FY 2018
BUDGET REQUEST

FOR
OPERATING
AND
CAPITAL FUNDS

PREPARED FOR THE
BOARD OF TRUSTEES
NOVEMBER 10, 2016

UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN • CHICAGO • SPRINGFIELD

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UNIVERSITY OF ILLINOIS
Urbana-Champaign • Chicago • Springfield

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

Timothy L. Killeen
President

November 10, 2016

Dear Colleagues:

The attached documents outline the fiscal year 2018 appropriations and capital requests to support the University of Illinois system, the state's largest educator with more than 81,000 students enrolled this fall across its three universities in Urbana-Champaign, Chicago and Springfield.

Our appropriations request seeks to restore full-year funding for the first time since fiscal year 2015, while funding for capital projects would be the first since fiscal year 2010. The proposals are detailed in the pages that follow, but here is a brief overview:

- Annual appropriation: Our request for $662.1 million matches the original funding level approved for fiscal year 2015 and is critical to support a world-class academic, research and health-care enterprise that employs more than 24,000 people and produces over 20,000 new graduates every year.
- Capital: Our request for $414.4 million seeks to address only the most critical priorities at our three universities. The greatest need is funding for repair and renovation, which would enable us to whittle away a backlog of projects that has grown in recent years with no capital funding from the state.

Since its founding nearly 150 years ago as one of the nation's original land-grant universities, the University of Illinois has flourished in partnership with the state of Illinois. The state's financial support has helped make the U of I a globally recognized leader in education, research and public engagement. With restored state funding, we can ensure that our rich legacy of service to students, economic growth and the public good continues for generations to come.

Thank you for your consideration and for your dedicated service to the people of Illinois.

Sincerely,

Timothy L. Killeen

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BACKGROUND AND CONTEXT

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Overview

Higher education in the United States is uniquely positioned to help the nation face some of its most pressing issues. Through its various economic, social and intellectual outcomes, higher education is the key to a vibrant economy and society. President Obama has acknowledged higher education's role in the country's future by setting a goal of having the world's largest share of college graduates by 2020. Great public universities across the United States with their vast enrollments, research discoveries, health and outreach services and other functions have never been more important to the nation's future. The University of Illinois is one such institution that will continue to have a significant impact in the state, nation and across the globe.

The University of Illinois: World-class University, statewide impact.

The University of Illinois System is uniquely diverse, consisting of a traditional flagship university, an urban university, a hospital and health sciences system and a small liberal arts university in the state's capital. The Urbana-Champaign, Chicago and Springfield universities all perform their traditional teaching and learning missions well, serving constituents throughout the state. Each university also has distinct research strengths: Urbana with its science, agriculture, cutting-edge technology, engineering and interdisciplinary projects; Chicago with its medical, health professions and urban research initiatives; and Springfield with its public policy, political and media strengths.

The greatest challenge faced by the University of Illinois is one of maintaining the highest standards of quality while at the same time keeping access affordable. This same challenge can be found at public institutions across the country. In many states, the challenge has been exacerbated by a weakened economy and mounting pressures on state budgets. This document represents a budget plan for FY 2018 that will help the University of Illinois address this challenge and ensure that we continue to achieve our most important goals.

The University of Illinois has remained exceptionally productive in the face of its challenges, enrolling over 81,000 students and producing 20,900 graduates in 600 degree programs annually. More than 8,500 students annually earn University of

Illinois advanced degrees—master's degrees, MBAs, law degrees, health discipline degrees, veterinary medicine degrees and doctorates—from the three universities.

In addition to enrolling students from all over the state, the University of Illinois also makes a statewide impact through its Cooperative Extension and health care services. Cooperative Extension, based at UIUC's College of Agriculture, Consumer and Environmental Sciences (ACES), offers educational programs in every county in the state. Programs fit into five broad areas: healthy society; food security and safety; environmental stewardship; sustainable and profitable food production and marketing systems; and enhancing youth, family and community well-being.

The University of Illinois is making a difference every day in every one of Illinois' counties.

The University also provides health services to a large number of Illinois citizens. In FY 2016, the University of Illinois Hospital & Health Sciences System (UI Health), through its hospital and outpatient clinics, provided over 500,000 patient visits in Chicago–many to low-income and underserved patients. Each of the UIC health sciences colleges educate Illinois' future healthcare professionals and is deeply embedded in the state's overall health care effort. The UIC College of Nursing has six regional campuses throughout the State: Chicago, Peoria, Quad Cities, Rockford, Springfield and Urbana. The College of Medicine in Rockford boasts a National Center for Rural Health Professions, dedicated to the study, understanding and dissemination of information on the special health and wellness needs of rural citizens. Additionally, the College of Pharmacy has established a regional campus in Rockford, allowing pharmacy students with rural backgrounds to collaborate with medical students to address the health care needs of rural Illinois communities. These programs complement UIC's urban emphasis.

In FY 2016, the University's research efforts produced 380 technology disclosures, 103 patents and 100 licenses and options to commercialize new technologies. Some of these innovations will become the products, industries and job-creating companies of the future. In FY 2016, the University of Illinois licensed 13 start-up companies and business incubation facilities at Urbana-Champaign and Chicago house more than 100 companies.

Appropriately for a university located in a state capital, the University of Illinois at Springfield brings a living-laboratory approach to the public policy and politics that dominate the city. Many of UIS's faculty and staff have long ties to state government and media and function as policy experts and media contacts throughout the state and beyond. The University of Illinois also houses the Institute of Government and Public Affairs (IGPA) with policy and political experts at all three universities.

The Illinois Fire Service Institute at UIUC offers on-campus and online instruction and certifications for the state's fire fighters. Courses offering college credits range from fire-fighting basics to rescue techniques to homeland security and weapons of mass destruction response. In 2015, the Illinois Fire Service Institute provided training to more than 66,900 firefighter students from all 102 counties–training that translates into lives saved and property damage minimized throughout the state.

The University of Illinois employs over 29,300 FTE and provides an annual direct and indirect economic impact of $13.9 billion. This economic impact is associated with 175,000 jobs. The university spends over $5.6 billion on payroll, supplies and services. For every dollar the State of Illinois contributes to the University of Illinois an additional $17 is infused into the state's economy.

The University of Illinois is a dynamic treasure for our State because of the transforming power of education in people's lives.

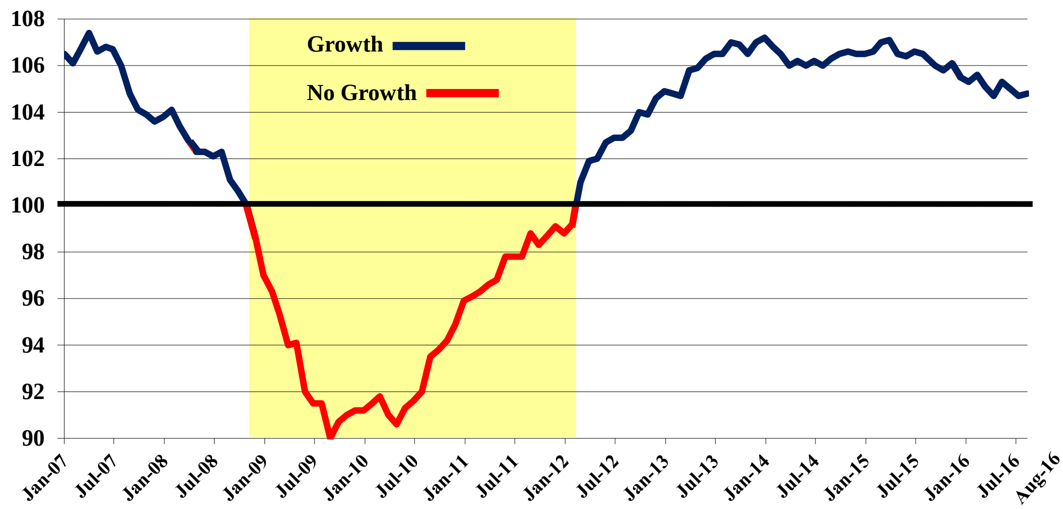
The University of Illinois is a treasure for our state and its people. But it is a dynamic treasure, seeking to transform lives through the power of education in an ever-changing environment and for an increasingly diverse population. Ultimately the greatest impact of the University of Illinois is on the lives of students. They learn in our classrooms, interact with our faculty, study in our libraries and laboratories and graduate to make their own contributions to society. In the face of new technologies and the forces of globalization, a high quality education is more important today than ever before, enabling people to achieve their dreams and change their economic conditions. University of Illinois students help build our society, shape our culture and fuel our economy. They are the engaged and informed citizens on whom our democracy depends. The University of Illinois is also a dynamic treasure because of the original knowledge that it produces and disseminates. This knowledge is the foundation of the new economy. It is responsible for new industries that put people to work.

As evidenced by its broad scope of impacts, the University of Illinois makes a difference in the prosperity and quality of life of thousands of Illinoisans every day. Many of these constituents care deeply about the state of the university and its future. Stewardship requires that the university's stakeholders–from trustees, administrators and faculty to students, alumni and taxpayers–share an unshakable commitment to the value and the values of public higher education and particularly to the University of Illinois.

