
Figure 12:	FY 2006 and FY 2007 Professors' Average Salaries UIUC and IBHE Peers	36
Figure 13:	Salary Gap between UIUC, UIC and Private Institutions Full-time Instructional Faculty Average Salaries.....	37
Figure 14:	Annual Change in Faculty Average Salaries UIUC and IBHE Peers	38

Address Facility Operations Needs

Operation and Maintenance New Areas

Table 6: FY 2009 Operation and Maintenance Requirements to Support New Areas 63

Meet Inflationary and Other Cost Increases

Payroll Cost Increases

Table 7: Appropriations and Expenditures for Medicare and Social Security Costs..... 68

Table 8: Appropriations and Expenditures for Workers' Compensation 69

Figure 15: Legal Liability 71

Cost Increases

Figure 16: Annual Inflation Increases versus General Price Increase Appropriations 74

Figure 17: Cumulative Loss in Purchasing Power 75

Figure 18: Cumulative Inflation Increases versus General Price Increase Appropriations 75

Figure 19: Expenditures of Selected Utility Components FY 2004 to FY 2007 76

Figure 20: Utility Expenditures versus Gross Square Footage FY 2003 to FY 2007 77

Figure 21: Top Ten ARL Libraries Materials Expenses..... 83

Medical Professional Liability Insurance

Medical Professional Liability Insurance

Figure 22: Medical Malpractice FY 1998 to FY 2008 90

Capital Budget Request for FY 2009



Capital Budget Request for FY 2009

Background and Context

Table 1: History of Recent Capital Budget Actions FY 2003 to FY 2008 Governor's Level 3

LIST OF FIGURES

Summary of FY 2009 Priorities

Table 2:	FY 2009 Combined Capital Budget Request Summary by Priority	4
Table 3:	FY 2009 Capital Budget Request Summary by Campus	5
Table 4:	FY 2009 Combined Capital Budget Request Summary by Category and Campus	7
Table 5:	FY 2009 Combined Capital Budget Request Future Funding Implications.....	8

Capital Requests

Priorities

Table 6:	Repair and Renovation Projects by Campus	9
----------	--	---

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 in world history, the trend accelerated clearer in 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 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 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 (Urbana-Champaign, Chicago and Springfield), University Administration, University of Illinois Foundation and University of Illinois Alumni Association toward this vision.

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.

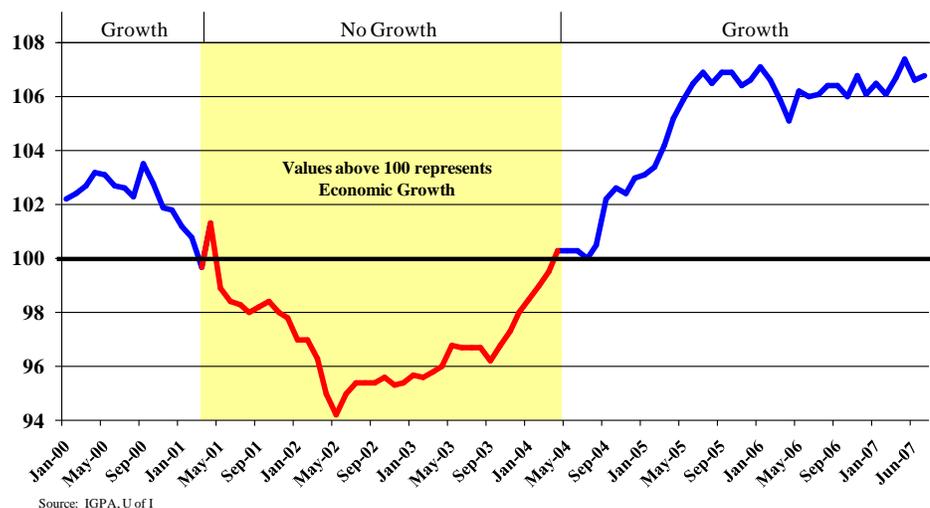
The University of Illinois is a treasure for our State and its people. But it is a dynamic treasure, not a museum treasure. It is dynamic because of the transforming power of education in people's lives. Today, in the face of new technologies and the

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

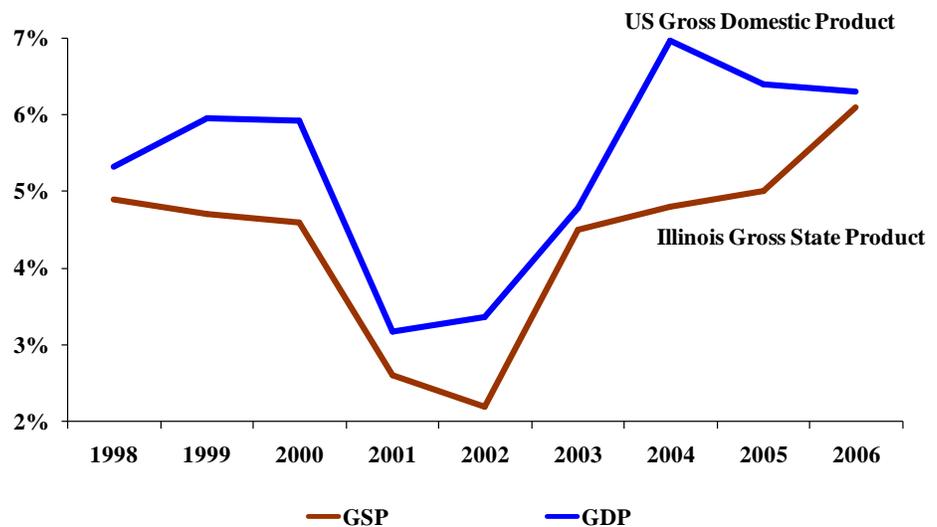
The context in which the University of Illinois is requesting funding is important. This decade has been a challenging one for the State. The nation, and Illinois, had a significant economic downturn in the early part of this decade. As measured by the University’s Institute of Government and Public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

Figure 1
U of I Flash Index



However even though the Illinois economy has been growing at a pace exceeding many of the states in the midwest, 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 little evidence of this happening.

Figure 2
Illinois versus National Economic Growth



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 \$40 billion, a funding ratio of 60.5% at the end of FY 2006. State payments to the retirement systems are scheduled to increase from \$2 billion in FY 2008 to over \$4 billion by FY 2014. 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 \$723 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 be in jeopardy of losing 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 2008 were 1.6%
greater than FY 2007
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 increasing 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

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

For the University of Illinois, the early 1990s brought diminished State tax support with two years of outright reductions in combination with general tuition increases held to the level of inflation. What has changed substantially from the earlier period has been the University's determination to redirect resources internally. In earlier times, reallocations might have been made on an ad hoc basis to accommodate declining support, but with the expectation that the next year's funding from the State would improve. Now, however, the University has 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 1.2% 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 2008 BUDGET OUTCOMES

The legislative budget process for FY 2008 has been an extraordinary year with the State legislature and Governor going into a record setting session, into August, to set budget priorities. For Fiscal Year 2008, State support for the operating budget is 1.6% greater than FY 2007 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 fourth year of the tuition guarantee program.

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.



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

In FY 2007, a total of \$37.5 million was redirected through internal reallocations. Since final State budget outcomes are uncertain, it is expected that there will be significant reallocations for FY 2008. 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 2008 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 2008, elementary/secondary education surpassed their 1980 share of 28.8%. For FY 2008, higher education's share of the total budget is projected to decrease further to 7.8%, down from 8.4% 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. In FY 2008 the legislature increased funding to all five pension systems to get them back on track with a goal to a 90% funding ratio.

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	27.9%	8.9%	23.5%	30.7%	9.0%
2007	28.8%	8.4%	22.9%	30.3%	9.6%
2008	31.4%	7.8%	22.1%	29.8%	8.9%

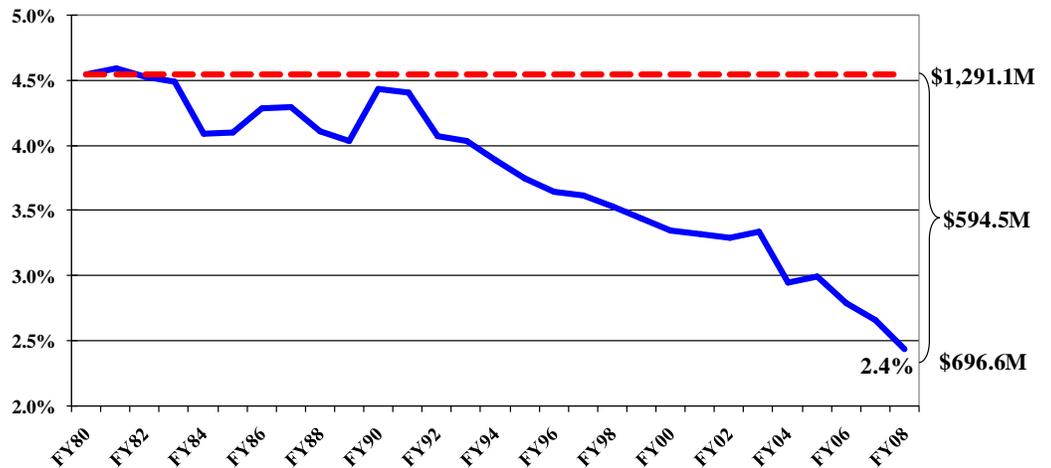
Note: Beginning in FY04 the State's Group Health Insurance program moved from CMS (all other) to DHFS (fka Public Aid).

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 2008, that relationship had changed dramatically. The three human service agencies together have climbed to a share of 22.1%, growth of 71.3%, while higher education has fallen to 7.8% and a decline of about 40.4%.

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 2008, the University of Illinois share had declined substantially, down to 2.4%, a 45.4% decline.

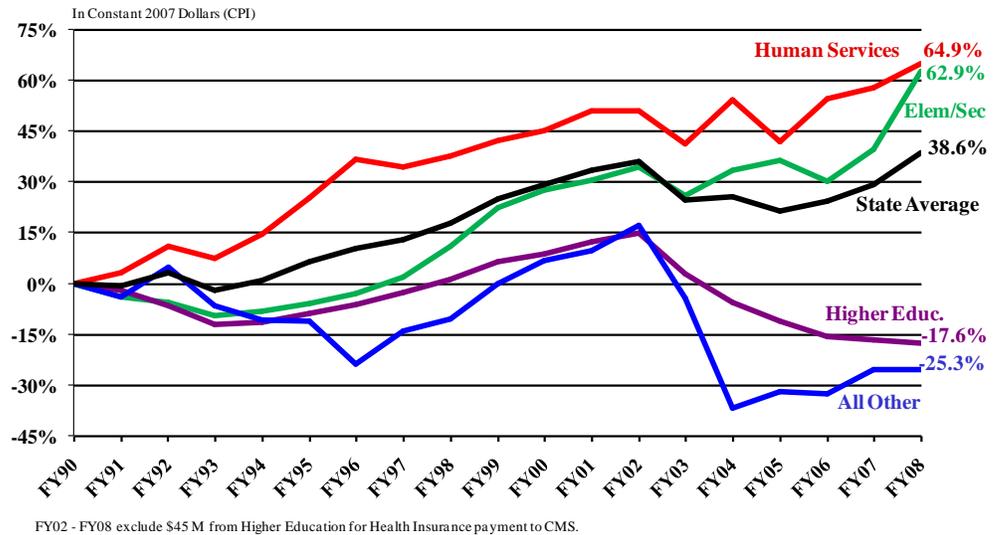
Figure 3
University of Illinois
Share of State Tax Appropriations



FY02-FY08 exclude \$45 million in payments to CMS from Universities for Health Insurance.

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 even after accounting for inflation.

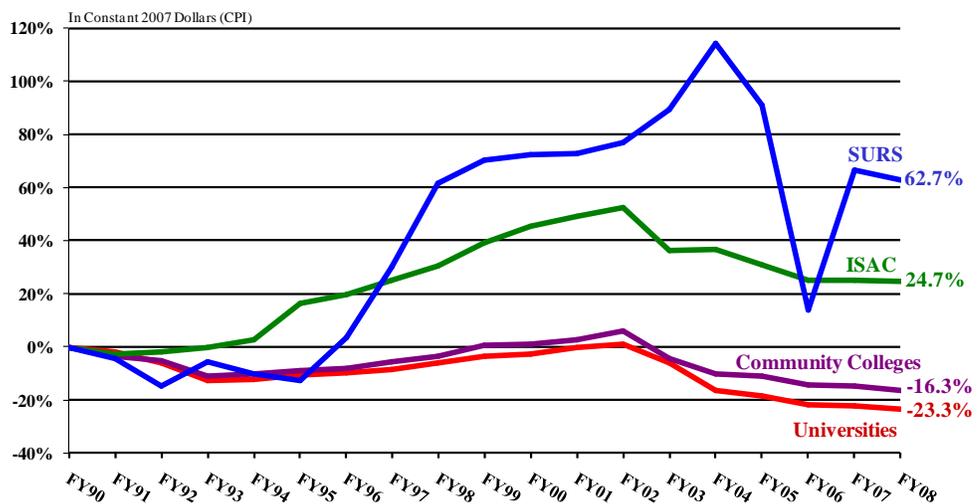
Figure 4
State Tax Appropriations Changes by Agency



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

Tax support has varied dramatically within the components of the higher education budget as well. Figure 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.

Figure 5
Cumulative Change in State Tax Appropriations by Higher Education Sector



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 2008, ISAC general revenue funding increased by 6.9%. The Monetary Award Program funding increased by \$26.8 million over FY 2008. Funding for the MAP Plus program has been eliminated.



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 2008. 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 2008 budget.

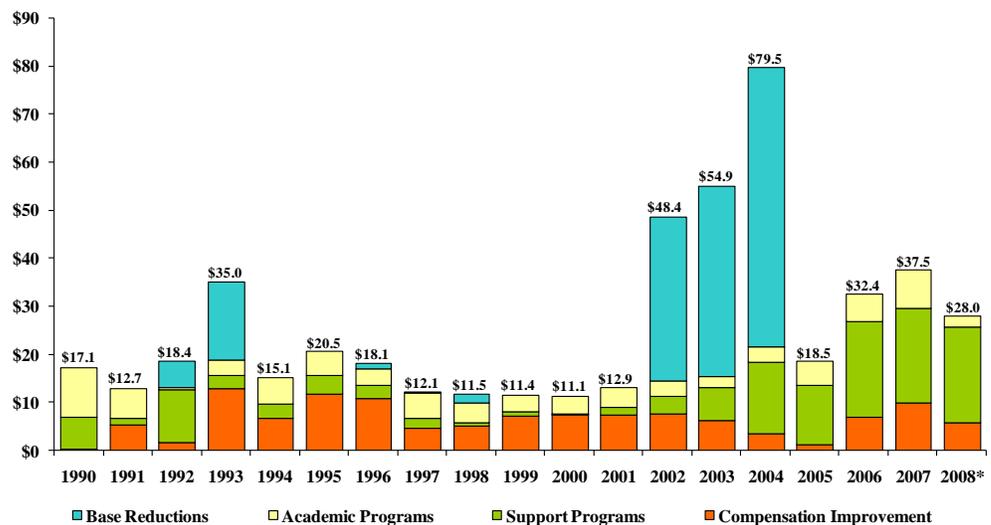
The Governor and General Assembly responded by approving PA 98-4, which reduced the State's required pension contributions to all systems by about \$1.2 billion in FY 2006 and \$1.1 billion in FY 2007 and recalculated the pension catch-up amounts required in FY 2008, FY 2009 and FY 2010. SURS contributions were reduced to about \$167 million (from \$365 million) in FY 2006 and \$252 million (from \$432 million) in FY 2007. In FY 2008 the State is expected to fund the required SURS increment of \$89.3 million. Funding for SURS will primarily come from the State Pension Fund and a smaller amount from the GRF. 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 \$327.3 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 2008
(Dollars in Millions)

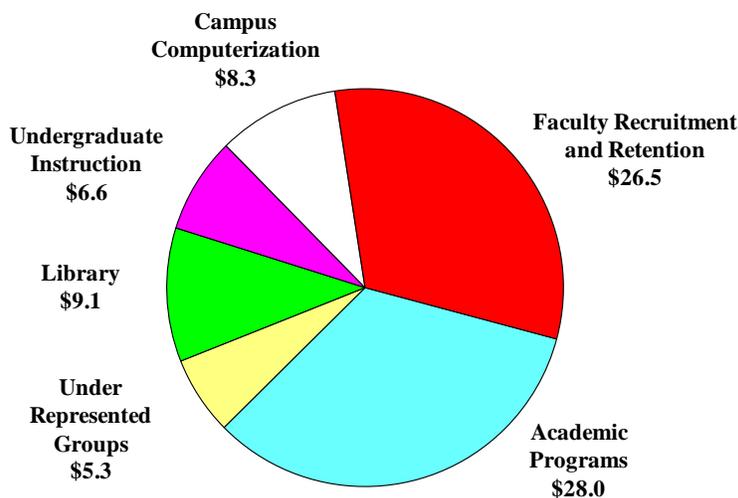


Given the University’s paramount need to address faculty and staff salary competitiveness, it is not surprising that compensation needs have claimed the largest single share of reallocated accomplishments. More than 27.5% of the total reallocation achieved since FY 1990 has been devoted to this requirement. Another 32.4% 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 over 41% 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 31.6% 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 2008
(Dollars in Millions)



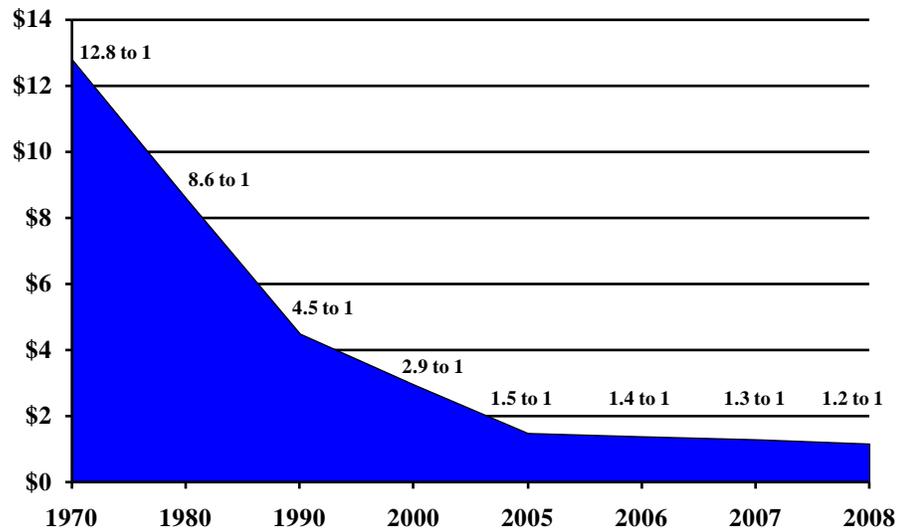
BUDGET TRENDS IN PERSPECTIVE: TUITION

▼
It requires a 1.2% 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 reallocate internally for high priority programs.