ECONOMIC ENVIRONMENT

The context in which the University of Illinois is requesting funding is important. The past decade has been a challenging one for the state as measured by the Institute of Government and Public Affairs' "Flash Index" in Figure 1.

Figure 1
U of I Flash Index

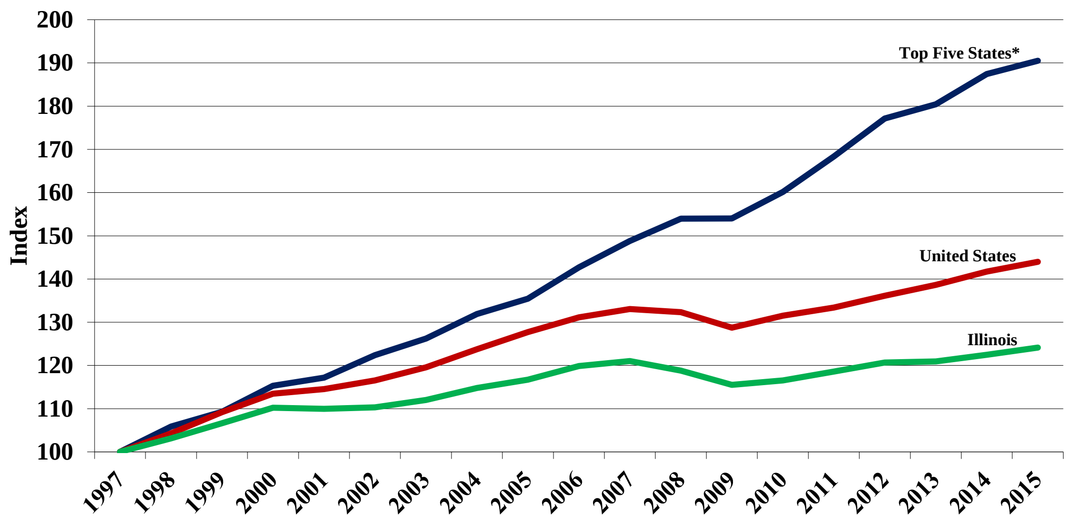


Source: IGPA, U of I.

In 2008 the nation and state began an economic downturn that has been termed the "Great Recession," the deepest and most prolonged economic downturn since World War II. The Flash Index has been relatively steady in recent years. Despite modest decreases to-date in 2016, the Flash Index still indicates continued economic growth in Illinois.

However, even before the "Great Recession," Illinois' economic growth rate was lower than the national average. State employment has also lagged the national average; manufacturing employment is 34% below 2000 levels; and although overall employment increased from 2004 to 2008, we still have not recovered from a sharp decline in 2009. As shown in Figure 2, trends for the last decade show that Illinois' Gross Domestic Product has significantly underperformed compared to the national average. Illinois was even further behind the top five states. While it is possible that this trend will reverse, there is little evidence of it happening.

Figure 2
Change in Real Gross Domestic Product by State
1997 – 2015



*Average of top five performing states.
Source: U.S. Bureau of Economic Analysis

In addition to weak economic growth, the state has also faced another major fiscal challenge in the form of unfunded pension obligations. The state's five public pension systems had unfunded liabilities of over $111 billion at the end of FY 2015 and were estimated to have an asset-to-liability ratio of under 41.9%. Unfunded liabilities have accumulated primarily as a result of under-funding from the state for several decades. In March 2010, the General Assembly passed major pension reform legislation that significantly reduced benefits for new state employees. Even with these changes, state payments to the retirement system increased significantly between FY 2011 and FY 2015.

In December 2013, the General Assembly passed SB1, which reduced benefits for current employees. Reductions in state contributions to the pension systems resulting from this legislation were estimated to be $1.2 billion in FY 2016. However, in May 2015, the Illinois Supreme Court struck down the legislation. The uncertainty surrounding the pension reforms not only has important implications for the state's budget outlook, but it also creates unique challenges for the University of Illinois and its efforts to attract and retain world-class faculty and staff.

Illinois' personal and corporate income tax rates also contribute to uncertainty in the state's budget outlook. In January 2011, the state legislature passed an increase in the personal income tax from 3.0% to 5.0% and an increase from 4.8% to 7.0% in the corporate income tax rate. This legislation, which also included budgetary spending limits, had a partial sunset provision for 2015. The sunset of the tax rate increases led to mid-year rescissions in FY 2015 and has led to a larger state budget hole for FY 2016. See Addendum I for more retirement information.

THE BUDGET FRAMEWORK

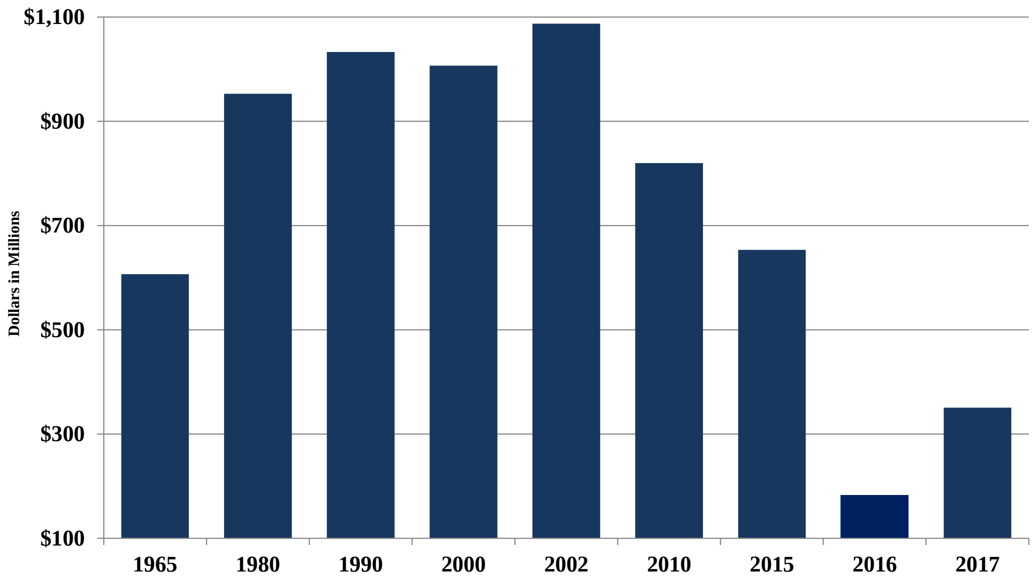
Redirection of existing resources to meet high priority funding needs is an integral and ongoing part of the University's annual budget process.

The University of Illinois has faced a harsher financial environment in recent years than at any time in the last half century. In FY 2015, the original state appropriation to the University of Illinois from general revenue funds was $662.1 million for day-to-day operations. This figure included $16.8 million for the Prairie Research Institute (State Scientific Surveys). Along with student tuition, these funds pay most faculty and staff salaries and wages; heat, cool and light our buildings; put books in the libraries; and equip classrooms and instructional labs. These funds are the foundation for our central missions of teaching, research, public service and economic development.

In FY 2016, public institutions operated over half of the fiscal year with no state appropriation. While higher education institutions have been dealing with delayed payments for a number of years, the impasse in FY 2016 presented a new set of challenges. Institutional leaders, students, faculty and staff faced an unprecedented level of uncertainty in funding levels. A "stopgap" appropriation was finally passed in May 2016, and the University of Illinois received $180 million. This stopgap amount for FY 2016 represented only 27.8% of final FY 2015 state support.

Through the challenges in recent years, university administrators and faculty have worked closely with the Board of Trustees to address key issues of resource management, administrative reorganization, tuition and financial aid policies. Even as education is often cited among the state's highest budget priorities, an examination of direct state tax appropriations as shown in Figure 3 reveals that the University of Illinois' share of the state budget today is well below its position prior to the income tax increase of 1989-1990.

Figure 3
University of Illinois
Direct State Tax Support
(In FY 2017 Estimated CPI Dollars)



Footnote: FY 1965 does not include UIS, all other years include UIS. FY 2002 and FY 2015 at original appropriation amount. FY 2010, FY 2015, and FY 2017 include transfer of State Surveys; FY 2010 and FY 2015 exclude health insurance redirection.

As historical perspective, the economic environment and outlook for state revenues changed dramatically in FY 2002. 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. In addition, consecutive years of mid-year rescissions totaled more than $75 million. Spending authority was again reduced mid-year in FY 2009 by $18.6 million. Although FY 2010 appropriations restored the FY 2009 mid-year cut (with support from federal stimulus funds of $45.5 million), the university's budget was reduced $46.4 million (6.2%) in FY 2011 when federal stimulus funding expired, $8 million (1.1%) in FY 2012, $42.5 million (6.2%) in FY 2013 and $1.4 million in FY 2015. An additional $14.9 million mid-year reduction was enacted for FY 2015.

This totaled over $113 million in cuts over the five-year span. But these historical cuts are dwarfed by the single year, $467 million cut that was realized in FY 2016 with the stopgap budget.

In addition to these direct reductions, the university has faced annual redirection of funds for health insurance, unavoidable increases in expenses, including Medicare payments, utility costs, legal liability costs, operations and maintenance for new buildings and contractual agreements. Reductions, redirections and unavoidable expenses have totaled over $1 billion over the last decade. Even with tuition increases, these reductions have placed extreme stress on the university. Since FY 2002, the university has lost nearly $2.9 billion in cumulative state spending authority. Given these realities, the university has worked hard to become more efficient and sustain quality. Principles were articulated to guide budget reduction decisions. The funds from these reallocations were used to protect core missions of the university. The impact is felt now and will be for years to come.

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. The effects of these reductions may be serious and long-lasting. Our ability to compete and sustain quality could be severely strained. At a time in which student demand is strong and the economic value of a college degree is growing, further budget cuts threaten the ability of Illinois' higher education system to fulfill its mission and meet the expectations of policy makers and the general public about the quality, scope and scale of programs.

Since FY 2009, the state's fiscal health has further been challenged by a cash flow crisis. With only the stopgap appropriation in FY 2016, the backlog of unpaid state vouchers was less of an issue this past fiscal year, but public institutions have been impacted as the state has been unable to make payments in a timely manner in recent years. The university has recognized the importance of addressing budget requirements via multiple sources and it is clear that the most important sources of budget strength remain state tax dollars and tuition revenues.

The University of Illinois has done what it can to manage this crisis by enacting measures to save resources and postpone payments as long as possible. However, ongoing financial commitments must be met. Without timely funding of our appropriations, we will be forced to take even more drastic actions that will diminish the educational opportunities of our students and our service to the people of Illinois. Still, no amount of cutting and sacrifice can make up for the absence of state appropriation payments. Direct state support now represents less than one-fourth of the university's total operating budget, but in combination with tuition revenue, represents virtually the entire funding for instructional programs. The University of Illinois cannot sustain, let alone enhance, its quality without a firm foundation of strong and reliable state support.

The university's budgeting process is further complicated by the "Truth in Tuition" Act that was signed into law in 2003. The purpose of the legislation was to help students and families plan for college by providing certainty on tuition costs. Guaranteed tuition applies to all undergraduate students enrolled in a baccalaureate degree program at the University of Illinois or one of the other nine public universities in the state. The plan treats every undergraduate student as part of a cohort defined by the date of entry to the university and each cohort is guaranteed an unchanged tuition schedule for four years.

In spring 2011, the legislature also passed a bill that mandates the introduction of performance based funding for the state's public higher education institutions. The Illinois Board of Higher Education (IBHE) was tasked with developing this new budgeting system. A steering committee that was assembled in July 2011 identified the key metrics and proposed a funding model that was first implemented into the FY 2013 budget. During the FY 2016 and FY 2017 budget cycles, IBHE developed performance funding metrics; however, they did not appear to be used in the stopgap and bridge appropriations. It is not known at this time how or to what extent performance funding will be used in the future.

Through budget uncertainty and complexity, attention has understandably 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 assess the long-term impact of these cuts. Illinois' ability to compete effectively in an information-age economy depends on a healthy, vibrant and robust system of higher education.

FY 2017 BUDGET OUTCOMES

On June 30, 2016, the legislature passed a "bridge" budget for FY 2017, intended to fund public universities through December 31st. The University of Illinois received $350.1 million in the FY 2017 bridge budget, which is 54.2% of the final FY 2015 appropriation. While the bridge budget provides some stability for the first 6 months of the fiscal year, it is inadequate to fund the University for the entire year. The University of Illinois and the state's other public universities will need the legislature to appropriate additional funding for the remainder of the fiscal year. To further alleviate the concerns associated with appropriation uncertainty, it would greatly benefit the University to return to a budget process in FY 2018 and beyond that included stable and appropriate levels of funding approved prior to the beginning of the fiscal year.

Tuition revenues will increase modestly in FY 2017 with the incoming cohort of students paying a higher rate than the graduating cohort, even with a tuition freeze for incoming students. Cohort-specific tuition rates result from Illinois' guaranteed tuition law. In addition, it is expected that additional internal reallocations will be redirected in FY 2017. Continued internal reallocations will allow the university to address its most pressing needs.

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

A $31 billion state capital budget was passed in FY 2010. It funded the first new capital projects since FY 2003. The capital bill included projects at all three universities as well as repair and renovation funding for existing facilities. Several of those projects from the FY 2010 bill have been completed although there are still projects in the balance. The aforementioned "bridge" budget passed on June 30, 2016 did include reappropriations for the Integrated Bioprocessing Lab at Urbana, the Dentistry Modernization at Chicago and various smaller repair and renovation projects. However, not included in the bill were reappropriations for the Public Safety Building at Springfield, the Advanced Chemical Technologies Building at Chicago and the remaining repair and renovation projects.

The following tables and figures illustrate the changes in funding that higher education has experienced in the recent past. The state faces many legal mandates and entitlements that require increased funding now and in the future. In short, there are more priorities for state funding than available resources. The result has been limited available funds for direct appropriations to public universities. Table 1 illustrates that the budget share for higher education has dropped substantially in recent decades.

In the past three decades, budget shares for other human and 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 2000, this relationship had changed dramatically, and although the major human service agencies have seen reductions in recent years, higher education continues to see declines.

Higher education tax appropriation increases have lagged those of the major social and human services since FY 2000, after accounting for inflation.

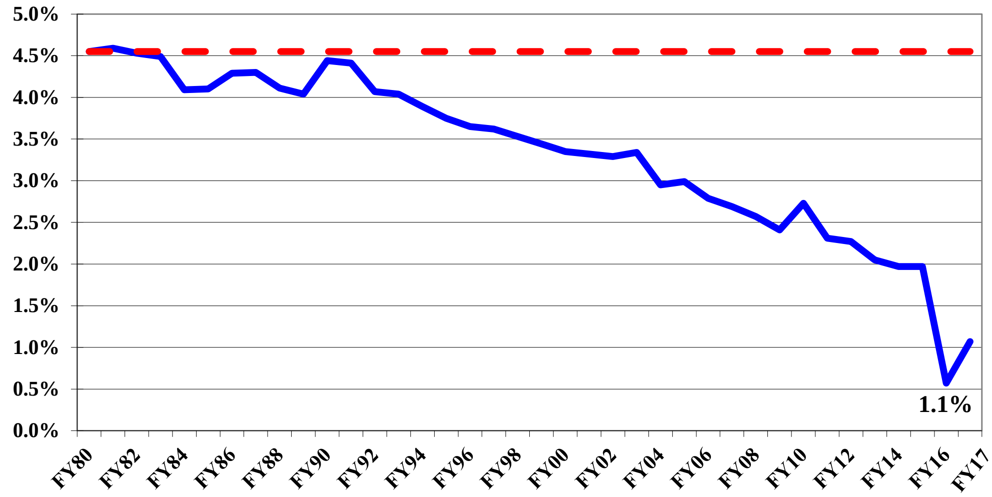
Table 1
State of Illinois General Tax Appropriations
(Percent Share of the Total)

Year	Elementary/ Secondary	Higher Education	DCFS, Human Services, & Corrections	DHFS	All Other
1980	28.8%	12.9%	10.7%	33.8%	13.7%
1989	24.9%	12.0%	12.3%	31.5%	19.3%
1990	26.7%	13.1%	12.9%	30.7%	16.6%
2005	30.0%	9.6%	24.8%	22.1%	13.5%
2010	31.3%	8.3%	22.6%	23.2%	14.6%
2011	31.8%	9.4%	20.4%	22.2%	16.2%
2012	31.6%	9.5%	18.5%	23.0%	17.4%
2013	30.8%	10.5%	17.6%	22.2%	18.9%
2014	32.4%	10.3%	16.4%	23.1%	17.8%
2015	32.8%	10.6%	17.4%	21.2%	18.0%
2016*	32.9%	9.3%	16.4%	23.6%	17.8%
2017*	32.0%	9.1%	17.6%	25.5%	15.8%

Note: FY10 - FY11 include the allocation of pension bonds for comparison purposes.
*FY 2016 Estimated Expenditures and FY 2017 Recommended Appropriation
from FY 2017 Governor's Budget Book. Full Appropriations not enacted for FY 2016 and FY 2017.

As a result of higher education's declining share of general tax appropriations, Figure 4 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%.