As illustrated in Figure 8, thirty-eight 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 \$1.20.

**Figure 8
State Support Per Tuition Dollar
FY 1970 to FY 2008**



FY02-08 excludes health insurance re-direction to CMS.

SUMMARY OF THE FY 2009 BUDGET REQUEST

The University’s FY 2009 operating budget request includes three broad categories. Strengthen Academic Quality includes salary increases, support for recruitment, retention & compression of faculty and staff, state priorities 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. Preliminary analysis suggests that new general revenue funds in FY 2008 would provide for a 1.5% salary increase, leaving



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

the 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 2009, our compensation improvement request includes support for direct salaries. A 3% 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.

Statewide priorities in teacher training, healthcare professions and energy research initiatives are also addressed in this request. This addresses one of the University of Illinois' four strategic goals in that the priorities of the University of Illinois will reflect the most urgent needs of the state, our communities and the world.

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.

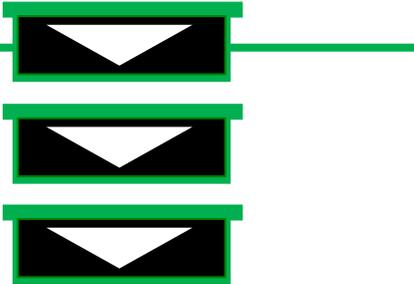
Additionally, two separate informational items are included at the end of the FY 2009 operating budget request. The first is a discussion on the urgent problem of medical malpractice costs and the challenges it presents to the University of Illinois. The second is a discussion on economic development 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 2009 operating budget request is outlined in Table 2, which follows.

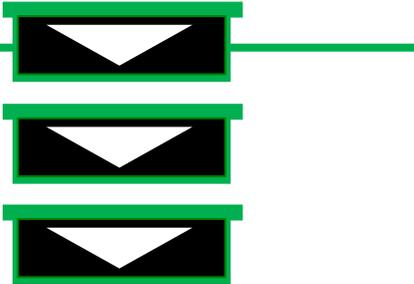
Table 2
FY 2009 Operating Budget Request
(Dollars in Thousands)

I. Strengthen Academic Quality		\$ 93,053.0
<i>% of FY 2008 Base *</i>		<i>7.02%</i>
A. Competitive Compensation		\$43,593.0
1. Salary Improvements - 3.0%	\$29,062.0	
2. Recruitment, Retention & Compression - 1.5%	14,531.0	
B. Statewide Priorities		\$21,160.0
1. Teacher Education	\$ 2,015.0	
UIUC: \$1,250		
UIC: \$420		
UIS: \$345		
2. Healthcare Professions	\$12,045.0	
UIUC: \$4,750		
UIC: \$6,800		
UIS: \$495		
3. Energy Research	\$ 7,100.0	
UIUC: \$5,250		
UIC: \$1,850		
C. University Strategic Initiatives		\$28,300.0
1. UIUC	\$13,400.0	
2. UIC	13,000.0	
3. UIS	1,900.0	
II. Address Facility Operations Needs		\$ 6,289.7
A. O & M New Areas		\$ 1,289.7
1. Urbana-Champaign Projects	\$ 1,289.7	
B. Facility Maintenance Support		\$ 5,000.0
1. Facility Maintenance Support	\$ 5,000.0	
III. Meet Inflationary and Other Cost Increases		\$ 18,910.0
A. Payroll Cost Increases		\$ 3,750.0
1. Medicare	\$ 2,000.0	
2. Workers' Compensation	1,500.0	
3. Legal Liability	250.0	
B. Cost Increases		\$15,160.0
1. General Price Increases - 2%	\$ 3,375.5	
2. Utilities Price Increases	3,600.0	
3. Library Price Increases - 10%	2,184.5	
4. Information Technology Increases	6,000.0	
Total Request		\$ 118,252.7
<i>% of FY 2008 Base *</i>		<i>8.92%</i>
IV. Statewide Program (FSI)		\$ 102.3
V. Medical Professional Liability Insurance		\$ 9,200.0
VI. Statewide Economic Development		\$ 1,000.0
* <i>FY 2008 Base:</i>	\$1,325,166.7	

OPERATING BUDGET
REQUEST FOR FY 2009



**STRENGTHEN ACADEMIC
QUALITY**



SALARY IMPROVEMENTS

(\$29,062,000)

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 of the 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. In FY 2007, the State of Illinois provided some funding for pay raises for the first time since FY 2002. In FY 2003, the University gave no salary increases for the first time since FY 1988. Over the last several years, the University has been forced to fully fund or supplement 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 19 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. Exacerbating the setback in FY 2004, FY 2005 and FY 2006, the State provided no salary appropriations while the University funded modest salary programs by diverting

funds from other purposes. FY 2007 brought encouraging news. The state provided a 2.2% increment to support a salary program and the university was able to augment the salary program through reallocation. But the ability to further reallocate resources in future years has been exhausted.

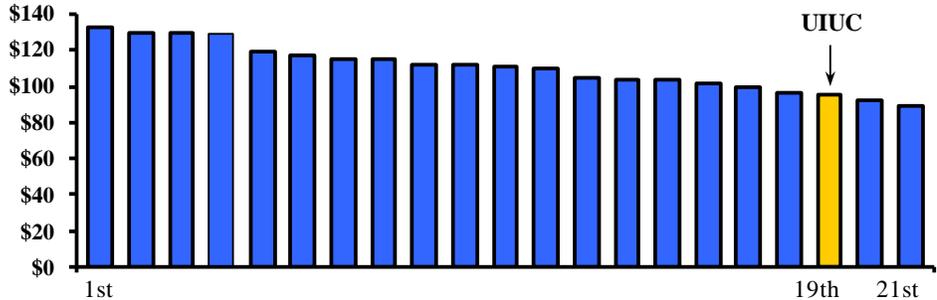
In such an environment, the need to monitor the University's competitive standing may be more crucial than ever. Numerous salary analyses are performed annually for that purpose. Due to the varied nature of the University workforce, separate analyses are performed for academic employees and staff. Salaries 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

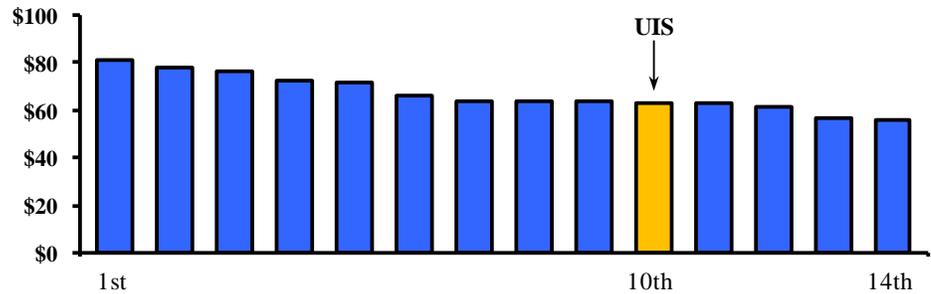
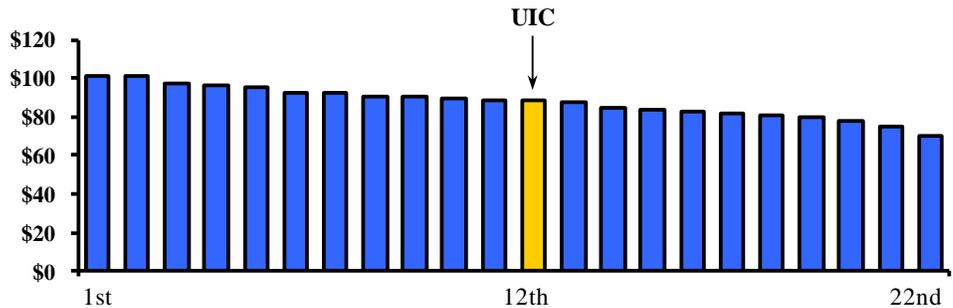
To assess Illinois' position in the national market for faculty salaries, the Illinois Board of Higher Education (IBHE) established groups of peer institutions in 1985. Through a complex statistical process, 1,534 senior institutions were divided into 41 peer groups based on similarity of characteristics, 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.

The competitive standing of each campus indicates how well its faculty salaries have fared relative to its peers. Figure 9 shows that UIUC ranked 19th in its group in FY 2007, two places down from FY 2006. 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. UIC ranked 12th in its group in FY 2007 and UIS ranked 10th. These rankings represent a loss of one place from FY 2006 for UIC and UIS.

Figure 9
FY 2007 Competitive Standing among IBHE Peers
UIUC, UIC and UIS
(Dollars in Thousands)



▼
FY 2007 found faculty salaries at UIUC near the bottom while UIC and UIS ranked near the middle of their peer groups.



Gains for the three campuses will be unlikely in FY 2008 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 2007, years in which funding fluctuations dramatically influenced salary levels. This review identifies areas of continued difficulty for UIUC and UIC. 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:

Univ. of Arizona	Univ. of Kansas	Ohio State University
Univ. of Colorado - Boulder	Univ. of Maryland - College Park	Univ. of Oregon
Univ. of Florida	Univ. of Michigan	Penn State University
Univ. of Il - Chicago	Michigan State University	Purdue University
Univ. of Il - Urbana-Champaign	Univ. of Minnesota	Univ. of Texas - Austin
Indiana University	Univ. of Missouri	Univ. of Virginia
Univ. of Iowa	Univ. of Nebraska	Univ. of Washington
Iowa State University	Univ. of North Carolina - Chapel Hill	Univ. of Wisconsin - Madison

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 2007. 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 2007

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 2007			
		UIUC		UIUC		UIUC		Rank Ch. Since	
		Salary	Rank	Salary	Rank	Salary	Rank	1987	2002
Agriculture	15	\$40,698	6	\$78,254	6	\$90,814	9	-3	-3
Architecture	17	38,858	7	65,221	7	73,695	7	0	0
Business	22	52,341	3	113,231	8	134,549	11	-8	-3
Communications	21	36,213	5	73,598	4	88,393	4	1	0
Computer & Info.	19	50,285	7	99,268	2	108,362	6	1	-4
Education	23	41,424	5	70,959	3	85,791	5	0	-2
Engineering	20	53,995	2	96,741	2	111,394	3	-1	-1
Foreign Languages	23	38,917	6	62,999	6	74,182	3	3	3
Home Economics	15	32,947	6	72,290	3	80,688	9	-3	-6
Law	17	69,147	3	122,205	7	153,706	7	-4	0
Letters	23	35,365	7	68,358	6	76,429	4	3	2
Mathematics	23	46,480	11	73,215	14	86,587	13	-2	1
Philosophy	23	33,758	12	66,889	13	83,478	10	2	3
Physical Sciences	23	51,512	1	89,036	2	108,697	1	0	1
Psychology	23	44,929	3	85,943	5	94,709	11	-8	-6
Social Sciences	23	41,945	9	76,270	9	91,629	9	0	0
Social Work	15	38,342	7	55,660	9	63,311	12	-5	-3
Arts	23	36,360	7	59,701	8	68,473	7	0	1

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

Academic Discipline	No. of Univ.	FY 1987		FY 2002		FY 2007			
		UIC		UIC		UIC		Rank Ch. Since	
		Salary	Rank	Salary	Rank	Salary	Rank	1987	2002
Architecture	17	\$34,233	14	\$63,743	8	\$69,601	8	6	0
Business	22	45,451	11	102,327	15	110,757	21	-10	-6
Education	23	33,773	10	68,752	7	80,031	7	3	0
Engineering	20	47,921	2	92,588	3	101,383	6	-4	-3
Foreign Languages	23	33,250	11	65,614	5	69,110	13	-2	-8
Letters	23	34,622	11	67,637	6	76,828	13	-2	-7
Mathematics	23	42,184	12	77,123	16	93,059	14	-2	2
Philosophy	23	41,405	4	68,602	4	81,321	8	-4	-4
Physical Sciences	23	42,846	6	74,571	17	87,071	17	-11	0
Psychology	23	41,351	9	74,479	7	88,045	12	-3	-5
Social Sciences	23	37,882	14	71,711	13	81,663	18	-4	-5
Social Work	15	36,274	9	59,171	11	69,182	13	-4	-2
Arts	23	33,340	7	64,144	4	68,992	5	2	-1

Source: American Association of Universities Data Exchange (AAUDE)

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, UIUC had kept or regained its FY 1987 rank in 10 of 18 examined disciplines, and UIC had kept or regained it in 8 of 13. In FY 2007, UIUC lost ground in 8 of its 18 comparison disciplines, while UIC lost ground in all but 3 of its 13 comparison disciplines since 1987.

As a result, at UIUC, 5 disciplines (Communications, Computer and Information Science, Foreign Languages, Letters, and Philosophy) improved their FY 1987 ranking, while 8 others declined. The decliners were: Agriculture, Business, Engineering, Home Economics, Law, Mathematics, Psychology and Social Work. UIUC retained its FY 1987 ranking in Architecture, Education, Physical Sciences, Social Sciences and Arts.

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

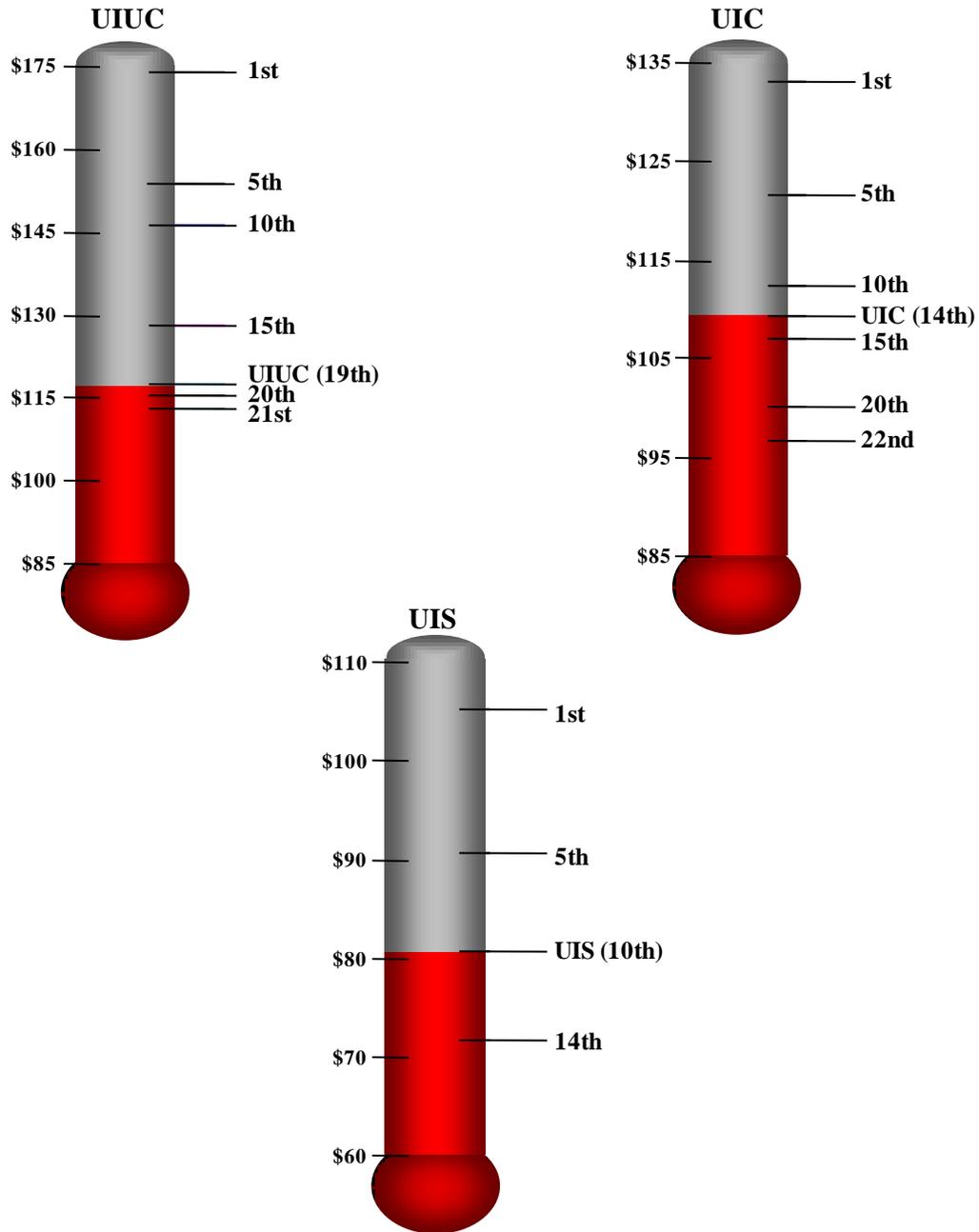
At UIC, only 3 disciplines (Architecture, Education and Arts) have held or improved their FY 1987 ranking, while salary rankings lag FY 1987 levels in the remaining 10 disciplines: Business, Engineering, Foreign Languages, Letters, Mathematics, Philosophy, Physical Sciences, Psychology, Social Sciences and Social Work.