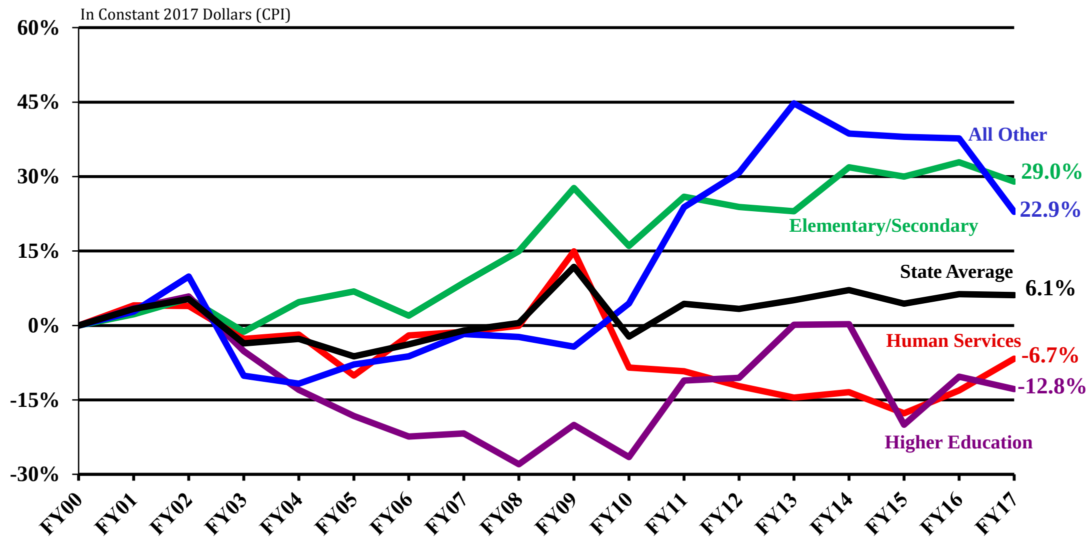
Figure 4
University of Illinois
Share of State Tax Appropriations



Note: FY02-FY15 exclude $45 million in payments to CMS from Universities for Health Insurance.
FY09-FY17 excludes transfer of State Scientific Surveys.

Changes in tax support among state agencies are further demonstrated by the trends shown in Figure 5, which illustrate tax funding shifts for state agencies since FY 2000 after appropriations are adjusted for inflation. Elementary/secondary education has experienced a large boost in recent years while Higher Education continues to lag the state average.

Figure 5
State Tax Appropriations Changes by Agency

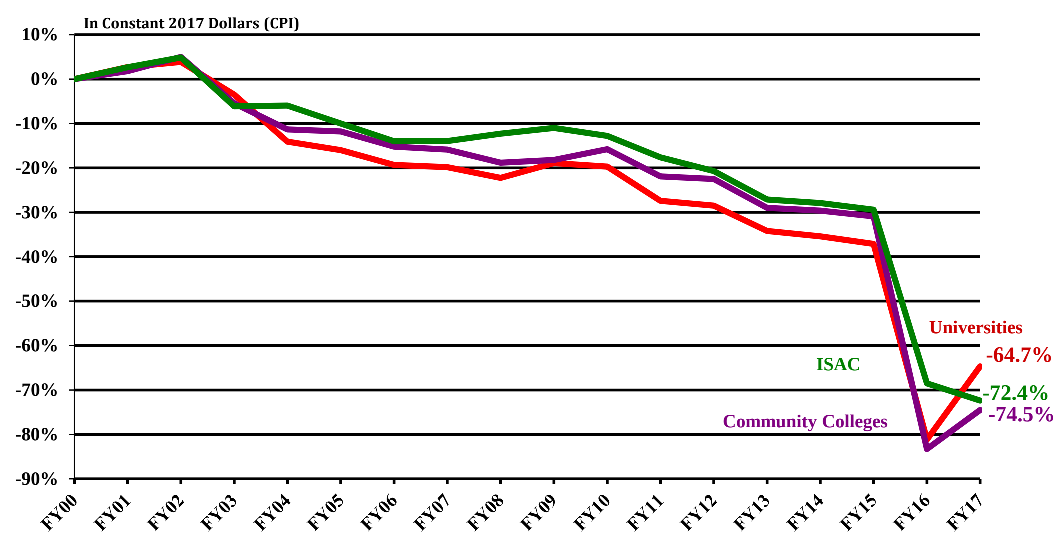


Note: FY02 - FY17 exclude $45 million from higher education for Health Insurance payment to CMS; Health Insurance funding moved from DHFS back to CMS in FY12; FY04-FY12 adjusted to reflect the change. FY13-FY17 higher education includes budget for state surveys. FY 2017 based on Governor's budget as Introduced. FY 2016 reflects Estimated Expenditures.

Unfortunately, higher education has seen the gains from the late 1990s and early 2000s completely eroded. Tax support has varied dramatically within the four largest segments of the higher education budget, (Community Colleges, ISAC, SURS and Universities) three of which are shown in Figure 6, again adjusted for inflation.

Within the higher education budget, appropriations for SURS have captured a significant share of the funding since FY 2000 after accounting for inflation.

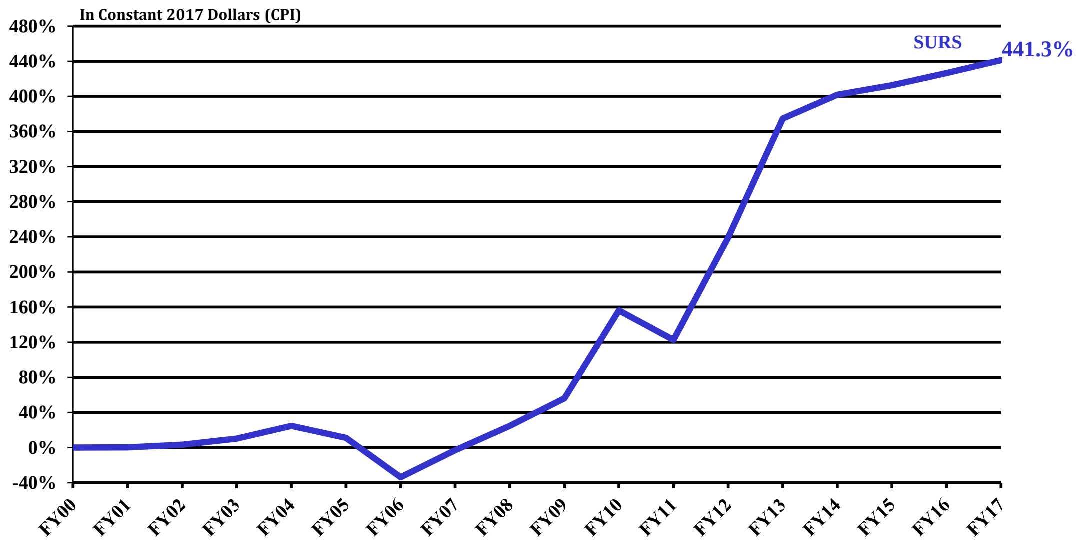
Figure 6
Cumulative Change in State Tax Appropriations by Selected Higher Education Sector



Note: FY02 - FY15 exclude $45 million from higher education for Health Insurance payment to CMS. SURS: FY05 - FY17 include State Pension Fund; FY10 & FY11 SURS includes full funding from pension bonds. FY13-FY17 higher education includes funding for state surveys. FY 2017 based on Bridge Appropriation.

The most significant factor within the four largest segments of the higher education budget (Community Colleges, ISAC, SURS and Universities) is the dramatic growth in State Universities Retirement System (SURS) funding between FY 2000 and FY 2017 when adjusted for inflation as shown in Figure 7.

Figure 7
Cumulative Change in State Tax Appropriation for State Universities Retirement System (SURS)



Note: FY02 - FY15 exclude $45 million from higher education for Health Insurance payment to CMS. SURS: FY05 - FY17 include State Pension Fund; FY10 & FY11 SURS includes full funding from pension bonds. FY13-FY17 higher education includes funding for state surveys. FY 2017 based on Bridge Appropriation.

Responding to legislation setting out a multi-year plan to bring SURS support in line with its obligations to employees, SURS received a significant and 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, has posed a severe challenge to the state for the past decade.

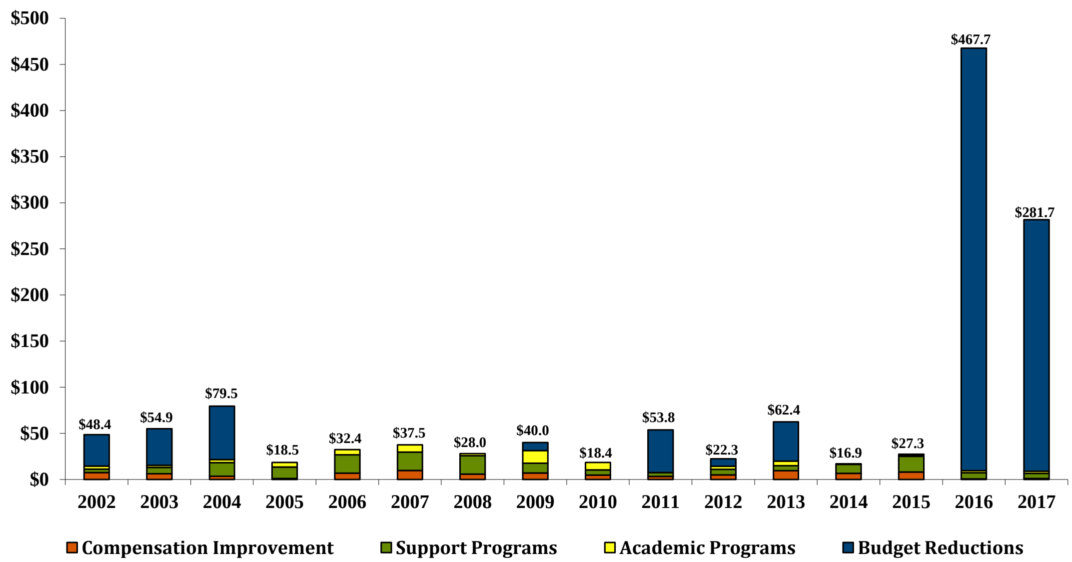
BUDGET TRENDS IN PERSPECTIVE: REALLOCATION

For the University of Illinois, the early 1990s brought diminished direct 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 that include redirection of existing resources as an integral component augmenting tax and tuition support.

The University's reallocation efforts are often focused on gaining efficiencies in its administrative services.

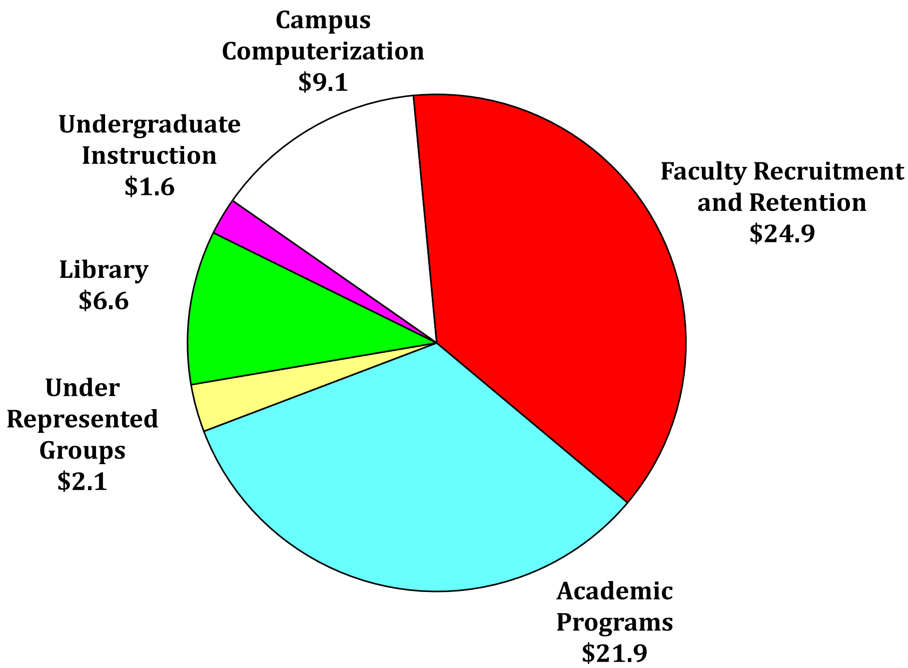
As has already been emphasized, the university responded to its decline in budget share primarily through a comprehensive review of academic and support programs and priorities with a corresponding reallocation of existing funds. Figure 8 illustrates the size of the reallocations accomplished annually since FY 2000 and identifies the principal uses of reallocations each year.

Figure 8
Uses of Reallocated Funds
FY 2002 to FY 2017
(Dollars in Millions)



Among academic program reallocations, faculty recruitment, retention efforts and academic programs have received the largest percentage of funds from the reallocation pool, including special salary initiatives, laboratory remodeling and upgrades, equipment purchases and other improvements. As reflected in Figure 9, library initiatives, recruitment of underrepresented groups and campus computerization efforts round out the major categories of program reallocations.

Figure 9
Reallocation for Academic Programs
FY 2002 to FY 2017
(Dollars in Millions)



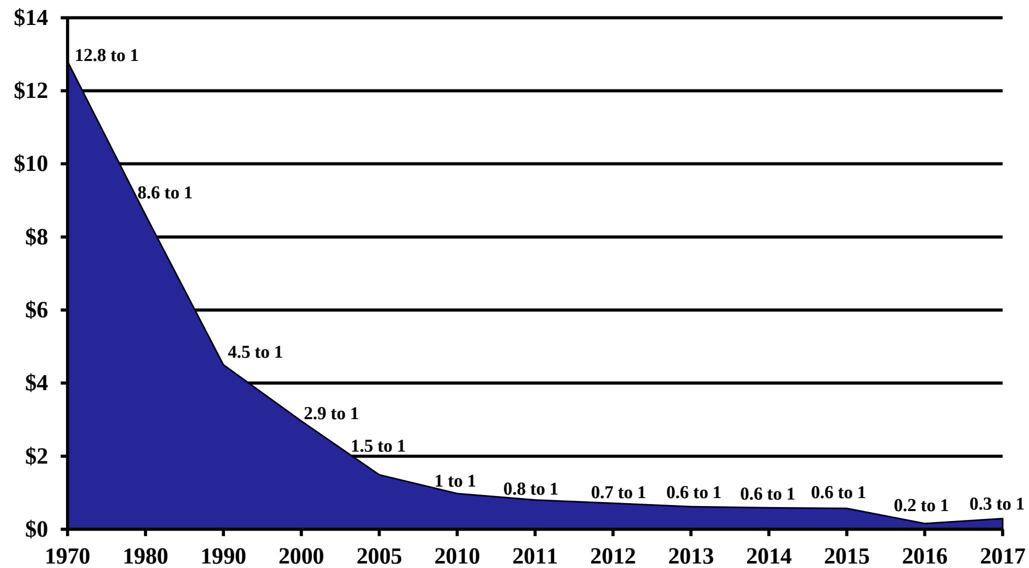
The university's reallocation efforts are often focused on gaining efficiencies in its administrative services. In FY 2009 and FY 2010, the university embarked on a three-year plan to reduce administrative costs by $15.05 million, half within University Administration and the other half spread across the three universities.

It should be understood, however, that investments in administrative services will still be required in order to improve business processes, meet compliance and regulatory requirements and respond to needs of new academic initiatives. Going forward, the fiscal pressures on the university resulting from reduced state appropriations and cost increases will be substantial and impossible to manage without a more disciplined approach to allocating resources and setting priorities for investments.

BUDGET TRENDS IN PERSPECTIVE: TUITION

Since FY 1980, tuition revenue has become a much more visible component of the university's total appropriated funds budget as students and their families have been asked to share the burden of offsetting declining state support. In the 1990s, however, general tuition increases remained at approximately the level of the consumer price index. As illustrated in Figure 10, over forty-six years ago the university received more than $12 in direct state tax support for each dollar of tuition revenue it collected from students.

Figure 10
Direct State Support per Tuition Dollar
FY 1970 to FY 2017



FY09 - FY15 exclude survey transfer and survey spec appropriation lines. FY02-15 excludes health insurance re-direction to CMS. FY16 excludes survey specific appropriation lines and no adjustment for CMS. FY17 excludes survey specific appropriations but includes full bridge funding (no adjustment for CMS).

UNIVERSITY STRATEGIC FRAMEWORK

In May 2016, the University of Illinois Board of Trustees approved a Strategic Framework that will serve as a roadmap for the University's future. The framework, titled "The public's university: Optimizing impact for the public good," sets collective priorities of the University of Illinois System and each of its three universities. The Framework pledges to organize University resources around four strategic pillars:

I. An Institution of and for Our *Students*

Our world-class faculty, and the many staff members who support them, are entrusted with critical and enormously rewarding responsibilities to: expand our students' understanding of life and work; equip them to be civic-minded, resourceful problem-solvers; broaden their appreciation of culture, history and the arts; and prepare them to leave our institution ready to contribute to society. The success of the University of Illinois System in fulfilling this commitment can be seen in the lives of our nearly 700,000 alumni around the world. They are members of local school boards and heads of state; they are small business owners and lead central banks of some of the world's largest economies; they teach our children and care for those who are ill and vulnerable; they open up our perspectives with their inventiveness and creativity.

II. Research and Scholarship with Global *Impact*

The University of Illinois System is a powerhouse of discovery, problem solving, innovation and creative production. We have given the world the graphical web browser that led to exponential growth in Internet use; created an affordable, accessible treatment for multidrug-resistant HIV that has saved countless lives worldwide; and exonerated the wrongly convicted and imprisoned through our Innocence Project. The awards our scholars have won, their reputation in professional academies and the recognition accorded them worldwide affirm the excellence and power of the System's people and ideas.

III. A Healthy Future for *Illinois* and the Midwest

As The Public's University, we are committed to serving the people and industries across Illinois. We already provide pathways for transformation and opportunity by virtue of our academic excellence and our role as a major healthcare provider. But as the state's economy and demographics continue to change, the University of Illinois System's approach to economic development must evolve as well. At the same time, we have the opportunity to take on a leadership role among other Midwestern institutions in reinvigorating the region's economy, making it an international magnet for investment and talent.

IV. Tomorrow's University *Today*

The traditional models of public higher education are being challenged as never before. State funding has become more uncertain at just the time that more is being expected of public universities. The higher education marketplace has become more competitive and more global. Policy makers and public officials as well as students and families are raising serious and appropriate questions about the escalating cost of college, unacceptable levels of student debt, the readiness of graduates to enter a rapidly changing workplace and the management practices employed at every level of the academic enterprise. It is our duty as the University of Illinois System to offer the best possible return on investment for all our stakeholders and to ensure that we are efficient, competitive and constantly improving. In doing this, we must aggressively promote our reputation as a leading global brand in higher education and a preeminent destination for the world's best students and scholars.

For more information on each of these pillars and the overall strategic planning process at the University, visit the Strategic Framework website here: https://www.uillinois.edu/strategic_framework.