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 2009 and beyond.

TOTAL COMPENSATION

Total compensation represents the combination of average cash salary and employer contributions to fringe benefits. Figure 10 shows FY 2007 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. UIUC ranks third lowest, while UIC and UIS rank near the middle of the pack.

Figure 10
FY 2007 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 were below the University's top competitors in many cases. By FY 2002 Urbana-Champaign showed some gains while stuck near the bottom of its peer group, as the Chicago and Springfield campuses achieved real progress. Absence of funding for salary increases in recent years has left the University again vulnerable to erosion of competitiveness and exhausted its ability to reallocate funds in the future. Incremental funds totaling \$29.1 million are requested for FY 2009 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 \$14.5 million in additional funding in order 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 2007		State of Illinois January, 2007		% Over/Under State Class	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Urbana Campus						
Secretary III	\$25,292	\$36,836	\$28,032	\$43,464	-10.8%	-18.0%
Storekeeper II	\$34,710	\$36,758	\$30,708	\$48,636	11.5%	-32.3%
Accountant I	\$30,050	\$54,600	\$34,632	\$52,488	-15.2%	3.9%
Automotive Technician	\$42,101	\$42,101	\$51,696	\$54,288	-22.8%	-28.9%
Chicago Campus						
Secretary IV	\$25,721	\$38,903	\$28,896	\$45,132	-12.3%	-16.0%
Staff Nurse II	\$51,383	\$94,029	\$49,488	\$67,644	3.7%	28.1%
Accountant I	\$30,030	\$54,581	\$34,632	\$52,488	-15.3%	3.8%
Library Clerk	\$20,943	\$31,668	\$24,660	\$33,972	-17.7%	-7.3%
Springfield Campus						
Secretary IV	\$22,503	\$39,800	\$28,896	\$45,132	-28.4%	-13.4%
Chief Clerk	\$21,665	\$37,187	\$28,896	\$45,132	-33.4%	-21.4%
Account Technician III	\$30,635	\$55,458	\$32,100	\$47,496	-4.8%	14.4%
Building Service Worker I	\$19,286	\$35,003	\$29,784	\$45,180	-54.4%	-29.1%

For FY 2007, the University received some funds for a general pay increase for all employee groups. However, internal reallocations were required to help 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 3.3% for the year ending December 2006. In comparison, compensation costs for State and local governments increased 4.1% percent for the year ending in December 2006.

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. 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 2009 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

(\$14,531,000)

Overview



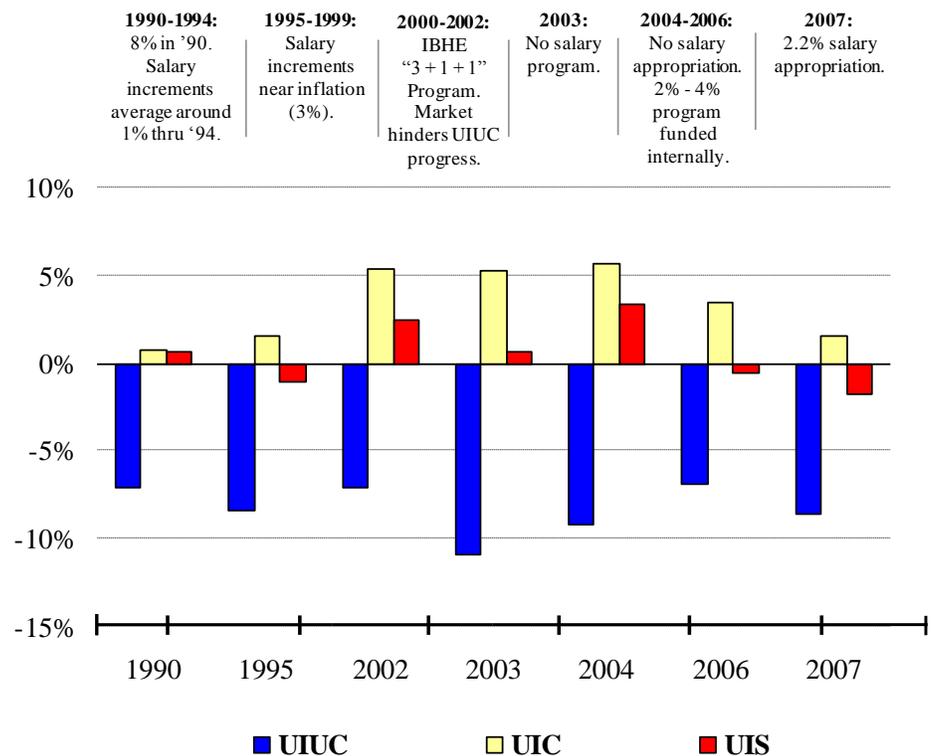
The quality of a university's instruction, research, public service and economic development activities depends in large part on the quality of its faculty. Facilities, library resources, staff quality and other factors are vital, too, but it is the mentor in the classroom, the laboratory investigator, 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. 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. Salaries for UIC have generally exceeded the median, while those at UIS have hovered around the median.

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



This up-and-down salary trend is also reflected in the peer group rankings, shown in Table 5. Between FY 1987 and FY 1994, UIUC fell to rock bottom in its peer group, while UIC lost just one rank and UIS gained one. Sustained effort through FY 2002 lifted UIUC to 18th, UIC to 8th and UIS to 6th in their respective peer groups. Since then however, UIUC has dropped back down to 19th out of 21 institutions, UIC has dropped back down to 12th out of 22 institutions and UIS to 10th out of 15 institutions as of FY 2007.

Table 5
Full-Time Instructional Faculty Average Salaries FY 1987 to FY 2007, All Ranks
IBHE Peer Groups
(Dollars in Thousands)

University of Illinois at Urbana-Champaign

FY 1987		FY 1994		FY 2002		FY 2007	
Urbana-Champaign Campus							
Cal.-Berkeley	\$56.2	Chicago	\$75.9	Pennsylvania	\$107.5	Columbia	\$133.1
U.C.L.A.	53.2	Pennsylvania	74.4	Yale	105.2	Chicago	129.7
Cal.-San Diego	52.6	Yale	73.1	Chicago	104.0	Penn	129.6
Columbia	50.3	N.Y.U.	71.3	Columbia	102.0	Yale	128.2
Chicago	50.0	Columbia	71.2	N.Y.U.	100.8	Northwestern	119.2
Pennsylvania	49.8	Northwestern	71.2	Northwestern	100.6	Duke	116.7
Yale	49.5	Duke	69.9	Cal.-Berkeley	99.9	Wash U (St L)	115.1
Johns Hopkins	49.3	Cal.-Berkeley	66.4	Duke	97.3	NYU	115.0
N.Y.U.	48.0	Johns Hopkins	65.4	U.C.L.A.	96.9	Cal-Berkeley	112.5
Michigan	47.6	U.S.C.	64.9	Cal.-San Diego	91.6	UCLA	111.8
Duke	47.6	Michigan	64.3	Wash. U. (St. L.)	91.2	USC	110.8
Northwestern	46.8	Brown	63.3	U.S.C.	89.2	Brown	109.4
Brown	45.3	U.C.L.A.	62.5	Michigan	87.3	Cal-San Diego	104.4
UIUC	45.1	Wash. U. (St. L.)	62.3	Johns Hopkins	87.3	Michigan	104.0
U.S.C.	45.0	Rochester	61.7	North Carolina	85.9	Johns Hopkins	103.4
North Carolina	44.0	Cal.-San Diego	61.1	Brown	85.7	North Carolina	101.6
Wisconsin	44.0	Texas	59.8	Rochester	84.1	Texas	99.7
Rochester	43.6	North Carolina	59.0	UIUC	82.3	Rochester	96.0
Wash. U. (St. L.)	42.8	Wisconsin	58.3	Texas	82.0	UIUC	95.7
Texas	40.5	U. Wash. (Sea.)	57.5	Wisconsin	81.3	Washington	92.5
U. Wash. (Sea.)	40.4	UIUC	57.3	U. Wash. (Sea.)	76.8	Wisconsin	89.3

University of Illinois at Chicago

FY 1987		FY 1994		FY 2002		FY 2007	
Chicago Campus							
Cal.-Santa Barbara	\$51.9	Massachusetts	\$62.2	Cal.-Santa Barbara	\$88.4	Cal.-Santa Barbara	\$101.4
Cal.-Irvine	50.0	Temple	61.5	Maryland	88.1	Maryland	101.0
Cal.-Davis	48.3	Cal.-Santa Barbara	59.5	Cal.-Davis	85.7	Cal.-Davis	97.1
Cal.-Riverside	47.0	Hawaii	59.2	Cal.-Irvine	84.5	Cal.-Irvine	96.1
Massachusetts	45.4	Cal.-Irvine	58.7	Cal.-Riverside	82.8	Temple	96.0
Va. Tech.	42.8	Maryland	58.1	Delaware	78.9	Delaware	92.3
Maryland	42.3	Delaware	57.9	Massachusetts	78.8	Massachusetts	92.2
Florida	42.3	Cal.-Davis	57.4	UIC	76.7	Arizona St.	91.2
Arizona	42.0	Wayne St.	56.7	Temple	76.2	Cal.-Riverside	91.0
Arizona St.	40.5	Michigan St.	56.1	Va. Tech.	76.0	Va. Tech.	89.3
Wayne St.	40.3	Arizona	54.4	Michigan St.	74.8	Arizona	88.7
Michigan St.	39.8	Va. Tech.	53.5	Wayne St.	73.6	UIC	88.3
UIC	39.7	Cal.-Riverside	53.1	Arizona St.	73.1	Michigan St.	87.6
Georgia	39.4	UIC	52.6	Arizona	72.9	Florida	84.4
Temple	39.2	Arizona St.	50.9	Georgia	71.6	Utah	84.3
Hawaii	38.7	Utah	50.4	Florida	71.2	Wayne St.	83.0
Delaware	38.3	Florida	50.4	Utah	69.6	Georgia	82.1
Va. Common.	37.3	Va. Common.	50.2	Va. Common.	69.1	Hawaii	80.9
Vermont	37.2	Georgia	49.9	Hawaii	68.5	Florida St.	79.8
Utah	37.1	Oregon	49.0	Florida St.	66.9	Va. Common.	78.3
Florida St.	37.0	Florida St.	47.8	Vermont	61.1	Vermont	74.8
Oregon	34.5	Vermont	n.a.	Oregon	60.5	Oregon	70.7

Table 5 (continued)
Full-Time Instructional Faculty Average Salaries FY 1987 to FY 2007, All Ranks
IBHE Peer Groups
(Dollars in Thousands)

University of Illinois at Springfield

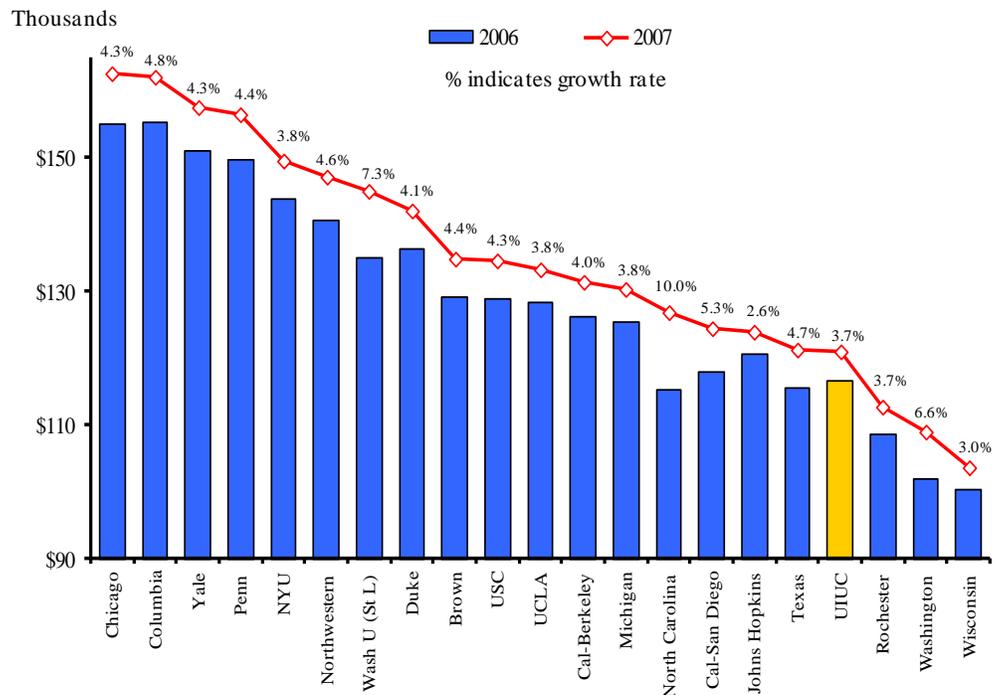
FY 1987		FY 1994		FY 2002		FY 2007	
Springfield Campus							
SUNY-Brockport	\$39.2	Shippensburg (Pa.)	\$57.5	Union	\$71.3	Union	\$81.5
Trinity	38.9	Trinity	55.1	Trinity	69.7	Trinity	78.0
Clark	38.3	Clark	52.2	Clark	68.4	Clark	76.8
Union	36.9	Union	52.0	Shippensburg (Pa.)	68.1	Iona	72.7
Iona	36.0	SUNY-Brockport	50.0	Iona	59.4	Shippensburg (Pa.)	71.4
Shippensburg (Pa.)	35.5	No. Michigan	49.4	UIS	58.1	SUNY-Brockport	66.4
No. Michigan	34.7	Iona	47.0	SUNY-Brockport	57.8	So. Dakota	64.1
Wisc.-Green Bay	33.6	UIS	43.7	No. Michigan	57.2	Marist	63.8
UIS	33.5	Lake Superior St.	43.3	So. Dakota	54.2	No. Michigan	63.8
Charleston	31.9	Wisc.-Green Bay	43.2	Auburn-Mont.	52.8	UIS	62.7
So. Dakota	31.3	Auburn-Mont.	42.5	Charleston	52.8	Auburn-Mont.	62.7
Auburn-Mont.	31.3	Marist	42.3	Marist	52.8	Charleston	61.8
Lake Superior St.	30.9	Charleston	38.8	Georgia St.	52.1	Georgia St.	56.4
Marist	29.6	Georgia St.	38.2	Lake Superior St.	51.5	Wisc.-Green Bay	55.8
Georgia St.	n.a.	So. Dakota	n.a.	Wisc.-Green Bay	51.3	Lake Superior St.	n.a.

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

Figure 12 compares FY 2006 and FY 2007 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.

Between FY 2006 and FY 2007, UIUC had a growth rate of 3.7%, third lowest out of the 21 institutions in its peer group. The overall average growth rate was 4.6%, with public institutions averaging 5.0% and private institutions averaging 4.4%, both well above that of UIUC.

Figure 12
FY 2006 and FY 2007 Professors' Average Salaries
UIUC and IBHE Peers

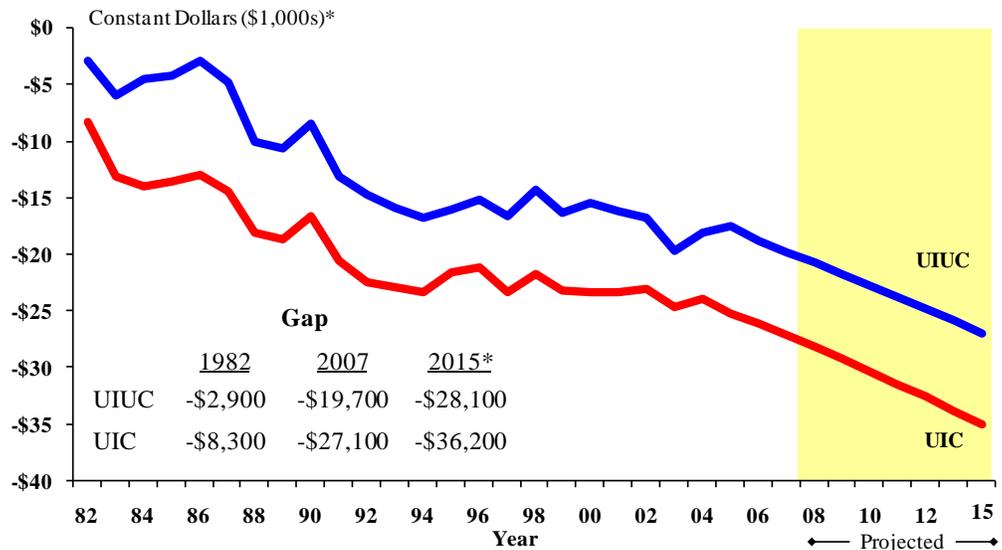


A closer look at the last 20 years puts FY 2007 in context and reveals two major trends in the faculty salary market that do not bode well for the University of Illinois, nor for public higher education institutions across the country. First, funding for public university faculty salaries is closely 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 2007 with projections through FY 2015. UIUC was reasonably competitive in 1982, trailing by only \$2,900 and UIC was marginally competitive,

trailing by \$8,300. By FY 2007, the salary gap had exploded to \$19,700 at UIUC and \$27,100 at UIC. If the average annual rate of change from 1982 to 2007 continues through 2015 the results are staggering. UIUC will trail its private Research I competitors by \$28,100, and UIC will trail by \$36,200 if the trend continues.