SUMMARY OF THE FY 2018 BUDGET REQUEST

The university's FY 2018 operating budget request is to restore core state support to original FY 2015 appropriation levels, $662.1 million, in order to protect our in-state students, guarantee our overall academic competitiveness and aid the State in economic development.

We continue to strategically reassess the scope of our academic programs and search for opportunities to consolidate or even reduce offerings. In the process, we must protect our core land-grant missions of teaching, research, public service and economic development, including clinical care. We must also remain competitive for faculty, staff and students; maintain essential services, but eliminate duplicate and lower priority activities; consolidate and share services and resources; make efficient use of facilities; and take other steps necessary to sustain the university's quality and continuity of operations.

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 core missions of teaching, research, public service and economic development.

Medicaid Support–
UI Health System

MEDICAID SUPPORT – UI HEALTH SYSTEM

($25,000,000)

Overview

The University of Illinois Hospital and Health Sciences System (UI Health), through its hospital, clinics and seven health sciences colleges is a significant contributor to the healthcare needs of the state of Illinois. Through its partnerships with government, industry, community organizations and other academic institutions throughout the state, UI Health fosters economic growth and collaboration by leveraging University and regional strengths. In addition to delivering direct patient care, the system serves as a laboratory where tomorrow's healthcare professionals are trained and where cutting edge health research is conducted. In order to ensure that every citizen of Illinois has access to world-class healthcare and to grow the capacity to produce skilled providers to meet the healthcare needs of the State and nation, the University is requesting additional support.

UI Health is the only state-owned health care provider in Illinois, with over 500,000 patient visits annually, treating some of the state's most vulnerable populations. The health system has a history of providing innovative and state-of-the-art procedures. It was one of the first hospitals in the Chicago area to offer minimally invasive technology for treating brain aneurysms and it was one of the first institutions in the nation to perform a robotic-assisted surgery.

The UI Health System is also marked by its excellence in health education, research and training. UI Health emphasizes translating scientific discoveries into better health for the people of Illinois, such as new medications and treatments that are now part of standard clinical practice. The seven health sciences colleges collectively generate over $150 million in federal research funding annually. In Illinois, one in three pharmacists, more than 40 percent of dentists, 20 percent of nurses and one in six physicians are graduates of the University of Illinois. The UIC College of Medicine is the largest and one of the most diverse medical schools in the nation and trains approximately 2,200 medical students. Physicians trained at the UIC College of Medicine, the largest medical school in the country, practice in nearly every Illinois county.

UI Health currently faces significant challenges in meeting the healthcare needs of the state. The Patient Protection and Affordable Care Act (ACA) significantly increased the number of people with access to health services, including more than 600,000 Illinois residents who newly enrolled in Medicaid. Providing high quality care to these patients–some of whom are highly vulnerable and many of whom struggle to access care elsewhere–is a core part of our mission and more UI Health patients are enrolled in Medicaid than in any other type of insurance. We request financial support to ensure adequate, high quality care for this vulnerable population.

Recurring State support of $25 million per year is being requested to be used to reimburse UI Health for hospital and pharmacy services, reimburse practitioners employed by UI Health and to secure federal matching funds for Medicaid as a result of services provided by UI Health.

CAPITAL BUDGET REQUEST FOR FY 2018

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 several fiscal years with a limited capital budget appropriation.

Consistent and steady funding patterns are supremely important to maintain the physical plant. Fiscal year 2010 did see a budget approved by the Governor and General Assembly which provided a capital appropriation to the University that included funds for repair and renovation. However, the recent budget freeze on capital has impacted several repair and renovation projects contributing to the inconsistent funding pattern that has only exacerbated 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 again placed the repair and renovation request of $60 million at the top of the capital request list. Along with that request the University continues to utilize the Academic Facilities Fund Assessment coupled with prior issues of Certificates of Participation in order to jump start the reduction of deferred maintenance 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.

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 $20 million to $85 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 are now an integral part 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 may have a few 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 decade of capital budgets has been disappointing. The FY 2010 capital appropriation did, however, provide some hope as several University projects were appropriated and released and those projects are now complete including: Lincoln Hall Remodeling, Electrical and Computer Engineering, College of Medicine Rockford, along with funding for the NCSA Petascale project. Other projects from FY 2010 that were released and then frozen as part of the budget impasse include Integrated Bioprocessing Research Lab (IBRL) at Urbana-Champaign, Dentistry Modernization and the original FY 2003 appropriation of the Advanced Chemical Technology Building at Chicago, and the Public Safety Building in Springfield. With this past summer's stop gap funding bill, the IBRL and Dentistry projects were re-released but the hold on the Advanced Chemical Technologies Building and Public Safety Building serve as a reminder of the unsteady and unreliable funding pattern as it further complicates the capital delivery process for the universities.

Table 1
History of Recent Capital Budget Actions
FY 2012 to FY 2017 Governor's Level
(Dollars in Thousands)

	FY 2012*	FY 2013*	FY 2014**	FY 2015**	FY 2016**	FY 2017**
Campus Requests						
Urbana-Champaign	$219,100.0	$210,600.0	$191,000.0	$196,000.0	$206,000.0	$269,894.0
Chicago	234,200.0	252,000.0	200,000.0	179,200.0	187,000.0	223,000.0
Springfield	53,400.0	53,400.0	55,950.0	57,400.0	59,100.0	60,600.0
TOTAL	$506,700.0	$516,000.0	$446,950.0	$432,600.0	$452,100.0	$553,494.0
IBHE Recommendations						
Urbana-Champaign	$177,311.7	$168,811.7	$138,445.7	$139,626.0	$151,000.0	$161,794.0
Chicago	166,836.0	178,636.0	179,636.0	181,504.0	157,000.0	140,000.0
Springfield	54,845.6	54,845.6	57,395.6	58,912.0	59,100.0	60,600.0
TOTAL	$398,993.3	$402,293.3	$375,477.3	$380,042.0	$367,100.0	$362,394.0
Regular Capital Appropriations						
Urbana-Champaign	$64,329.1	$39,626.7	$0.0	$0.0	$0.0	$0.0
Chicago	86,047.6	26,517.3	0.0	0.0	0.0	0.0
Springfield	3,551.6	2,187.7	0.0	0.0	0.0	0.0
TOTAL	$153,928.3	$68,331.7	$0.0	$0.0	$0.0	$0.0
TOTAL APPROPRIATION	$153,928.3	$68,331.7	$0.0	$0.0	$0.0	$0.0

* Funding recommended by Governor but not approved or passed by General Assembly.
** No new funding recommended by Governor or passed by General Assembly.

SUMMARY OF FY 2018 PRIORITIES

($414,439,000)

Overview

The University's FY 2018 Capital Budget Request consists of 6 priorities at a total cost of $414,439,000 as shown in Table 2. This list represents a smaller, but no less important, overall request for critical capital funding reflecting the universities' highest priorities for capital development.

Table 2
FY 2018 Combined Capital Budget Request
Summary by Priority
(Dollars in Thousands)

Priority	Project	Urbana	Chicago	Springfield	Total
1	Repair and Renovation	$ 33,600	$ 24,000	$ 2,400	$ 60,000
2	Art & Design Renovation/Addition	64,860			64,860
3	Advanced Pharmaceutical Innovation Institute Ph I		150,000		150,000
4	Altgeld/Illini Hall Renovation	43,000			43,000
5	Feed Mill Replacement	14,000			14,000
6	STEM Building			82,579	82,579
		$ 155,460	$ 174,000	$ 84,979	$ 414,439

The first priority is a $60,000,000 Repair and Renovation request, which is comprised of seven projects at the University of Illinois at Urbana-Champaign, two projects at the University of Illinois at Chicago and two projects at the University of Illinois at Springfield. These projects, while not large enough to compete with major remodeling requests, represent a significant, 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 system. 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 $64,860,000 as part of a larger effort to rehabilitate and add space to the Art and Design Building at the University of Illinois at Urbana-Champaign.

The third priority seeks $150,000,000 for the University of Illinois at Chicago to create a unique research engine with construction of the Advanced Pharmaceutical Innovation Institute.

The fourth priority seeks $43,000,000 for the University of Illinois at Urbana-Champaign campus to renovate Altgeld/Illini Halls.

The fifth priority requests $14,000,000 to construct a new Feed Mill Building at the University of Illinois at Urbana-Champaign.

The sixth priority seeks $82,579,000 to build a new STEM Building for the University of Illinois at Springfield.

Table 3 lists the FY 2018 capital budget request by category.

Table 3
FY 2018 Combined Capital Budget Request
Summary by Category and Campus
(Dollars in Thousands)

Category	Urbana-Champaign	Chicago	Springfield	TOTAL
Building, Additions, and/or Structure	$ 14,000	$150,000	$ 82,579	$246,579
Land Acquisition				
Utilities				
Remodeling	141,460	24,000	$ 2,400	167,860
Site Improvements				
Planning				
	$155,460	$174,000	$ 84,979	$414,439

PRIORITIES

($414,439,000)

Priority 1:

Repair and Renovation $60,000,000 – All

As in past years, the University's top priority is focused on annual repair and renovation as shown in Table 4.