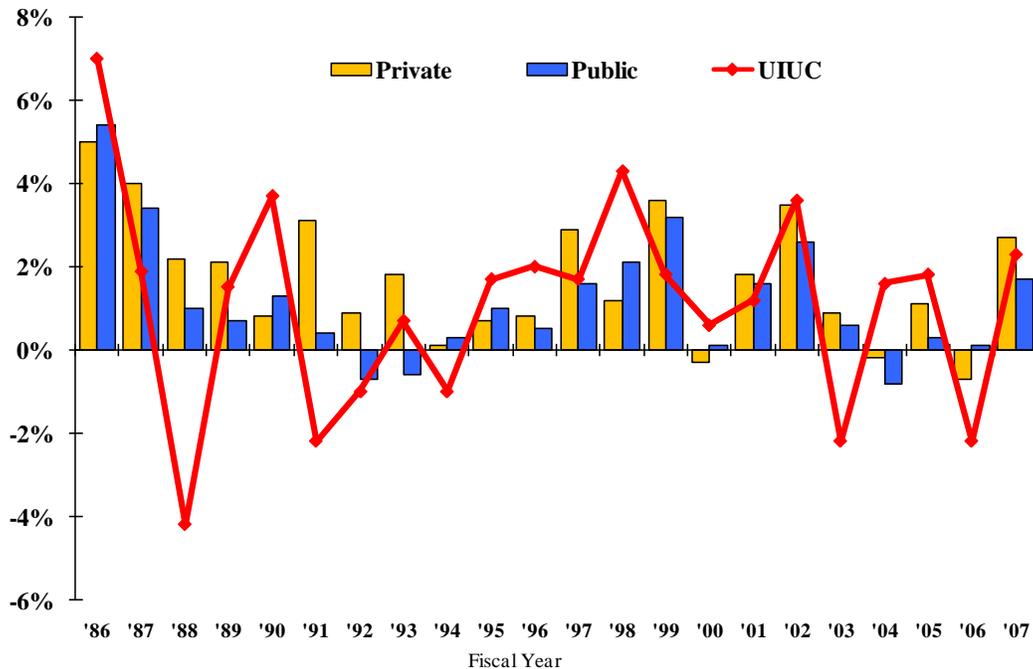
Figure 13
Salary Gap between UIUC, UIC and Private Institutions
Full-time instructional Faculty Average Salaries
(Dollars in Thousands)



*Constant (FY 2007) dollars calculated using CPI-U. 2008-2015 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 in constant FY 2007 dollars: 1988, 1991, 1992, 1994, 2003 and 2006. Public institutions as a group have had three such years: 1992, 1993 and 2004. Private institutions have also had 3 such years: 2000, 2004 and 2006. 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 (2007) 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, \$14.5 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.

STATEWIDE PRIORITIES

(\$21,160,000)

Overview



The Illinois Commitment – Partnerships, Opportunities, and Excellence (February 1999) establishes six goals to guide state and institutional strategic decision making, academic program approval and review, and budget development in the coming decade. The six goals are:

- Goal 1: Higher Education will help Illinois business and industry sustain strong economic growth.
- Goal 2: Higher education will join elementary and secondary education to improve teaching and learning at all levels.
- Goal 3: No Illinois citizen will be denied an opportunity for a college education because of financial need.
- Goal 4: Illinois will increase the number and diversity of citizens completing training and education programs.
- Goal 5: Illinois colleges and universities will hold students to even higher expectations for learning and will be accountable for the quality of academic programs and the assessment of learning.
- Goal 6: Illinois colleges and universities will continually improve productivity, cost-effectiveness and accountability.

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. One of the University of Illinois strategic goals states that the priorities of the University of Illinois will reflect the most urgent needs of the State, our communities and the world. The three University of Illinois campuses at Urbana-Champaign, Chicago and Springfield 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.

Teacher training, expanding healthcare education and energy research initiatives are of critical interest to the State of Illinois in FY 2009 and beyond. All of these points are addressed very directly in the overall budget proposal. All are of immediate concern in the statewide priorities at the University of Illinois.

TEACHER EDUCATION

UIUC Initiatives

▶ Advancing Science, Technology, Engineering and Mathematics (STEM) Teaching and Learning. STEM literacy in American society is in crisis. There is an ongoing shortfall in the number and diversity of educators pursuing careers in these fields, jeopardizing the preparation of future leaders in science and technology. Large segments of the population are alienated from full understanding of the sciences, a problem that is particularly troublesome given the critical role that science and technology play in society's most pressing concerns, such as health care and economic development. Enhancing STEM education requires a collaborative effort of science experts, education specialists and innovators in curricular design; it also requires new models of preparation and new forms of engagement and professional development. UIUC is ideally positioned to lead efforts to reform STEM education, through an Initiative for Advancing STEM Teaching and Learning. The Initiative will leverage UIUC's strength in life sciences and engineering to the College of Education to provide leadership for Illinois and the nation in developing and disseminating innovative, research-based approaches that: improve the education and professional development of a cadre of STEM teachers; create a resource of learning objects and curricular materials; and engage in public education and engagement activities locally, nationally and internationally. UIUC will increase the number of well-qualified leaders in STEM fields by graduating a cadre of 30 additional teachers each year.

Center for Education in Small Urban Communities. The majority of research on educational reform focuses on issues of large urban communities; however, the modal type of community in the United States is fast becoming the small urban center, including cities such as Champaign-Urbana, Danville, Bloomington-Normal, Decatur, Kankakee and Rockford. These communities are experiencing the opportunities and challenges of changing demographics, immigration, accountability and federal intervention into school policy and other social trends to the same or greater extent than large urban centers, with in many cases, fewer resources and tools to address such matters and their impact on education. The Center for Education in Small Urban Communities will bring to bear the intellectual and practical resources of the UIUC community in genuine partnerships with schools and their communities to enable long-term, sustainable outreach efforts in improving

the quality of education in small urban districts, and disseminate effective models that break down barriers between theory and practice to small urban districts throughout Illinois and across the nation. This initiative will provide innovative, ongoing, professional development for approximately 75 to 100 teachers each year, focusing on the issues of the small urban community.

UIC Initiative

Metropolitan Chicago K-12. The UIC College of Education proposes to expand enrollment in its Masters of Education in six areas of demonstrated State and national shortages. These areas are Elementary Education, Math/Science Education, Early Childhood Education, Reading, Bilingual/ESL Education and Special Education. By providing additional enrollment in masters programs for specialists in these areas of shortage, UIC's College of Education contributes to establishing a leadership cadre of skilled teachers to address critical problems facing the K-12 school systems in the Chicago metropolitan area. UIC will provide masters level education to 70 additional students each year, with a steady state enrollment after two years of 140 students.

UIS Initiatives

Teacher Education – Mathematics and Science. The Illinois State Board of Education (ISBE) continues to note teacher shortages in Illinois. The areas of mathematics and the sciences are among the top areas where districts report shortages. The ISBE Educator Supply and Demand in Illinois 2006 Annual Report identified 323 (up from 283 in 2005) Illinois school districts with unmet need in mathematics and 237 (up from 225 in 2005) districts with unmet need in chemistry. UIS has worked to address shortages in the number of mathematics teachers through its highly successful online program. At UIS, capacity for teacher education is currently at its maximum. Faculty resources are completely deployed in both offering the required core curriculum and conducting student teacher supervision. Funding of this request will allow UIS to hire three additional full-time faculty members, one with a specialization in mathematics education and two with a specialization in science education.

This program will allow UIS to serve an additional 75 students in the Teacher Education program. The student population would grow by 30 to 35 in each of fiscal year 2009 and 2010. Beginning with 2011, UIS expects to graduate an additional 37 students per year to help meet the Illinois teacher shortage.

Teacher Education - School Counseling. The ISBE Educator Supply and Demand in Illinois 2005 Annual Report identified guidance counselors as a category of highest need. The UIS Human Development Counseling masters program currently enrolls six to ten graduate students in the area of school counseling. Additional funding would allow the program to expand to 12 to 20 school counseling students and result in doubling the number of graduates to between six and ten per academic year.

HEALTHCARE PROFESSIONS

UIUC Initiatives

Bioengineering for Innovation in Health Care. The UIUC Department of Bioengineering has significant potential to develop solutions to pressing problems in health, aging and disability. To expand the capacity to train bioengineers, additional faculty resources are needed. At present, this highly selective department enrolls approximately 30 freshmen per year; with the aim to double this enrollment to 60 students per freshmen class, for a full capacity of 240 students in the program. The additional students would yield 60 graduating bioengineers per year, individuals who will be employed in hospital and industry settings. These graduates will also contribute to economic development within Illinois, particularly in areas related to high-end technology. To double enrollment, additional faculty capacity is required. Ten additional faculty members will be needed.

Expand Bachelor's Degree Professionals in Allied Health Fields. National and state demographic trends project unprecedented increases in the need for a range of health care professionals over the coming decades. As the number of older individuals and persons with disabilities expands, the need for allied health professionals prepared to serve these populations also expands (e.g., speech, language and hearing professionals; community health professionals; and fitness and exercise specialists). There is a compelling need to prepare undergraduates with sound foundational knowledge in both basic science and human health; these undergraduates will be prepared to enter the labor force in health-related fields, or enter graduate professional training in fields such as medicine; public health; occupational, physical or speech therapy; or nursing. The College of Applied Health Science at UIUC is ideally situated to expand the number of undergraduates enrolled in allied health curricula through programs in Community Health, Kinesiology, and Speech and Hearing Science. In order to expand enrollments in Community Health (35 students), Kinesiology (35 students) and Speech and Hearing Science (30 students),

to meet the demand for professionals in allied health fields, additional faculty positions are needed. These faculty members will also contribute to the translational research knowledge in allied health fields, ultimately improving health care service delivery to citizens of Illinois.

Health Professions Living and Learning Community. Health professions are among the most popular fields of study for entering freshmen at UIUC. Students enroll in fields such as pre-medicine and general biology at very high rates. These majors also enroll high numbers of underrepresented students. Yet, retention in these fields is very low, particularly for women and underrepresented minorities. Retention of students in health-related fields is critical to addressing the demand for skilled health professionals, particularly in light of demographic trends that project significant increases in the aging population. Living and learning and residence hall communities that bring together students with shared interests for both curricular and co-curricular learning enrichment, have been shown to be effective in both recruiting students to specific fields of study and promoting retention and graduation in those fields. UIUC will establish a Health Professions Living and Learning Community to increase retention and graduation rates for students in health-related fields of study (e.g., pre-medicine, biology, chemistry, community health, speech and hearing science, kinesiology, food science and human nutrition and nursing). This program will enhance both the number and diversity of professionals in a variety of health-related fields through academic courses specifically designed for small groups of students in the Living and Learning Community setting and access to a faculty director and program coordinator that design co-curricular experiences to promote retention and graduation in health-related fields of study.

Institute for Vital Aging. As longevity increases and birth rates decline, the mean age of Americans is steadily increasing. In less than 20 years, there will be more adults over age 65 than children in the U.S. The aging of Americans offers both opportunities and costs. Opportunity is represented by the intellectual and social capital afforded by older adults in the workplace and community. There is unprecedented interest and demand for efforts to maintain vitality and productivity in late adulthood. Certainly, the costs associated with aging include the spiraling age-related medical expenses associated with human bodies that outlive minds. Many of these illnesses and disabilities of late adulthood could be modified through

interventions and improved health behaviors. UIUC is well positioned to promote productive, healthy aging for the citizens of the state and nation. UIUC has tremendous research strength in the area of aging. The Institute for Vital Aging will serve as a vehicle to bring research and outreach expertise together to address some of the most pressing societal concerns of the times and to create sustainable outreach efforts that positively impact health practices in the state.

Translating Science to Practice: Improving the Health of Illinois Citizens.

Improvements in healthcare and healthcare delivery are imperatives for our society and therefore, are a critical responsibility of all major research universities. The complexity and spectrum of urgent problems in health-related areas dictate that high impact advances are most likely to be achieved by multidisciplinary efforts, including efforts that integrate the research enterprise with the clinical delivery system. The most advantageous way to infuse a clinical component in the UIUC mission is to integrate it into the broader academic efforts of the UIUC campus. Thus, UIUC, in partnership with a major Champaign-Urbana health care provider, will create a clinical interface that allows all disciplines to bring their scholarship into the realm of human biology, hiring a cadre of physician investigators who will be essential to the establishment of a connection between the fundamental disciplines where UIUC excels and practical, applied human biology. This partnership has significant opportunity to expand translational research in areas of critical need, such as breast cancer and neuroscience.

UIC Initiatives



Rockford Pharmacy Program. The UIC College of Pharmacy proposes to expand its PharmD program to Rockford. Doing so will help address the critical shortage of pharmacists outside the Chicago area. Rural communities face special challenges since there are less than half as many pharmacists per capita in rural communities compared to urban areas. There are no schools of pharmacy in northern Illinois and no schools that recruit predominantly from either northern or central Illinois. UIC will enroll 30 new students per year and after four years reach a steady state enrollment of 120 students with 30 graduating each year.

Increase State Supply of Highly Trained Nurse Professionals. In order to help meet the critical shortages of nurses in the State of Illinois, the UIC School of Nursing proposes to increase enrollment in its nursing program by 20 students per year for

two years. As the premier College of Nursing in the State, UIC not only prepares nurses, but prepares nurses for leadership positions in the State. By educating nursing professionals in a premier research institution, UIC nursing graduates will be ready to enter the labor force possessing cutting edge knowledge to be applied to the practice of nursing.

Expand Supply of Doctors Statewide. The UIC College of Medicine is the largest provider of physicians for the State of Illinois. Having four regional sites across the State, the College serves students from all parts of the State and returns trained physicians to all regions. By increasing enrollment, the College can help address the growing need for physicians. UIC will increase enrollment in the College of Medicine by 18 students per year with a steady state enrollment increase of 72 students after four years.

Expand Programs for Physical Therapists and Occupational Therapists. The UIC College of Applied Health Sciences will expand enrollments in its Doctor of Physical Therapy (DPT) and Doctor of Occupational Therapy (DOT) programs in order to increase the number of occupational and physical therapists needed for the rapidly growing number of persons living with one or more chronic diseases, impairments and disabilities. These impairments negatively affect functional performance and threaten school performance in children, employment in adults and independent living in the elderly. Rehabilitation services—prominent among which are occupational and physical—therapy save millions of dollars a year in lost productivity, nursing home costs and other related forms of social and economic burden that occur when people lack functional capacity for self sufficiency. The College of Applied Health Sciences will expand enrollment in DPT and DOT programs by 17 students per year. At steady state after three years they will serve 50 additional students.

Expand Support for Rural Dentistry. Graduates from the UIC College of Dentistry typically live and practice in the Chicago metropolitan area. While the flow of graduates from the College is currently meeting the needs of the metropolitan area, shortages of dentists persist in rural areas of the state. The UIC College of Dentistry proposes to expand enrollment in the College and specifically target recruitment to students from rural areas who indicate an interest in practicing in the communities

from which they come. The UIC College of Dentistry will increase its incoming class by five students per year. These students will be actively recruited from rural areas within Illinois.

Expand Supply of Public Health Professionals. The UIC School of Public Health, one of the premier public health schools in the country, will expand enrollment in its Masters of Public Health and Masters of Healthcare Administration Programs. These programs will provide trained personnel to address critical public health problems including emerging diseases, pandemic influenza, bioterrorism threats, links between animal and human disease and intervention strategies to address problems such as obesity, asthma and infant mortality.

UIS Initiatives



Clinical Laboratory Science. The UIS Clinical Laboratory Science BS program enjoys a 100% placement rate with many graduates finding careers in public health labs. The program is rigorous in both its content and time demands. Students are required to attend on campus class and lab sessions and serve placements in local hospitals and laboratories. The program is limited by the number of students that can be served by laboratory classrooms and generally admits 20 students per year. Due to the rigor and time demands, the program graduates 10 students per year on average. Additional funding would enable UIS to hire an additional faculty member and allow for more individual student attention and for a portion of the curriculum to be delivered online, lessening the time constraints of the program. As a result of this investment UIS would be able to increase the graduation rate of the Clinical Laboratory Science program bringing the total annual degree production to 15 by 2011.

Environmental Health Professionals. Environmental health professionals are responsible for protecting human health and safety through their work in state, county and city health and environmental agencies, as well as private corporations. The Association of State and Territorial Health Officials notes that high retirement rates along with current vacancies are driving a shortage of health professionals in this field. The U.S. Bureau of Labor Statistics projects job growth for the near future. UIS is reorienting the Master of Public Health program toward a focus on environmental health.

Community Mental Health/Environmental Health. As with the school counseling area, the Human Development Counseling masters program currently enrolls six to ten graduate students in the area of community mental health counseling. Funding would enable UIS to hire a faculty member in community counselor education.