Table 4
Repair and Renovation Projects by Campus

Urbana-Champaign Projects	Amount
Architecture Building, HVAC & Window Upgrades	$ 10,200,000
Huff Hall, HVAC Upgrades	3,500,000
Material Sciences and Engineering Building, Renovation Ph. III	5,500,000
Morrill Hall, Infrastructure Phase II	3,000,000
National Soybean Research Center, HVAC & Lab Remodeling Phase I	1,400,000
Talbot Lab, Infrastructure Repairs	5,000,000
Transportation Building, Envelope Repairs	5,000,000
TOTAL	**$ 33,600,000**

Chicago Projects	Amount
Science and Engineering South, Envelope and Life Safety Upgrades	$ 17,500,000
College of Medicine East Tower, Facade Repairs	6,500,000
TOTAL	**$ 24,000,000**

Springfield Projects	Amount
Campus Service Drives and Walkways, Repairs	$ 1,400,000
Campus Buildings, Roof Repairs	$ 1,000,000
TOTAL	**$ 2,400,000**

Attention to annual repair and renovation ensures that projects will not slip and fall into the deferred maintenance category. A total of $60,000,000 is requested for 11 projects. Detailed descriptions of these projects are found in the Repair and Renovation project descriptions, following this Priorities section.

Priority 2:

Art and Design Renovation/Addition $64,860,000 – Urbana

Built in the late 1950s, the Art and Design Building has undergone only minor repairs and upgrades. The current condition of the building reflects the wear and tear of 60+ years of continuous use as an administrative, teaching, and research facility. It suffers from general fatigue and deterioration of comfort and visual quality. Also during this time, requirements of the School's disciplines have undergone dramatic change, creating entirely new functional demands which were unimagined when the building was conceived. New program and equipment needs have rendered the original space configuration outmoded, inefficient and ill-suited to their original purposes. This project will renovate and upgrade the existing facility and provide an addition to consolidate all functions, activities, and programs into one facility. Total project budget is $64,860,000 being requested from the state.

Priority 3:

Advanced Pharmaceutical and Innovation Institute $150,000,000 – Chicago

The University of Illinois at Chicago is requesting funds to construct a new 250,000 square foot building adjacent and connected to the 1954 College of Pharmacy building. The vision for the Advanced Pharmaceutical and Innovation Institute will be to create an interactive environment employing interdisciplinary and multidisciplinary teams to address fundamental biological and biomedical questions. This Institute will facilitate a new model for commercializing basic findings and innovative therapies with international leaders in the pharmaceutical and healthcare industry. The new facility will: provide new opportunities for innovation in drug discovery, pharmaceutical product development and personalized medicine; provide state-of-the-art space for contemporary biomedical research which requires intense collaborations across different campus disciplines with investigators having unique and specialized skills; develop a transformative center of research excellence housed in cutting-edge core facilities that will benefit the entire Institution Drive growth as a major economic engine for the State of Illinois. The University of Illinois Hospital & Health Sciences System (UI Health) continues to be a significant resource for healthcare innovation within the State of Illinois which includes partnerships such as the Prior Authorization for State Medical Programs and the Medication Review Program. The Advanced Pharmaceutical and Innovation Institute will create new jobs and develop new healthcare products and discoveries that will create a significant economic impact for the State of Illinois. The construction of this building will allow the expansion of the University's top-ranked research programs.

The College of Pharmacy is consistently ranked among the top five colleges nationally, and the College of Medicine is one of the nation's largest and most diverse medical schools. Total project is estimated at $200,000,000 with $150,000,000 requested from the state at this time.

Priority 4:

Altgeld/Illini Hall Renovation $43,000,000 – Urbana

A comprehensive renovation is desired for historic Altgeld Hall and the 2nd and 3rd floors of Illini Hall. These spaces serve the Departments of Mathematics and Statistics, the Mathematics Library, and the campus classrooms in Altgeld Hall. The project will restore Altgeld and Illini Halls to a level consistent with a world class academic enterprise. The classrooms must be improved, the library refurbished, and departmental offices, computer labs and common areas require comprehensive modernizations. Many ancillary, but essential, infrastructural elements such as heating, cooling, data technology, roofing, masonry, flooring and windows must be brought up to modern standards for occupant comfort, safety and progressive instructional practices. Landscaping will be addressed, as will many deferred maintenance elements that have been identified in the campus wide facilities condition audit. Total project budget is $90,000,000 with $43,000,000 being requested from the state.

Priority 5:

Feed Mill Replacement $14,000,000 – Urbana

The Department of Animal Sciences is world renowned for equipping future leaders in animal production and feed manufacturing industries. This would not be possible without the cornerstone of their nutrition program, the Feed Processing Facility and Service Unit. This facility will not only support our world-renowned graduate programs in animal nutrition, but it will also enhance our ongoing partnerships with the feed, grain and biofuel industries, and offer opportunities to enhance educational programs in feed milling and processing. The proposed Feed Processing Facility is critical to the future training of graduate students in animal nutrition and management. Graduates with this training are in high demand at this time. The continuation of these training programs is critical to the development of future professionals to meet the needs of the feed manufacturing and animal production industries. Total project cost for this project is $14,000,000 requested from the State.

Priority 6:

STEM Building $82,579,000 – Springfield

According to the 2015-16 Annual Report of the Illinois Science and Technology Institute, seven of the top ten fastest-growing occupations in Illinois are Science, Technology, Engineering, and Mathematics (STEM) related. In the coming decade, professional STEM-related jobs in Illinois (including the healthcare professions) are projected to grow 60% faster than the U.S. average. As STEM fields have become more important for the Illinois economy they are also important for the colleges that produce those skill sets and expertise. This demand has served to increase the computer science majors at Springfield over 500% in the last decade and is directly related to creation of new majors such as Cybersecurity, Data Analytics, Environmental Science, and Biochemistry. UIS has also partnered with the UIC College of Nursing and Memorial Health System in Springfield to offer a Bachelor of Science in Nursing (BSN) to meet increasing demands from the local healthcare field, one of the largest employment sectors in Sangamon County.

As the campus continues to grow and add new programs in these areas of study, there is an acute need for more specialized space for these units and a larger and more integrated footprint for the programs to collaborate. Currently the Springfield campus has a 25-year-old building designated the Health Science Building which houses the departments of Allied Health, Chemistry, and Biology as well as the University's Information Technology Services Center. Additionally, Computer Science, Environmental Science with its GIS lab, and Mathematics are in three separate buildings–none of which provide ideal facilities for these disciplines. STEM-focused facilities are designed to spur collaboration and interdisciplinary learning. STEM teaching methodologies require flexible classrooms, team-based and active learning studios and collaborative spaces and laboratories that enable project-based experiments. The new STEM facility will allow UIS to cluster STEM related programs in one location, providing specialized state-of-the-art laboratories and flexible spaces fostering interdisciplinary work of the highest quality.

Programs/departments to be housed in the new academic building include: Computer Science, Mathematics, Chemistry, Biology, Allied Health, and Environmental Studies. The new building estimated at 130,200 square feet will include laboratories and collaborative spaces for existing sciences programs but also specialized laboratories for Cyber and Homeland Security, Computer Forensics, Data Analytics, Cyber Innovation, Intelligent Machines and Systems, Game Programming, Robotics, Biochemistry, and Kinesiology. Having these units in one facility will not only increase synergies, especially as many of the programs are interrelated and offer joint degrees, but will allow new opportunities for collaboration with partners both on and off campus. The request of $82,579,000 in funding for this project is critical to supporting the continued growth of UIS in STEM related areas and aids in their commitment to producing programs that serve the local and state economy in cutting edge technologies.

REPAIR AND RENOVATION PROJECT DESCRIPTIONS

Urbana-Champaign Projects ($33,600,000)

Architecture Building, HVAC & Window Upgrades $10,200,000

The Architecture Building, built in 1926, is currently highly energy inefficient and a constant drain on maintenance resources. This project is an opportunity to significantly improve student and faculty comfort, stabilize building function, and advance sustainability on campus by connecting the facility to central chilled water, upgrading ventilation systems and replacing single paned windows. This project will introduce up to date controlled environment throughout the building and significantly reduce energy consumption.

Huff Hall, HVAC Upgrades $3,500,000

George Huff Hall, built in 1924 with major additions in 1926 and 2010, has areas within the building currently served by deficient mechanical systems. This project would address each of these deficiencies prioritized as follows:

1) The gymnasium is currently exhausted with large fans that create major negative pressure issues throughout the building. This project would add make-up air units to relieve that negative pressure;

2) Offices on the east and west of the original building have original windows and window air conditioners. This project would replace windows and provide new air handling units for heating, ventilation and air conditioning. The existing perimeter heating system would also be considered for potential replacement;

3) Room 300 (aka. the wrestling room) on the third floor of the 1926 addition does not have air conditioning which causes issues to the air conditioned office areas adjacent to this room. This project would add a new air handling unit to service this area.