ENERGY RESEARCH

UIUC Initiatives

▶ Center for Advanced Bioenergy Research. The development of efficient and cost-effective alternative energy sources is one of the highest priorities of our state and nation. UIUC is already a national leader in this area, as revealed by the announced partnership with the University of California at Berkeley and British Petroleum to expand research and development in the area of biofuels. In order to more fully leverage the opportunities created by the British Petroleum and Berkeley partnership and to extend research on alternative energy sources in related directions, additional faculty capacity is needed. Establishing the Center for Advanced Bioenergy Research would secure the University's position as a national leader in the area of alternative energy research and development. The Center will provide the vehicle to bring together researchers from around campus in the alternative energy area and will enable UIUC to leverage the significant support from British Petroleum to full capacity.

Center for Sustainable Energy and the Environment. Through this program, UIUC will focus on transformational energy technologies and on energy security. The focus of the program will be in "cutting edge" technology that will help insure our nation's energy independence. This program will focus on the following areas:

- Coal utilization, including combustion, syngas production and biomass fuels. Coal will play an important role as a bridge resource to a sustainable future. The State of Illinois, rich in this resource, provides many opportunities for the University to collaborate in this area.
- Energy Systems Analysis. This area will focus on current and proposed power generation with an emphasis on increasing the security and reliability of the electrical distribution network.
- Materials for nuclear energy applications. As one of the few nuclear engineering programs in the nation, UIUC will play an important role in protecting and revitalizing the State's nuclear industry. Additionally, there

will be a focus on plasma research necessary for future fusion reactors.

- Fuel cell materials and manufacturing. Research in this area will allow the State to benefit as this industry develops.
- Photodiode Research. This lighting has the potential to replace incandescent and fluorescent lighting and will result in great energy savings and economic development opportunities.
- Lightweight high strength materials for vehicle applications. UIUC's strength in materials science will allow major contributions to the energy efficiency of our transportation system.
- Building energy systems (including co-generation). This research will allow UIUC to continue leadership in the efficient production and use of energy. This field is particularly important to help cities like Chicago achieve a clean and sustainable future.

This initiative will develop and refine alternative energy sources and conduct and disseminate research on the viability and cost-effectiveness of alternative energy sources.

Alternative Energy Demonstration Facility. A key for the success of the State's investment in alternative energy is that this research be effectively transferred to the State's industry. This center will take research developed at UIUC laboratories and will partner with government and industry to insure that these new technologies serve the state through job creation and energy savings. This facility will pilot various technologies and demonstrate their efficiency and performance.

Operations for Alternative Energy Demonstration Projects. UIUC plans demonstration projects in the alternative energy areas of wind, geo-thermal and biomass. Facilities housing these projects require operations and maintenance support. Funding will support the enhancement of knowledge of the viability of alternative energy sources in the Illinois environment and maximize operational effectiveness of alternative energy research demonstration projects.

UIC Initiative



Center for Biofuel Based Distributed Energy Systems. UIC has substantial expertise in energy management research as demonstrated by the Energy Resources Center (ERC) in the College of Engineering. The vision of the proposed Center for Biofuel Based Distributed Energy Systems is to establish the State of Illinois as a leader in the

nascent fields of distributed energy systems using alternative fuels. The research program will address the following critical issues:

- Reliability. Biofuels combustion characteristics and optimization for engine use; fuels and engine compatibility for durable and failure free operation; mechanisms for robust energy conversion, system and network (e.g., microgrid) stability and stabilization.
- Efficiency. Biofuel energy efficiencies, balance-of-plant (BOP) and power electronics energy-conversion efficiencies from base to full load, waste heat recovery via combined heat and power and system optimization.
- Power Density. Optimal size and BOP design systems on module (SoM), high-frequency operation and electromagnetic integration.
- Cost. Lower system cost for competitive advantage compared with the base energy system; identification of trade-offs and optimization of microgrid for best advantage.

The systems will be dedicated primarily to cogeneration systems (electricity and thermal energy) of smaller to medium size, based on internal combustion systems, suitable for commercial and residential areas, as well as for users clustered in localized areas. These systems can generate energy using biofuels produced from locally available resources, most of them agricultural products.

CAMPUS STRATEGIC INITIATIVES

(\$28,300,000)

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 Urbana-Champaign, Chicago and Springfield 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 URBANA-CHAMPAIGN (UIUC)

University of Illinois at Urbana-Champaign 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. At the broadest level, programming must also be designed that expands access for Illinois students and ensures attainment of an Illinois degree. With these general commitments, UIUC will focus on the following key initiatives in undergraduate education:

- Center for Retention and Degree Attainment. In Fall 2007, the Division of General Studies, housed within the newly created Campus Center for Advising and Academic Services, will ensure access to quality advising and academic support for undergraduates. The next steps are to create programming within the Campus Center for Advising and Academic Services that promotes retention and ensures opportunities for degree attainment. The Center for Retention and Degree Attainment will be developed to coordinate efforts across UIUC designed to promote retention and graduation rates, specifically efforts such as the Merit program (one-hour additional courses that provide interactive learning opportunities in challenges gateway courses such as calculus, biology, chemistry and physics); and remove institutional barriers that currently prevent students from moving from undeclared status into particular academic degree programs.

- Initiative for Advancing Science, Technology, Engineering and Mathematics (STEM) Teaching and Learning. There is an ongoing shortfall in the number and diversity of educators pursuing careers in STEM fields, jeopardizing the preparation of future leaders in science and technology. Enhancing STEM education will require a collaborative effort of science experts, education specialists and innovators in curricular design; it will also require new models of preparation and new forms of engagement and professional development. UIUC is ideally positioned to lead efforts to reform STEM education, through an Initiative for Advancing STEM Teaching and Learning. The Initiative will leverage UIUC's strength in life sciences and engineering to the College of Education to provide leadership for Illinois and the nation in developing and disseminating innovative, research-based approaches to STEM teaching and learning. This project will:
 1. Increase the number of well-qualified leaders in STEM fields by graduating a cadre of 30 additional teachers each year;
 2. Create a resource of learning materials and objects that are made available to teachers and school districts throughout Illinois and nationwide; and
 3. Provide innovative, inquiry-based professional development to more than 200 school districts in Illinois each year.

- Interdisciplinary Studies Degrees. Significant effort has been devoted to the development of interdisciplinary programs at the graduate level however, few institutions in the nation have developed interdisciplinary education for undergraduate students. In order to provide rich educational opportunities for undergraduates in emerging and critical societal areas (such as health, environment and sustainability and informatics), flexible curricula that allow students to pursue interdisciplinary areas at the baccalaureate level are needed. UIUC plans to design and pilot three-to-five such interdisciplinary degree opportunities over the next year.

- Transfer Experience and Advising Mentor (TEAM) Project. The University of Illinois has an impressive record of recruiting high ability students, the vast majority of them entering the institution from high school. However, there are a significant, and growing, number of diverse, high talent individuals who attend community college on their pathway to a four-year degree. Many prospective applicants opt to transfer to regional four-year institutions, never giving the University of Illinois serious consideration. Further, and more troubling, it appears that among students who do transfer to four-year institutions, many never fulfill their dream of a four-year degree. The University of Illinois must address these critical problems of access and attainment if it is to fulfill its obligation to the people of Illinois. Community college transfer students typically bring with them an unparalleled zeal for learning and a very clear sense of how Illinois positions its graduates for leadership in business, government, academia, health care and the nonprofit and other sectors. But too often that zeal and clarity are frustrated by unanticipated academic challenges as well as unwelcome bureaucratic hurdles. In view of this untenable situation, UIUC has developed a specific plan that will promote access and attainment through the baccalaureate degree for community college transfer students. The TEAM Project has three fundamental goals:
 1. Increase the number of students who transfer to UIUC from ten target community college districts within Illinois, selected based on density of prospective students, high enrollment of students of color, and, in many cases, limited history of graduates matriculating to UIUC;
 2. Increase the academic success of students who transfer from the ten targeted districts; and
 3. Reduce academic and bureaucratic barriers for community college students who transfer to UIUC, to enhance both access and degree attainment.
- Illinois Honors Program. It is imperative that UIUC strengthen the partnership with academic colleges to provide an improved honors experience that includes a freshman seminar and senior culminating experience for all James Scholars. The James Scholar program has a long tradition at UIUC. 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. Through the Illinois Honors Program, UIUC will add two stable, small course experiences across colleges adding quality and consistency to the honors offerings. 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.

Enhance Graduate Education

▶ The University of Illinois is among the nation's leaders in preparing the researchers, scholars and professionals of the future. We must 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; our 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:

- Expand professional science master's (PSM) degree options in areas of critical need. The development of PSM degree programs is underway across UIUC with significant enthusiasm from a range of disciplines including engineering, life science, agriculture and informatics. The initial effort has been supported by a small grant from the Sloan Foundation building out to create a common core of courses, known as the PLUS element (coursework shared across all PSM fields, including business, communication and human resource courses).
- 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.

Promote Interdisciplinary Research Initiatives

▶ Innovative solutions to today's most pressing societal challenges emerge from powerful developments in interdisciplinary research and scholarship. Four focused research and scholarly initiatives are targeted in the UIUC campus strategic plan. Faculty steering teams have guided the progress of each initiative, creating specific plans for advancing science and scholarship in these areas. The current status of these initiatives are summarized below:

- The Illinois Informatics Initiative (I3). The I3 will invent the information environments of the future and educate those who will build and use them. I3 will be formally launched in August 2007. The I3 has developed a cross-campus minor in Informatics that will serve undergraduates across

UIUC serving as a catalyst for research activities in the broad arena of technology and society.

- 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 alternative energy sources and promote practices that encourage prudent use of our most vital resources—energy, water and land—and that will shape national research and policy agenda. Through support from British Petroleum, the Energy Biosciences Initiative was launched in spring 2007.
- Integrated Sciences for Health Initiative. Integrate and apply UIUC's expertise in engineering and physical, life, behavioral and social sciences to improve human health. Two steering teams have worked throughout 2006-2007 to develop operational plans for these initiatives, one focusing on translational health research and the other on behavioral health and wellness. Both steering teams emphasize some of the most pressing concerns of today's society such as promoting vital aging, preventing disease and disability and translating science to intervention and treatment practice in areas such as cancer and diabetes.
- Arts and Humanities Initiative. Strengthen UIUC's place as an international leader in the learning and creativity the Humanities and Arts must contribute to developments that will reshape the personal, familial, local, national and global worlds we inhabit. A steering team began development of the initiative during spring 2007 with more complete articulation continuing in fall 2007.

The successful of these four interdisciplinary initiatives relies on strength in traditional core disciplines, our ability to invest in specially targeted faculty hiring in areas that are essential to the success of the initiatives and to the comprehensive strength of the institution. 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.

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 its 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. 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.

Energy Efficiency

Within the State of Illinois, private citizens and government agencies alike can attest to the importance of energy conservation. Given the finite supplies of oil and gas, coupled with rising electricity rates, reducing energy consumption has always been a goal at the University of Illinois at Chicago. However, without repair and renovation funding from the State over the last four years, we have witnessed a growth in our urgent deferred maintenance and this has forced us to postpone critical projects that would have enhanced energy efficiency. A report on Energy Costs and Energy Efficiency at Illinois' Public Universities, conducted in 2003, concluded that the University of Illinois at Chicago had the second highest energy cost per square foot out of 13 higher education institutions within

the state of Illinois. Our goal is to improve the university's energy efficiency while reducing operational and maintenance costs related to our consumption of energy.

The University of Illinois at Chicago is requesting recurring funding for our Energy Efficiency Program. Targeting these financial resources to repair, maintenance and system renovation projects that will conserve energy, the University of Illinois at Chicago will ultimately reduce its demand for energy, leaving more available on the market for the residents and businesses of the State of Illinois. For the university, the reduction in operating expenses resulting from these energy efficiency projects over time will allow funding to be redirected to other university priorities, such as reducing our general deferred maintenance backlog.

Investing in energy efficiency will help protect the State of Illinois from higher energy costs, spare the environment by reducing energy waste and help keep Illinois' tax dollars in our local economy. The savings will benefit the University of Illinois, the citizens and businesses of the state, and the overall economy of Illinois.

Interdisciplinary Activities



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. Examples of interdisciplinary activities that are of strategic importance to UIC include interdisciplinary health care education initiatives, the Cancer Center, the proposed Center for Clinical and Translational Sciences, the Institute for Research on Race and Public Policy, the proposed Institute for Patient Safety Excellence and Learning Sciences. 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.

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 build the 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.

These examples 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 students in challenging, top quality educational programs and provide a support infrastructure 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, 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 49.3% for the freshman class entering in 2000. 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. During Academic Year 2008-2009 the first cohort of students whose tuition rate was guaranteed will face the expiration of that guaranteed rate. The tuition rate in a student's fifth year and beyond will be significantly higher. UIC students have relatively high financial need, thus we must do everything we can to allow student completion in four years.

UNIVERSITY OF ILLINOIS AT SPRINGFIELD (UIS)

University of Illinois at Springfield 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 coordinate the 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**



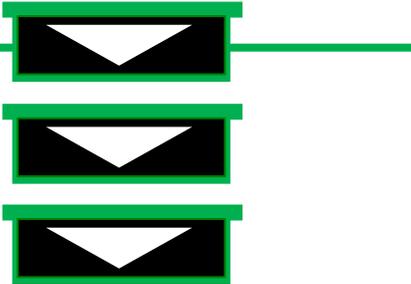
Whereas the goal of Enriching Individual Lives focuses on the way a UIS education will lead to the growth of the individual, UIS' third strategic goal, Making a Difference in the World, points to the way that UIS looks outward toward the betterment of society. With its location in the state capital, 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.

**Strengthening
Campus Technology
Infrastructure**

▶ The campus has invested heavily in technology both in the classroom and the campus network. The technology rich environment includes smart classrooms, wireless access across the campus as well as teaching and student open computer labs. University Hall is one of the most technologically advanced instructional facilities in the state. In order to maintain its position as a technology leader, UIS will need to make significant investments in technology maintenance and renewal. Classroom technology renewal and instructional lab equipment replacement budgets have not kept pace with the rapid growth of these facilities. An upgrade of a significant portion of the network backbone (switches, routers and servers) must begin in FY 2009.

ADDRESS FACILITY
OPERATIONS NEEDS



OPERATION AND MAINTENANCE NEW AREAS

(\$1,289,650)

Campus
Level:
UIUC
(\$1,289,650)

▶ The FY 2009 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 182,686 gross square feet (gsf). All of these facilities represent significant additions to the Urbana-Champaign campus to help support the mission of the University of Illinois and serve to provide teaching, research, and support space for the campuses.

The University received no new areas support funding from the State for FY 2005, FY 2006, FY 2007 and FY 2008. The University was forced to reallocate over \$16 million to fund these 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.

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. Prior to FY 2005, when funding was provided by the state, the funding policy was detrimental for the University. The first policy, the State's practice of funding utilities at a campus average and other costs at a statewide average created a recurring operating deficit. This policy when coupled with the lack of funding for projects contributed in total to real deficiencies that must be absorbed by the University. 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.

For FY 2009, the requirement to support the operation and maintenance of new facilities totals \$1,289,650. Four projects, as shown in Table 6, require partial funding of the annual costs for operation and maintenance.

**Table 6
FY 2009 Operation and Maintenance
Requirements to Support New Areas**

	GSF	Total Annual Cost	\$/GSF	Date of Occupancy	Months	FY 2009 Amount
<u>URBANA-CHAMPAIGN</u>						
Business Instructional Facility	162,000	\$1,309,920	\$8.09	May-08	10	\$1,091,600
Oak Street Library Facility-Library Remote Storage	10,000	89,580	8.96	Jul-08	12	89,580
Aerodynamics Research Laboratory - Senior Design Center	6,936	76,620	11.05	Jan-06	12	76,620
Gregory Hall Student Services Center	3,750	31,850	8.49	Dec-07	12	31,850
Total						\$1,289,650

URBANA-CHAMPAIGN PROJECTS

Business Instructional Facility

▶ The College of Business is constructing a state-of-the-art instructional facility of 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 College’s 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 College of Business’ other campus buildings. Set to open in May of 2008 ten months of operations are requested at \$1,091,600.

**Oak Street
Library Facility -
Library Remote
Storage**

▶ The first phase of the Oak Street Library Facility-Library Remote Storage was completed in 2005 and provides space for 1.7 million volumes of the collection, processing space to support the unit and conservation laboratory. The facility was designed with the capacity for three additional bays totaling some seven million volumes. With shelving space quickly reaching 1.7 million in capacity, construction of another bay is necessary at this time.

This current phase will see the construction of one additional bay designed to house 1.9 million volumes in the 10,000 gross square foot addition to the existing building. This facility will utilize industrial-type warehouse shelving of a height up to 40 feet, with appropriately sized bins for the storage of materials. Special structural requirements will be followed to handle the loads imposed by high-density book storage systems. Addition design features germane to this type of facility will be included in the HVAC, fire protection, lighting, and building systems along with backup electric for the facility. Set for completion in July 2008, twelve months of support at \$89,580 are requested.

**Aerodynamics
Research
Laboratory -
Senior Design
Center**

▶ This 6,936 square foot building is a new structure attached to the Aerodynamics Research Laboratory which houses the College of Engineering's research wind tunnels. The facility will serve as the site for the Senior Design Center. This program typically requires each graduating senior to complete a full semester of hands-on, team based work in collaboration with an industry sponsor and College of Engineering faculty. The building as constructed includes large bay area configurations with associated mechanical, circulation and restroom space. Other features of the building include "clean" and "dirty" work rooms, along with a multi-purpose team room and lab assistant room. Already in operation, a full twelve months of support is requested at \$76,620.

**Gregory Hall
Student Services
Center**

▶ This project is for the renovation of 3,750 square feet of space in the basement of Gregory Hall. Previously used as classroom space and then ad hoc office space the refurbished area space will be used as a Student Services Center for the College of Communications and will house both college advisors and alumni relations staff. The renovation will provide nine individual office spaces for staff, three interview rooms and conference space. Set for completion in late 2007, twelve months of support is requested in the amount of \$31,850.

FACILITY MAINTENANCE SUPPORT

(\$5,000,000)

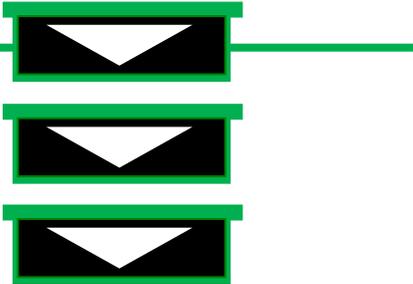
Overview

▶ 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 2009, 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. If funded these finances could potentially be used for a second round of debt issuance targeting deferred maintenance. 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. It is critical to note however that funds from the state be they in the capital or operating budget have not been forthcoming the last several years. The initial plan included the state sources as part of the funding mechanism to reduce deferred maintenance. The continued lack of support from this source will jeopardize the University's ability to stem the tide on the deferred maintenance front.

**MEET INFLATIONARY AND
OTHER COST INCREASES**



PAYROLL COST INCREASES

(\$3,750,000)

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 – \$2,000,000

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 9 of the past 18 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	8.2%
2007	11,037.1	12,731.6	10.5%
2008	12,037.1	13,368.2 (est.)	5.0%

The FY 2007 appropriation is \$11,037,100 for the combined Medicare and Social Security requirements. In FY 2008, expenditures are expected to continue to rise, and through reallocation we have increased the FY 2008 budget by \$1,000,000. An increment of \$2,000,000 is requested for the FY 2009 appropriation. Because it is a federal mandate, this is truly an unavoidable increase for the University.

WORKERS' COMPENSATION – \$1,500,000

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 15 years, the University has been forced to reallocate funds to cover increased claims. Because the Workers'

Compensation Reform Act of 2005 was conservatively estimated to increase annual expenditures by at least 10%, additional time and resources have been spent in efforts to control costs, but the University continues to face growing exposure in this area.

Table 8
Appropriations and Expenditures for Workers' Compensation
(Dollars in Thousands)

Fiscal Year	Appropriations	Expenditures	% Change in Expenditures
1990	\$ 1,670.2	\$ 2,343.9	0.0%
1991	2,685.0	2,665.0	13.7%
1992	2,087.9	2,087.9	-21.7%
1993	2,193.5	2,193.5	5.1%
1994	2,986.3	3,001.1	36.8%
1995	2,986.3	3,291.0	9.7%
1996	2,986.3	4,258.6	29.4%
1997	3,365.0	3,598.9	-15.5%
1998	3,365.0	3,727.0	3.6%
1999	3,466.0	3,686.8	-1.1%
2000	3,466.0	3,727.1	1.1%
2001	3,570.0	3,713.1	-0.4%
2002	3,570.0	3,689.3	-0.6%
2003	3,570.0	4,622.3	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	5,103.6	-9.1%
2008	3,570.0	5,741.6 (est)	12.5%

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. Cost containment efforts have been initiated, including worker safety training programs and aggressive return to work programs. Actuaries have projected payments for FY 2008 to be \$5,741,600 and when compared to the State appropriation leaves a shortfall of over \$2.17 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 2009, \$1,500,000 for workers' compensation is requested.

LEGAL LIABILITY – \$250,000

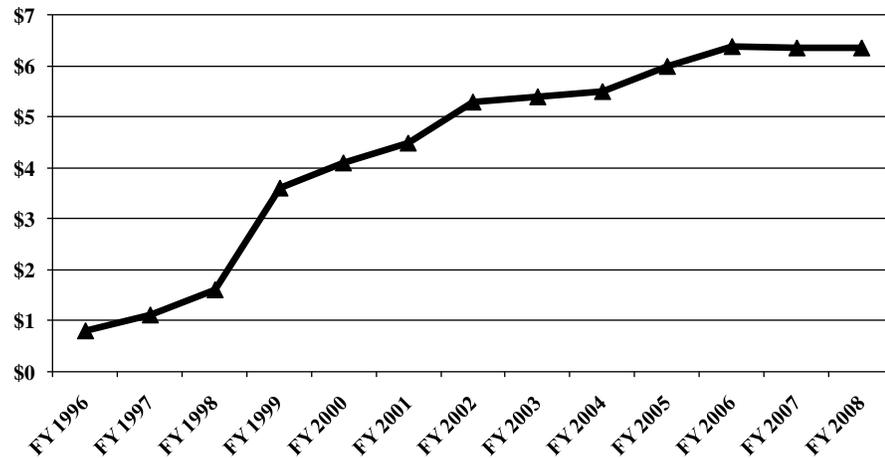
Following national trends, all forms of legal liability claim experience at the University of Illinois is deteriorating. Awards of the court are hitting new highs; claims are requiring more dollars to effect settlement. The Cook County venue is one of the most litigious in the country; awards and settlements 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 2008. 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 2007, the University allocated \$6.4 million to the Legal Liability fund and FY 2008 includes a reallocation of \$1.4 million. Figure 15 is a graphical representation of the historical cost of the program.

Figure 15
Legal Liability
(Dollars in Millions)



During the past three years the cost of the program has 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 increased risk awareness and funded mediation training 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

(\$15,160,000)

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 \$58 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 2.8% 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 \$58.3 million since 1990.

- Utilities Price Increases

The University's utility budget continues to be strained due to dynamic energy costs and growth in the University's facilities on the three campuses. Despite continued attention to energy and fuel expenditure trends in the marketplace and cost-saving technologies and fuel purchasing measures to limit expenditure growth, the University's utility expenditures have grown 13.9% on average each year since FY 2003. While the University has allocated an additional \$35.5 million to offset these cost increases (including \$15 million for FY 2008), incremental State funding is needed to meet the University's projected 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.

- Information Technology Increases

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 – \$3,375,500

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.

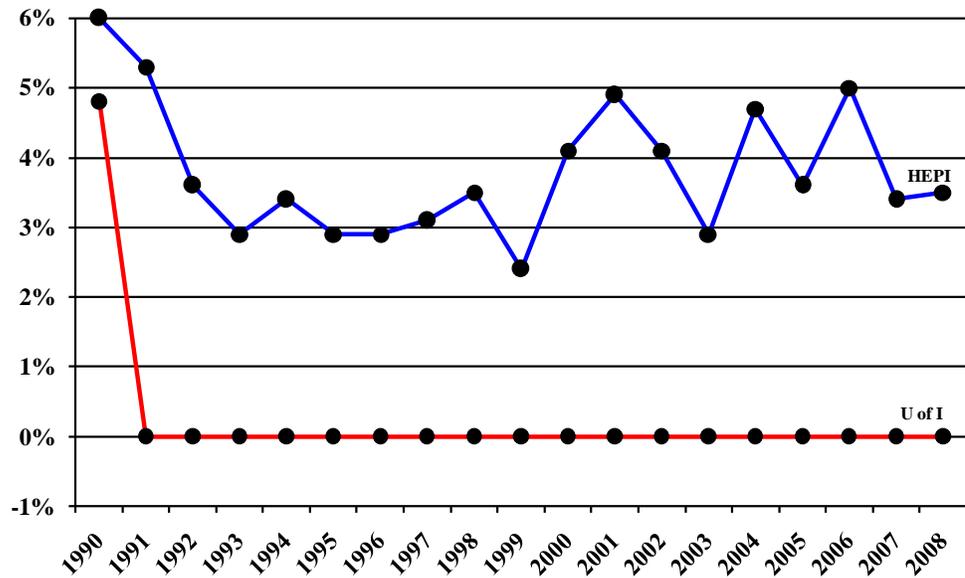
The diversity of University activities suggests that no single market indicator can adequately predict the effect of price increases on the University as a whole. For the purpose of the general price increase request, three inflationary measures are presented to assess the impact of price increases on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

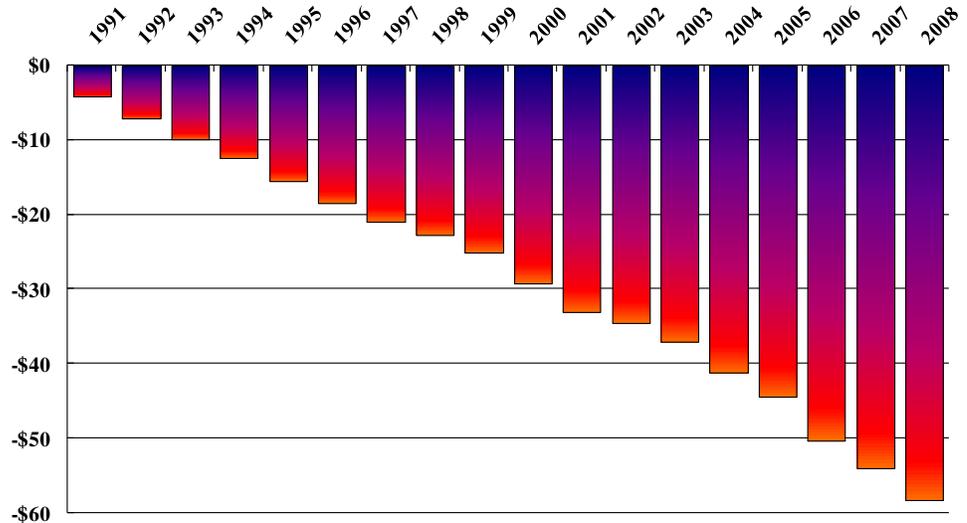
general price increase funding in the past eighteen years, the last one being in FY 1990. In FY 1990, the general price increase did not exceed the Higher Education Price Index, as shown in Figure 16.

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 \$58.3 million, as measured against the Consumer Price Index shown in Figure 17.

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

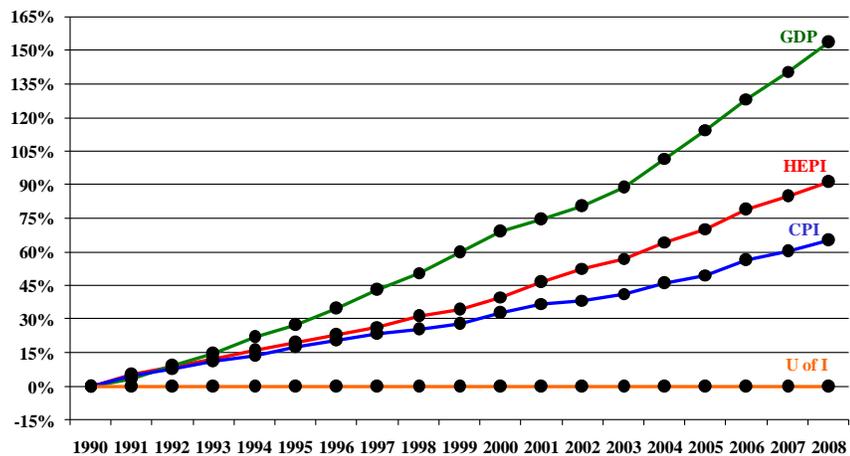


Based on materials included in General Price Increase.

▼
The loss in purchasing power for general goods and services has reached \$58.3 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 2008 and FY 2009 increases of 2% to 5% (CPI and GDP indices).

Figure 18
Cumulative Inflation Increases
versus General Price Increase Appropriations

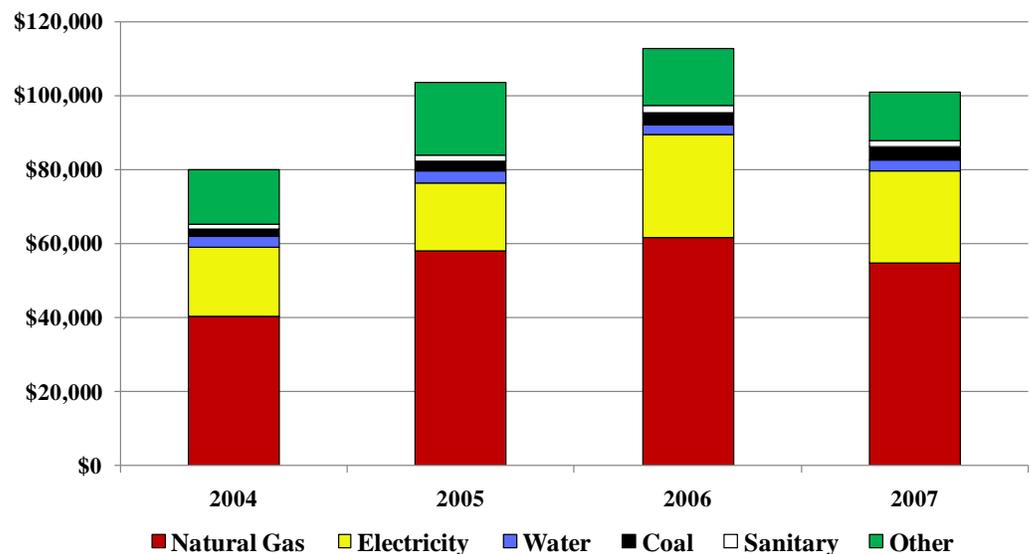


For FY 2009, the general price increase segment of the budget request seeks to obtain funding sufficient to halt further losses to inflation. Based on this, a general price increase of 2% or \$3,375,500 is sought.

UTILITIES PRICE INCREASES – \$3,600,000

The rising cost of fossil fuels (such as natural gas and fuel oil) has significantly added to the University of Illinois’ operating costs over the last several years. The University has had to allocate increasing resources in order to provide the necessary basic needs to heat, cool, power, light and serve the water and sanitary needs on all three campuses. Contributing factors include severe weather events and natural disasters as well as geopolitical events and instability in many regions around the world, which in turn directly affect the security and supply of international and domestic oil and natural gas supplies. Figure 19 demonstrates the rising costs of selected utility components at the University of Illinois.

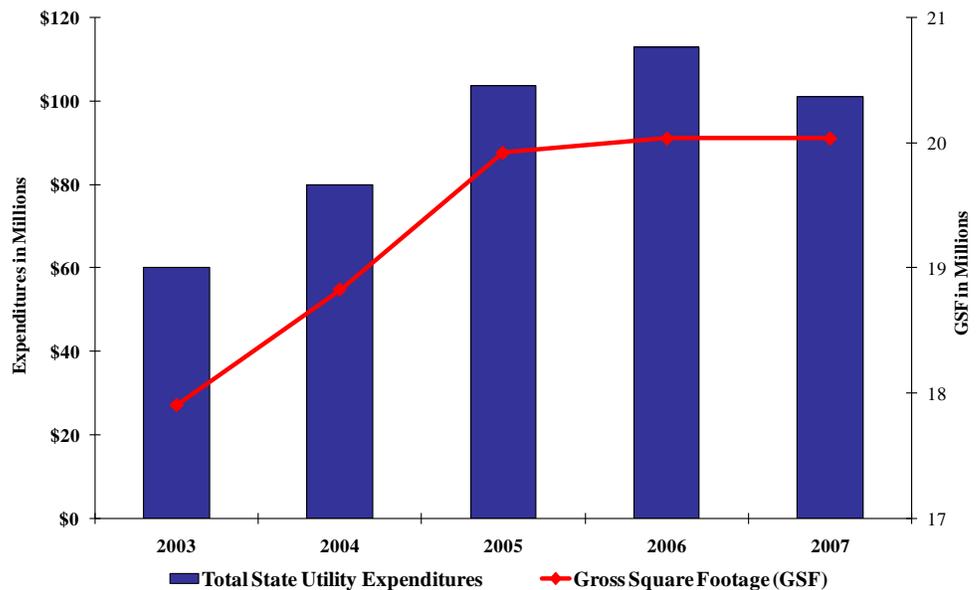
Figure 19
Expenditures of Selected Utility Components
FY 2004 to FY 2007
(Dollars in Thousands)



An additional consideration is the 12% increase in the gross square footage since FY 2003. As shown in figure 20, this significant growth requires an increase in funds to provide for the energy needs of these new instructional, administrative and

learning spaces. During this period, total University utility expenditures grew by \$40.9 million, an average annual increase of 13.9%. To help address this cost increase, the University reallocated \$20.5 million in total between FY 2003 and FY 2007, with an additional \$15 million planned for FY 2008.

Figure 20
Utility Expenditures versus Gross Square Footage
FY 2003 to FY 2007



The limited growth 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 for utilities costs was for FY 2002. The university continues to proactively manage the renovation of its utility infrastructure in order to avoid costs and more efficiently consume resources.

Another cost facing the University on the utility front are state and federal requirements to make use of renewable energy. As legislation moves forward to outline these state and federal requirements, all three campuses and satellite locations will be affected by the increased costs of these renewable fuels and technologies as they are currently more expensive than traditional means of generating power.

Additionally, the potential volatility of electricity prices in Illinois must also be considered in the future with the recommendation of the passage by Illinois legislators of SB-1592, which was designed to provide rate relief to consumers and create the Illinois Power Agency, whose mission is to purchase power for the state and reduce costs. This proposed legislation was born out of the high electricity prices in Illinois caused by the 2006 Power Auction which began the process of deregulations in Illinois ending the 1997 rate freeze in January 2007. However, if power is not purchased at lower costs and market conditions do not change, these high prices will continue to affect the University of Illinois. [As of the writing of this book, this bill has not yet been acted upon by the governor.] Though the Urbana and Chicago campuses generate more than half of their respective campus electric loads via their cogeneration plants, the remainder must be purchased from the open markets, which are affected by market forces.

Based on forecasted cycles of fossil fuels, most notably oil and natural gas, uncertain future electricity costs, and increased renewable energy costs, the University requests an increment of \$3,600,000 to help cover the projected utilities cost increase in FY 2009.

LIBRARY PRICE INCREASES – \$2,184,500

The University of Illinois Libraries request a 10% increase in their materials budgets. This increase would provide for collections and information resources to support the scholarship, research and teaching of students, faculty and researchers at the University and throughout the State. The funding provided to a university's library for collections is a clear barometer of how well funding bodies and administrators understand the link between scholarship and access to scholarly resources. The prestige and the success of the University of Illinois 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 increasingly complex information environment.

**Increasing
Demands and
Decreasing
Resources**



In recent campus surveys of graduate and undergraduate students at the University of Illinois at Urbana-Champaign (UIUC), Chicago (UIC), and Springfield (UIS),

users repeatedly asked for greater access to scholarly resources, including both electronic resources and printed books. The value placed on our collections by these budding scholars clearly indicates their understanding of the vital link between the availability of these resources and their ability to fulfill their personal educational and research goals.

Over the past decade, annual inflation rates for library materials have ranged between 8% and 12%. For most of these years, the Libraries received no earmarked funding for material price increases from the state and only modest increases from the University. When increases have been available at UIUC, they have typically been no higher than 3% to 4% of the overall material's budget, resulting in a slow erosion of the Libraries' ability to meet the research needs of the University's increasingly diverse and complex research and teaching programs. For example, in FY 2006, the Library at UIUC cancelled some \$300,000 in journals; this follows on the previous year's cancellation of over \$500,000. Over the past five years alone, UIUC cancelled approximately \$2 million in journals. While some of these cancellations are tied to the shift from print to electronic access, there is the loss of important research material. At UIC, the financial impact has been partially off-set by internal reallocations to support collections at an average of 7% in FY 2005 and FY 2007. However, the UIC Library still felt compelled to cancel duplicate subscriptions held by statewide UIC library sites and print journals to shift toward electronic subscriptions. In both FY 2006 and FY 2007, the Library at UIS cancelled nearly \$100,000 in journals and electronic resources. While this may seem like a small sum, it represents 10% of that library's total materials budget. To support work in disciplines that rely on publications from abroad, all three Libraries must also deal with the diminished value of the U.S. dollar against foreign currencies. In areas such as global resources and the humanities, a combined 20% to 25% inflation and devalued dollar impact is common.

Over the last several years, the Libraries actively began shifting collections expenditures from print-based resources to the electronic materials now routinely expected by faculty and students and essential to the University's growing 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 such as Global Campus programs and the enhanced access makes them critically important in numerous disciplines as well as the translational research programs viewed as key to the University of Illinois' development. The three campus libraries have worked together to negotiate favorable prices for many electronic resources. Despite negotiated rates to keep caps as low as 5% for some packages, electronic journals cost 10% to 30% more than their print equivalents and face annual inflation rates averaging 10% to 12% each year. When the University of Illinois Libraries cannot afford to license the material, they rely on access through an inter-library lending agency in which the cost of a single article averages \$40 to \$50.

The demand for electronic access to periodical titles places an additional burden on materials budgets in that the print and electronic versions often differ, and in only a very few cases are electronic versions archived reliably enough to ensure confidence in future accessibility. In order to meet user demand for online access, the Libraries are making the difficult choice to cancel print versions. Yet, that does not alleviate our role as stewards of the collections built by the people of Illinois. In 2006, the three Libraries began developing a pilot project focused on building a last copy retention program for the Libraries. In this model, dual subscription titles (print + electronic) would be identified, one copy of the print would go into UIUC's storage facility, and other backfiles would be withdrawn to more effectively use Library spaces while providing for the preservation of a single print copy of the titles. The Libraries have also taken a leadership role in joining digital preservation initiatives such as LOCKSS and Portico, both third-party repositories that hold publisher content should access to publisher-supplied digital content be compromised. These programs are just getting started and have their own associated costs, but are important initiatives that help secure access to scholarly material for future users.

The Local Impact UIUC



The UIUC Library is a major educational and cultural resource and a critical investment for the University and the State of Illinois. With a collection conservatively valued in 2001 at \$1.5 billion dollars, the collections rank among the largest capital investments owned by the University. Yet, the impact of this investment is little realized. 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 UIUC Library provides. The Library at UIUC 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.

However, inflation and declining investment in the collections impact even our most prominent academic programs. The Library at UIUC continues losing its value as an important competitive factor in attracting high quality faculty who rely on their institution's library to support their teaching and research. Support for Engineering at UIUC provides an important example of this dilemma: the University of Michigan provides some \$300,000 more to its engineering libraries budget annually than is available for the UIUC engineering collection, despite the fact that UIUC's College of Engineering is nationally recognized as the leader in educating engineers for today and tomorrow.

Strong and unique collections have long been a hallmark of the UIUC Library. 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 at UIUC 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.

**The Local Impact
UIC**



The Library at UIC 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 the distinction of having a highly diverse student body and is active in its outreach to both its urban and rural constituents. The Library holds 7.8 million items, in all formats. The UIC Library of the Health Sciences, with its regional sites in Peoria, Rockford and Urbana 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 the Greater Midwest Region, i.e., ten states from Kentucky to North Dakota. UIC's special collections include a wide range of research materials, with emphasis on the history of Chicago. These include the Jane Addams Memorial Collection; the 10,000-item Lawrence Gutter Collection of Chicagoana; the R. Hunter Middleton Chicago Design Archives; the corporate archives of the Chicago Board of Trade; records of the Century of Progress International Exposition (1933-34); the Midwest Women's Historical Collection; and the Chicago Urban League. Recent additions include the 500,000 images in the "Chicago in the Year 2000" (CITY2000) Collection, the James S. Parker photographic collection, and the papers of Ellen Nyland. The Library of the Health Sciences, Chicago, holds a range of materials in the history of medicine.

The Local Impact UIS

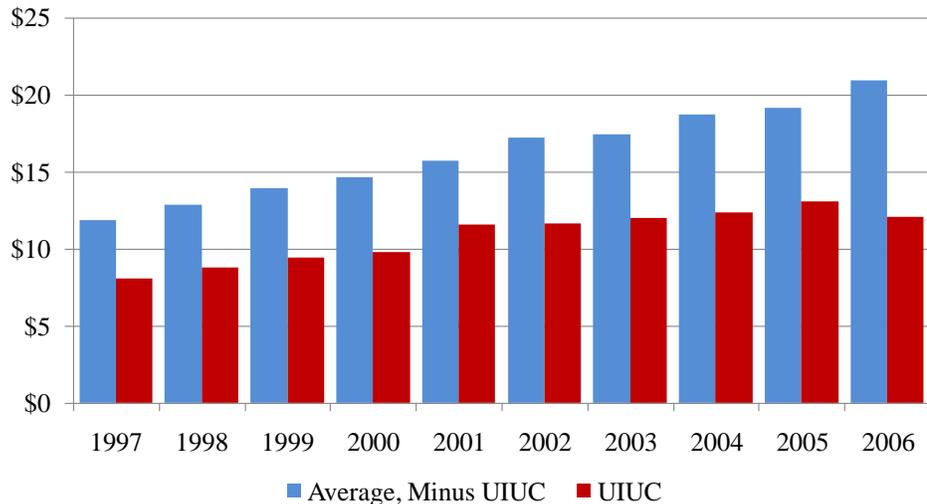
▶ The Library at UIS supports students with a collection numbering 544,321 volumes; 7,318 periodical subscriptions; 4,467 films, videotapes and DVD's; 1,868,308 microforms; and over 200,000 government publications. Thirty-five percent of enrollments at UIS are now online and the library has been aggressive in purchasing electronic resources to meet the needs of these 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.

Benchmarking The Impact

▶ 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. These factors impact the purchasing power of all three campus libraries. Increasing prices, coupled with inconsistent collection funding over the past twenty years, seriously compromised the quality of the Libraries’ collections. Among the members of the Association of Research Libraries (ARL), the UIUC and UIC Libraries’ materials expenditures declined. The UIUC Library ranking dropped from 8th in FY 1985 to 32nd in FY 2006. Similar trends have been noted at UIC. For example, in 2000, UIC ranked 58th and its 2006 ranking was 67th. Figure 21 further illustrates the impact of this decline, charting materials expenditures for the top ten ARL Libraries between FY 1997 and FY 2006.

Figure 21
Top Ten ARL Libraries Materials Expenses
(Dollars in Millions)



During this period, materials expenditures for UIUC increased by less than \$4 million. By comparison, expenditures increased by \$9.1 million for the average of the top ten ARL institutions minus UIUC. These institutions include: UC-Berkeley (\$7.1 M), UC-Los Angeles (\$6.0 M), Columbia (\$10.8 M), Cornell (\$4.7 M), Harvard (\$10.6 M), Michigan (\$6.8 M), Texas-Austin (\$8.0 M), Toronto (\$8.7 M) and Yale (\$19.1 M).

Within the CIC membership, the trend is similar. 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 University and the University of Chicago in material expenditures dollars by

approximately \$4.5 million and \$0.5 million respectively. In addition, both Indiana University and the University of Minnesota are now only about \$0.5 million below UIUC's expenditures for library materials. The UIC Library retained its FY 1985 CIC ranking in FY 2005 because of reallocated funds from the campus.

The special values of the Libraries' collections lie in the unique strengths of their holdings for students, scholars and users throughout the State, the nation and the world. Now and in the future, continuing and stable financial support is critical to fulfilling 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 2009 to offset the damaging effects of repeatedly falling short of meeting inflation, the continued inflation of costs, the need to keep pace with the demands of users and recovery of a small portion of the ground lost over the past twenty years.

INFORMATION TECHNOLOGY INCREASES – \$6,000,000

An increment of \$6,000,000 is requested for information technology 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 six 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.
- Software hyperinflation. Administrative and general use software typically increase at rates that exceed inflation, yet non-personnel budgets have remained flat or decreased over the same time period. Administrative software costs have increased by 7% per annum since 1991; software that cost \$100 in 1991 on average will cost \$275 this coming academic year. General software, such as virus protection software essential to all faculty, staff and students, shows an even more ominous picture, with increases in the double digits.

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

The requested increment of \$6,000,000 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

(\$102,300)

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, through 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 four major purposes:

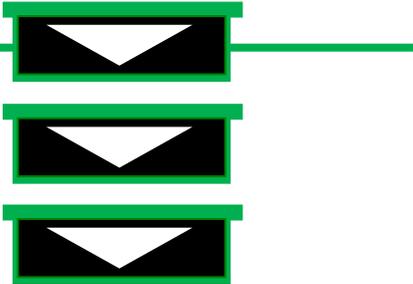
- To conduct programs of training and education for paid and volunteer fire fighters and officers on campus, and at regional and local sites throughout Illinois.
- To provide adequate teaching and training facilities for the Institute.
- To permit program growth and improvement.
- To conduct action-oriented research in accordance with the Illinois Fire Service Institute Act.

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.

In the FY 2008 legislative process the University was able to capture one time balances in the fund. These were appropriated in FY 2008, and will be used for the Fire Services Institute facilities which are more than two decades old and not up to date by today's standards for first responders. There will be a reduction in FY 2009 to reflect the one time balances, but in FY 2009 there will continue to be growth in the fund. 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 \$102,300 is required for FY 2009.

**MEDICAL PROFESSIONAL
LIABILITY INSURANCE**



MEDICAL PROFESSIONAL LIABILITY INSURANCE

(\$9,200,000)

Overview



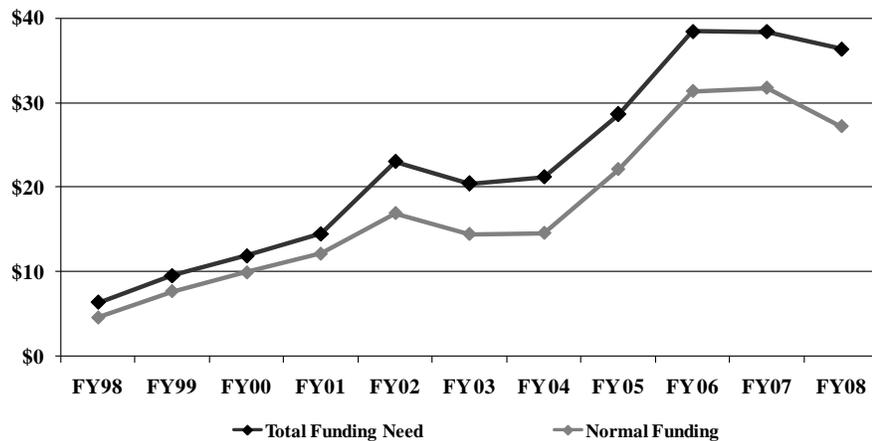
Nationally the substantial increase in costs associated with medical liability continues. It is rare that a week goes by when an article about escalating malpractice costs is not in a local newspaper. Various reform proposals have included caps on damage awards but the issue of balancing a patient's 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 has deteriorated over the past several years. 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. FY 2008 funding was slightly less-\$36.4 million-primarily due to aggressive loss control programs and increased competition in the insurance marketplace, which had been missing in recent years. Normal funding (the projected, future cost for claims incurred in the upcoming year) has steadily grown since FY 1998. 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 22 shows medical malpractice funding needs.

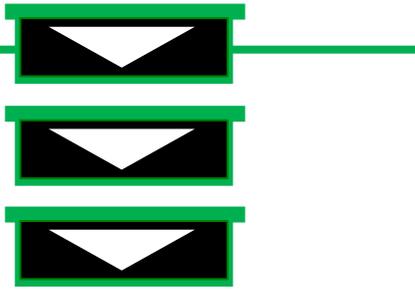
Figure 22
Medical Malpractice
FY 1998 to FY 2008
(Dollars in Millions)



In FY 2007, there were roughly 20,000 hospital discharges and roughly 400,000 outpatient clinic visits. During the same period in excess of \$18 million was paid by the University to settle 6 claims. In addition, the University’s actuary estimates the discounted outstanding liabilities for medical liability claims is roughly \$123 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

(\$1,000,000)

Overview



IllinoisVENTURES, 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 \$2,000,000 to stabilize the operating budget of IllinoisVENTURES. In addition, \$735,000 (netting \$661,000) in dedicated State grant funds through the Illinois Department of Commerce and Economic Opportunity was 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 Urbana-Champaign and Chicago 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. 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 been leveraged approximately 11:1 in third party co-investments, with much of the co-investment from venture capital firms on the east and west coasts.

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 iCyt Mission Technologies (providing novel cell measurement and handling technologies that help clients create important new healthcare and agriculture products), 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), Semprius (developing unique technology that allows transfer printing of high performance semiconductors onto virtually any surface, including glass, flexible or rigid plastic, metal or other

semiconductors) and Transplan (medical device technology that significantly extends the time organs remain viable for transplantation).

The requested \$1,000,000 in funding will provide for technology commercialization supporting IllinoisVENTURES. 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 FY 2008 SURS contribution will be \$340 million, FY 2009 required

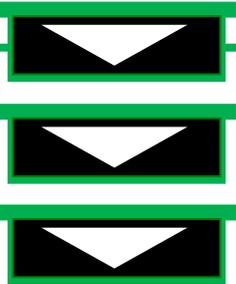
contribution is \$472.9 million. The law also made the following major substantive changes to SURS:

- 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.

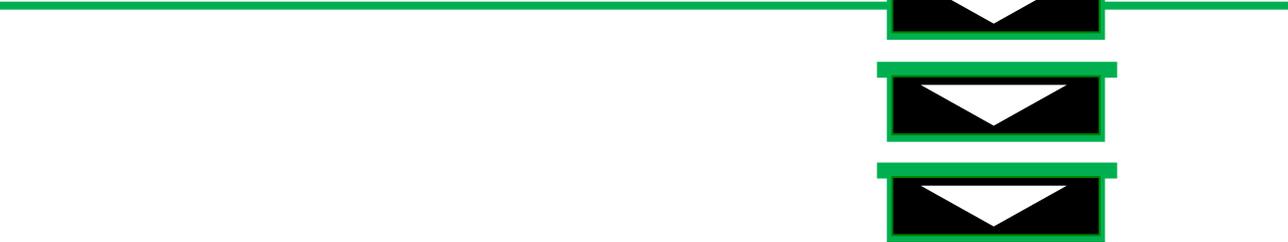
- Employers must pay the actuarial value of pension increases that result from earnings increases over 6% in any year used to calculate a retiree's final rate of earnings. This provision does not apply to raises paid under collective bargaining agreements in effect before July 1, 2005. This legislation 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 2009



CAPITAL BUDGET



BACKGROUND AND CONTEXT

Overview



To begin consideration of the University's capital budget request it is important to recall that an institution of the size, scope and complexity of the University of Illinois faces a recurring array of facilities related needs every year. The capital facilities make up the University's largest asset and provide the foundation to attract and retain top quality faculty, staff and students. 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 four 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 four years without repair and renovation funding only exacerbates the deferred maintenance problem while making it more difficult to reduce it in the future. The state's contribution in reducing the level of deferred maintenance on the campuses is an integral part of the funding plan toward that end. Several years without that piece of the funding solution leaves the University in the proverbial two steps forward and one step back position. Based on these factors, the University has once again placed the repair and renovation request at the top of the capital request list requesting \$21.5 million. 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 action combined with the recently approved Academic Facilities Maintenance Fund Assessment should provide a solid starting point to attack the maintenance problem on each campus. However, the state portion of the funding tool is still critical and frankly without the state support, reduction in deferred maintenance will be severely curtailed.



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.

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

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

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

In this context where steady and measured funding increases for facility needs are vitally important the last four capital budgets have been disappointing. For the

fourth straight year capital funding needs were not acted on by the General Assembly. However, releases 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 and the balance of those projects are requested in this FY 2009 request.

Table 1
History of Recent Capital Budget Actions
FY 2003 to FY 2008 Governor's Level
(Dollars in Thousands)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005*</u>	<u>FY 2006</u>	<u>FY 2007*</u>	<u>FY 2008*</u>
Campus Requests						
Urbana-Champaign	\$91,634.0	\$120,312.2	\$180,215.4	\$176,077.4	\$236,550.8	\$162,550.8
Chicago	47,950.0	45,125.0	162,110.9	114,665.9	93,691.3	90,581.8
Springfield	15,330.0	3,863.0	4,468.7	4,468.7	4,812.4	8,812.4
Total	<u>\$154,914.0</u>	<u>\$169,300.2</u>	<u>\$346,795.0</u>	<u>\$295,212.0</u>	<u>\$335,054.5</u>	<u>\$261,945.0</u>
IBHE Recommendations						
Urbana-Champaign	\$52,225.4	\$58,225.4	\$59,860.7	\$59,952.7	\$89,100.7	\$148,475.7
Chicago	20,165.9	20,165.9	22,114.4	23,054.5	25,254.5	41,193.2
Springfield	15,343.7	343.7	458.2	458.2	458.2	572.8
Total	<u>\$87,735.0</u>	<u>\$78,735.0</u>	<u>\$82,433.3</u>	<u>\$83,465.4</u>	<u>\$114,813.4</u>	<u>\$190,241.7</u>
Regular Capital Appropriations						
Urbana-Champaign	\$6,225.4	\$8,225.4	\$9,225.4	\$15,215.4	\$6,225.4	\$120,235.4
Chicago	4,165.9	4,165.9	4,165.9	4,165.9	4,165.9	38,115.9
Springfield	15,343.7	343.7	343.7	343.7	343.7	343.7
Total	<u>\$25,735.0</u>	<u>\$12,735.0</u>	<u>\$13,735.0</u>	<u>\$19,725.0</u>	<u>\$10,735.0</u>	<u>\$158,695.0</u>
Appropriations for Special Projects						
Opportunity Returns						\$60,490.0
Venture Tech	\$100,600.0					
Total Appropriation	<u>\$126,335.0</u>	<u>\$12,735.0</u>	<u>\$13,735.0</u>	<u>\$19,725.0</u>	<u>\$10,735.0</u>	<u>\$219,185.0</u>

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

SUMMARY OF FY 2009 PRIORITIES

(\$263,820,000)

Overview



The University's FY 2009 Capital Budget Request consists of 10 projects at a total cost of \$263,820,000. Table 2 represents a combined priority listing of the proposed projects for this year.

Table 2
FY 2009 Combined Capital Budget Request
Summary by Priority
(Dollars in Thousands)

Priority	Project	Urbana-			Total	Cumulative
		Champaign	Chicago	Springfield		
1	Repair and Renovation	\$12,450.8	\$8,331.8	\$687.4	\$21,470.0	\$21,470.0
2	Lincoln Hall Remodeling	53,100.0			53,100.0	74,570.0
3	College of Medicine Rockford		14,250.0		14,250.0	88,820.0
4	Electrical and Computer Engineering Bldg	42,000.0	¹		42,000.0	130,820.0
5	Integrated Bioprocessing & Research Lab	18,900.0	²		18,900.0	149,720.0
6	Advanced Chemical Technologies Inflation		20,000.0		20,000.0	169,720.0
7	Dentistry Modernization/Code Compliance		20,000.0		20,000.0	189,720.0
8	Public Safety Building			2,500.0	2,500.0	192,220.0
9	Medical Sciences Building Modernization		21,600.0		21,600.0	213,820.0
10	Disability Research, Res. & Educ. Srv. Bldg.	50,000.0			50,000.0	263,820.0
		<u>\$176,450.8</u>	<u>\$84,181.8</u>	<u>\$3,187.4</u>	<u>\$263,820.0</u>	

¹ This project was submitted in response to a request from the Governor for Economic Development projects. In the FY 2009 request, the total project budget for ECE has been increased from \$90M to \$95M and separated into two phases. Phase I will total \$75M (\$45M from the State and \$30M from private sources). Phase II will total \$20M and be supported from other sources. Because CDB released \$3M for planning purposes in January 2006, the amount requested from the state is \$42M.

² The Bioprocessing Research Laboratory was submitted in response to a request from the Governor for Economic Development projects. In June 2006, CDB released \$1.9M for planning for the Bioprocessing Research Laboratory; construction funding of \$18.9M is still needed for the Lab.

Note: There are two additional capital projects related to economic development and statewide healthcare for which the University will be seeking capital support. First, the University is seeking \$60M from the State for a petascale facility at UIUC. During the national competition for the federal petascale grant (\$208M), the State committed to funding the project under the State's economic development initiative. The National Science Foundation has announced the award, and the University needs to proceed quickly on planning the project. Second, the University is seeking additional State funding for a hospital renovation and expansion at UIC. The University has received a Master Design Certificate of Need (CON), and the Board of Trustees has approved the next step in the CON process to determine specific actions and timetables. Some of this funding will likely be required in FY 2009 in order to meet the timeliness requirements of the CON.

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, not including special initiatives, a total request in the neighborhood of \$500 million would be the result. Table 3 reflects the entire capital budget request from the campuses of the University of Illinois.

Table 3
FY 2009 Capital Budget Request
Summary by Campus
(Dollars in Thousands)

Campus Priority	University Priority	Urbana-Champaign	
1	1	Repair and Renovation	\$ 12,450.8
2	2	Lincoln Hall Remodeling	53,100.0
3	4	Electrical and Computer Engineering Building	42,000.0
4	10	Disability Research, Resources & Educ. Srv. Bldg	50,000.0
5	5	Integrated Bioprocessing & Research Lab	18,900.0
6		Burrill Hall Renovations	35,000.0
7		Natural History Building	62,700.0
8		Repairs to UIUC Electrical Distribution System	19,200.0
9		FAA Library/ Stock Pavilion	35,000.0
		Total	\$ 328,350.8
		Chicago	
1	1	Repair and Renovation	\$ 8,331.8
2	3	College of Medicine Rockford	14,250.0
3	6	Advanced Chemical Technologies Inflation	20,000.0
4	7	Dentistry Modernization/Code Compliance	20,000.0
5	9	Medical Sciences Building Modernization	21,600.0
6		Advanced Pharmaceutical Research Pavilion	71,280.0
7		Stevenson Hall Classroom Modernization	20,840.0
		Total	\$ 176,301.8
		Springfield	
1	1	Repair and Renovation	\$ 687.4
2	8	Public Safety Building	2,500.0
3		Brookens Library Renovation	8,000.0
4		Repair Campus Buildings	2,000.0
5		Campus Infrastructure Improvements	3,000.0
		Total	\$ 16,187.4

The first priority is a \$21,470,000 Repair and Renovation request, which is comprised of 9 projects at the Urbana-Champaign campus, 4 projects at the Chicago campus and 2 projects at the Springfield 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 \$53,100,000 to complete a major remodeling of Lincoln Hall, one of the signature buildings on the Urbana-Champaign quadrangle. Planning funds of \$5 million have been released from appropriations in FY 2004 and FY 2006.

The third 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 to enhance their National Center for Rural Health program.

The fourth priority is a State private match seeking \$42,000,000 from the state and \$30,000,000 from other 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 from a FY 2006 appropriation.

The fifth priority seeks \$18,900,000 to construct the Integrated Bioprocessing and Research Lab on the South Farms at the Urbana-Champaign campus. Planning funds of \$1.9 million for this project have already been released.

The sixth 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 seventh priority provides \$20,000,000 to modernize the Dentistry Building and correct code compliance deficiencies in the building.

The eighth priority seeks \$2,500,000 for the Springfield campus to construct a Public Safety Building on campus.

The ninth priority seeks \$21,600,000 to rehabilitate the Medical Sciences Building at the Chicago campus.

The tenth priority seeks \$50,000,000 for a Disability Research, Resources and Education Services Building on the Urbana-Champaign campus helping them to remain at the forefront in serving students with disabilities.

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

Table 4
FY 2009 Combined Capital Budget Request
Summary by Category and Campus
(Dollars in Thousands)

<u>Category</u>	<u>Urbana-Champaign</u>	<u>Chicago</u>	<u>Springfield</u>	<u>Total</u>
Building, Additions, and/or Structure	\$110,900.0	\$34,250.0	\$2,500.0	\$147,650.0
Land Acquisition				0.0
Utilities				0.0
Remodeling	65,550.8	49,931.8	687.4	116,170.0
Site Improvements				0.0
Planning				0.0
	<u>\$176,450.8</u>	<u>\$84,181.8</u>	<u>\$3,187.4</u>	<u>\$263,820.0</u>

Table 5
FY 2009 Combined Capital Budget Request
Future Funding Implications
(Dollars in Thousands)

Priority	Project	Category	FY 2009 Request	FY 2010 Cost	Cost for 2011 and Beyond
1	Repair and Renovation	Remodeling	\$21,470		
2	Lincoln Hall Remodeling	Remodeling	53,100		
3	College of Medicine Rockford	Building	14,250		
4	Electrical and Computer Engineering Bldg	Building	42,000		\$20,000
5	Integrated Bioprocessing & Research Lab	Building	18,900		
6	Advanced Chemical Technologies Inflation	Building	20,000		
7	Dentistry Modernization/Code Compliance	Remodeling	20,000		
8	Public Safety Building	Building	2,500		
9	Medical Sciences Building Modernization	Remodeling	21,600		
10	Disability Research, Res. & Educ. Srv. Bldg	Building	50,000		

CAPITAL REQUESTS



PRIORITIES

(\$263,820,000)

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 15 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

Urbana-Champaign Projects	Amount
Art & Design Building, Instructional Labs	\$2,000,000
Freer Hall, Remodel Gym 311 into Office Space	1,200,000
Main Library, Technical Service Consolidation	1,600,000
Veterinary Medicine, Large Animal Clinic Remodel	2,000,000
Education Building, Phase IV Remodel	1,200,400
Life Safety Corrections, Armory-Foellinger-Huff	2,295,000
Foreign Languages Building, Replace Plaza Deck	800,000
Speech and Hearing Lab, Renovate Speech and Language Clinic	300,000
Medical Sciences Building, Renovate Instructional Labs	1,055,400
Total	\$12,450,800
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

Priority 2:**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 released. The request for the Lincoln Hall Remodel totals \$53,100,000 in this FY 2009 Capital Request.

Priority 3:**▶ 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. 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 4:**▶ Electrical and Computer Engineering Building \$42,000,000 – Urbana**

Funded with matching gifts of \$30,000,000 this \$75,000,000 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 2009 request at \$42,000,000.

Priority 5:



Integrated Bioprocessing and Research Laboratory \$18,900,000 – Urbana

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 Laboratory. This facility will enhance research on value-added products and will be an interdisciplinary program with several departments across campus involved. The Integrated Bioprocessing Research Laboratory will provide a flexible bio-refinery to conduct multi-disciplinary research on new and better processes to convert a broad variety of biobased feedstocks into higher value added products such as food, feed, energy, polymers, agrochemicals, fibers, plastics and industrial feed stocks. The 50,000 square foot facility will be designed to meet research and programmatic needs in the most efficient way and at a minimum, the project will earn enough rating system points to be certified as a LEED Silver Building (an environmentally friendly structure). This project has received planning funds in the amount \$1.9 million as part of the Governor's Economic Development Program. An additional \$1.2 million has been provided by Illinois Clean Energy Community Foundation (ICECF) to supplement LEED certification. The ICECF invests in clean energy

development and land preservation efforts working with communities and residents to improve environmental quality in Illinois.

Priority 6:**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 nasf 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 7:**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 2009 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 8:



Public Safety Building \$2,500,000 – Springfield

Funding is requested to replace the current Public Safety facility on the Springfield campus. The building was constructed in 1941 with additions in the mid 1970s and mid 1990s. As the campus has grown it has magnified the need for a new facility to adequately meet the public safety needs of the campus community. The new Public Safety Building will alleviate the current cramped and inefficient conditions. The new facility will include a two-car sally port; holding area; dispatch office; lobby; offices; shower/locker; and interview, squad, DUI, evidence storage and report writing rooms. The new facility will improve the flow of traffic into and out of the building and create a safer environment for all constituents on campus. Additionally, construction of a new facility will allow the UIS Police Department to comply with the requirements of the Commission on the Accreditation of Law Enforcement Agencies.

Priority 9:



Medical Sciences Building Modernization \$21,600,000 – 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 was

constructed in 1962. 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.

Priority10: ► **Disability Research, Resources & Education Services Building \$50,000,000 – Urbana**

The College of Applied Health Sciences is comprised of three academic units, the departments of Kinesiology and Community Health: Recreation, Sport and Tourism: and Speech and Hearing Science – and one service unit, the Division of Disability Resources and Educational Services (DRES). DRES has been a pioneer in post-secondary educational access for persons with disabilities for over half a century. As the nation's first program in post-secondary disability support services, DRES programs and services continue to reach far beyond legal mandates, making it one of the prominent programs of its kind.

DRES programs are housed in the basement and first floor of the Rehabilitation Education Center. The campus facilities condition audit shows just over \$2 million in deficiencies largely concentrated in the mechanical, electrical and plumbing systems. Unfortunately, while the original building plan has remained fixed the numbers of students requiring the services has grown exponentially. In addition to the significant maintenance needs, the building no longer meets current services needs in design and capacity as the facility was built to accommodate less than 200 students. Currently the facility serves approximately 1,000 students with current projections for an additional 100% increase in the next 10 years.

Space assigned in support of DRES activities is significantly deficient from what is needed. Estimated deficiencies for the service program are approximately 37,200 nasf, research and educational programs by 10,000 nasf and the competitive sport program is deficient by 41,600 nasf. Vertical expansion of the existing building is not possible and other options for additions to the current building could only

provide a maximum of 10,000 nasf. A new 70,000 nasf facility will address DRES's basic service program needs, enhance specialized academic support services, provide research and educational space. The request for the Disability Research, Resources and Education Services Building totals \$50 million.

REPAIR AND RENOVATION PROJECT

DESCRIPTIONS

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

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.

Freer Hall, Remodel Gym 311 into Office Space – \$1,200,000

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.

Main Library, Technical Services Consolidation – \$1,600,000

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, (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. This work focused on wards 1 and 2 in the Large Animal Clinic. In FY 2007 the College funded a feasibility study to identify the most urgent needs of the remaining portions of the

building. 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.

Education Building Remodel, Phase IV – \$1,200,400

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

Armory, Foellinger Auditorium, Huff Hall Life Safety Deficiency Corrections – \$2,295,000

The proposed project will address priority life safety deficiencies as noted in the facility audit for the three UIUC campus buildings with large classroom usage and high occupant loads during special events. The three structures identified for this project are the Armory, Foellinger Auditorium and Huff Hall. The specific factors considered in the selection of these three structures are as follow:

- Armory: This building has 29 general campus classrooms with more than 690 hours of classroom use and 20,994 total student contact hours each semester in FY 2006. It also provides indoor track facilities for the public.
- Foellinger Auditorium: This building's auditorium is the largest general campus classroom on campus with 1,750 seats. It is also frequently used for lectures and other special events.

- Huff Hall: This building hosts Big Ten volleyball and wrestling events as well as academic classes, with a gymnasium seating capacity of 4,500 persons.

The scope of work includes developing a design for fire suppression, fire alarms, existing provisions, emergency lighting and exit signage in priority areas of the buildings as applicable to be constructed at a later date. The designs will be consistent with the fundamental principals of life safety as identified by the National Fire Protection Association (NFPA) in its publication the Life Safety Code Handbook.

Upon implementation, these improvements will enhance the life safety levels for users of each structure by the early notification of the building occupants of the presence of fire, limiting the expansion of a fire event, and providing a code-compliant exit rout for them to quickly and safely leave the building. Planning funds were released for this project in FY 2007 and design is underway.

Foreign Languages Building, Replace Plaza Deck – \$800,000

The existing plaza deck also serves as a roof over a series of basement class rooms and offices. Multiple leaks throughout the deck are very difficult to repair due to the nature of the system. This causes architectural and in some cases structural damage throughout the basement area. This project has been scheduled several times and has been cancelled due to other priorities throughout campus.

This project is to remove the existing bricks, sand and vapor deck down to the structural deck over the entire 20,000 sq. ft. area. A new rubberized asphalt system will be installed over the deck with a new drainage and walkway system installed on top.

Speech and Hearing Building, Renovate Speech and Language Clinic – \$300,000

Most of the faculty in the College of Applied Life Studies occupies space in dated facilities that is completely inadequate for faculty research programs. The Speech-Language Clinic will be vacating the Speech and Hearing Building. This project will remodel clinic interview rooms and observation room into modern laboratory space. Other laboratory space will also be renovated to upgrade electrical service

and provide fume hoods for several labs, converting Speech Clinic space into quality research space.

Medical Science Building, Renovation of Instructional Labs – \$1,055,400

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

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

**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 five 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.