Material Sciences and Engineering Building, Renovation Phase III $5,500,000

The Materials Science and Engineering Building (MSEB) was built in 1908 for the Physics department and at one time was also known as the Metallurgy and Mining Building. Today, MSEB is occupied by the Department of Materials Science and Engineering. MSEB contains approximately 102,521 gross square feet on five levels, with approximately 61,304 net assignable square feet. Material Science is assigned 46,949 of assignable space in the building. Recent remodeling phases have addressed main corridors and research labs in select areas of the building. In this phase we will remodel approximately 9,500 square feet of research, office, and mechanical space. This includes the unfinished center portion of the fourth floor which will be mechanical space, the entire south side of the third floor and the first floor northeast wing.

Morrill Hall, Infrastructure Phase II $3,000,000

Aged air handling units and associated components primarily serving the fourth, fifth and sixth floors of the west portion of the building and select components in the east portion of the building will be replaced. This project includes heat recovery and modifications to the air distribution system. Electrical switchgear, transformer, distribution panel boards, and antiquated wiring systems and other electrical components will be replaced. Fume hoods in poor condition will be replaced.

National Soybean Research Center, HVAC and Lab Remodeling Phase I $1,400,000

The focus of this project is modernization and energy efficiency elements for two areas of National Soybean Research Center. Work includes remodeling of a class room, research laboratories, support areas and office spaces which support soybean research activities. All rooms in the remodeled space need to be connected to a central air handling unit since no HVAC is currently provided in these areas. The project would also replace select windows with energy efficient units and life safety components would be installed.

Talbot Lab, Infrastructure Repairs $5,000,000

Chilled water is to be distributed throughout Talbot Lab. This infrastructure project will prepare selected areas of Talbot Laboratory for campus chilled water usage. Air handlers, ductwork and other components are to be installed. Window air conditioners are to be removed. Single paned metal windows are to be replaced with energy efficient aluminum double-pane units. This project will also include installation of a sprinkler system to comply with life safety provisions.

Transportation Building, Envelope Repairs $5,000,000

This project will address identified deficiencies in the Transportation Building. Included are the repairs or replacement of the slate roof, windows, gutters, downspouts, tuckpointing of masonry surfaces, replacement of exterior doors and hardware and other miscellaneous exterior repairs. Installation of a new air handling system with DDC controls and connection to the campus chilled water loop are also included in this project.

Chicago Projects ($24,000,000)

<u>Science and Engineering South, Envelope and Life Safety Upgrades $17,500,000</u>

Science and Engineering South (SES) was built in 1968 as part of the original East Side construction. The 456,000 gross square foot building is among the most heavily utilized academic buildings on the campus when measuring credits hours of instruction and quantity of space (square feet) dedicated to sponsored research activities. Unfortunately, SES is among the plethora of buildings constructed in the 1960s which all have building systems requiring replacement at once. Even though it is one of the most productive academic facilities on campus, it has an estimated facility condition of critical. Due to the size, complexity and utilization of SES, it is not feasible to be replaced and must therefore be recapitalized.

The campus has invested heavily in the building's mechanical systems and has included it in a multi-building $65 million Energy Conservation Project which is currently overhauling its mechanical systems–air handlers, exhaust fans, fume hoods. Once completed, it will take the building's facility condition to poor. Despite these major investments in this crucial facility, several deficiencies exist. The building lacks a fire sprinkler system, despite having a high concentration of research and teaching laboratories utilizing volatile chemicals. Furthermore, the building facade is severely deteriorated. A 2009 facade assessment estimated the repair construction costs at over $35 million. Since then, the campus has implemented a $4 million project in immediate facade repairs to address the most urgent requirements. This repair and renovation will upgrade the fire alarm system in the building and repair the building facade.

<u>College of Medicine East Tower, Facade Repairs $6,500,000</u>

The College of Medicine East Tower is an academic facility built in 1931. It has an estimated condition index of 0.21, indicating it is in poor condition. The 189,314 gross square foot building supports academic, research and clinical activities for the College of Medicine and the College of Applied Health Sciences. The facility is connected to the College of Medicine West Tower and College of Medicine West, forming a large complex of health sciences facilities. Combined, this complex is physically connected to another complex of health sciences facilities, including the Medical Sciences Building, College of Medicine Research Building, Clinical Sciences Building, Neuropsychiatric Institute, and several others.

In the past several years, over $15 million have been invested in repairing the facades of this complex of buildings. The repairs have been needed to ensure the integrity of the building envelope systems and to prevent water infiltration. A series of 2004 reports prepared by an independent engineering firm identified a multitude of facade deficiencies requiring repair. This $6.5 million project is the final phase in the effort to complete major repairs to the facades of the College of Medicine Complex and to ensure the integrity of the building envelope systems.

Springfield Projects ($2,400,000)

Campus Service Drives and Walkways, Repairs $1,400,000

Many of the campus service drives and interior roadways throughout campus are severely degraded and in need of replacement. This project will provide for the resurfacing of these internal campus roads with asphalt overlay along with paving of the maintenance yard and central receiving areas with concrete. Many sidewalks throughout the older east side of campus are damaged from the normal wear patterns in the Midwest with cracked, heaving or crumbled concrete. This project will repair those areas with deteriorated sidewalks and provide a safe path of transit for visitors, faculty and staff with new sidewalks. Related site work associated with those projects will be included with this project.

Campus Buildings, Roof Repairs $1,000,000

Several roofs on campus buildings are in need of repair as they have developed tears or soft spots over time and have outlived their useful life. The single ply fully adhered EPDM roofing membrane will be replaced along with the thermal and moisture protective insulation and associated roofing system materials. There are two one story buildings that will be repaired as part of this project; Human Resources Building and the Health and Sciences Building.

FY 2018 BUDGET REQUEST ADDENDA

ADDENDUM I

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 rarely achieved and, in effect, part of the State's obligation to cover the legacy costs of current and past 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. But from FY 1982 through FY 1994 annual funding dropped significantly below the "gross payout" level. While these reductions were seen as necessary to prevent deeper cuts in current operating funds, the State was in effect borrowing against the future pension obligations.

In FY 1995, there was significant movement towards an improved level of retirement funding. Public Act (PA) 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. 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, based on strong investment returns.

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.

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 strong investment performance 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.

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 in subsequent years. 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 was $340 million, FY 2009 was $450 million and FY 2010 was $708 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.

- 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 included a sunset provision to address exclusions such as overload work and certain promotions. Unfortunately, these exclusions expired on June 30, 2011 and the University no longer benefits from those exclusions.

- The Governor created an Advisory Commission on Pension.

Though pension systems invest for the long run, all have been greatly impacted by the historic declines in asset prices over recent years. The public pension systems of Illinois are no exception. The combination of long term underfunding and the historic drop in asset prices have created a long term concern regarding the stability of the Illinois pension systems.

Again faced with negative investment returns in FY 2009 which further escalated funding requirements and the continued ramp up in funding from PA 88-593, the Governor and General Assembly responded by passing legislation that fully funded the FY 2010 required pension contributions by issuing $3.5 billion in 5-year Pension Obligation Bonds. Governor Quinn also appointed a Pension Modernization Task Force which formed subcommittees and provided recommendations on investments, benefits and funding.

Under PA 88-593 there continued to be a ramp up in funding for the State's five retirement systems. This significant increase in employer contributions dramatically impacted the availability of State revenues for other purposes. On April 14, 2010, Governor Quinn signed (SB 1946) PA 96-0889 into law. It was one of the most substantial pension overhauls in the country, modifying most public pension systems other than Police and Fire funds. Of note, it created a two-tier pension system in which the required age to receive full annuity increased to 67–the highest teacher retirement age in the country–and the vesting period was raised to 10 years. The required age to receive a reduced annuity was modified to age 62 with 10 years of service; the reduction in benefit amounting to ½ of 1% for each month that the member's age is under 67. PA 96-0889 also caps maximum pensionable salary at $106,800 with grandfathering for those above. The new provisions named, as well as others outlined in Table 1, apply to all newly hired employees eligible to participate in any retirement system on or after January 1, 2011.

Table 1
PA 96-0889 – Applicable to SURS Participants

Provision	Current Members	New Members on or after January 1, 2011
Required Age and Service Years to Receive Full Annuity	Age 62 with 5 years of service, 55 with 8 years OR any age with 30 years	At age 67 with at least 10 years of service
Required Age and Service Years to Receive Reduced Annuity	If under 30 years of service, the annuity is reduced by ½% per month for each month that the member's age is under 60	At age 62 with 10 years of service. The pension would be reduced a ½% for each month the member is under the normal retirement age as provided by SSA
Average Final Salary Calculation	The average of the highest 52 consecutive pay periods of earnings in the last 10 years preceding retirement	The average highest 96 months of earnings in the last 10 years preceding retirement
Maximum Pensionable Earnings	IRS requires that pensionable earnings cannot exceed $265,000 in 2015 (for employees hired after 1/1/96)	Caps the average final salary used at $106,800; this amount automatically increases annually by 3% or by one-half of the increase in the Consumer Price Index-u, whichever is *lower*
Computation of the Surviving Spouse's Annuity	60% plus 1% per year of service of the annuity the deceased member had been receiving or would be entitled to receive on the date of death, maximum 85%.	66-2/3% of the annuity the deceased member had been receiving or would be entitled to receive on the date of death
Annuitant (Retiree and Surviving Spouse) COLA	3% of the annuity payable at the time of the increase	3% or one-half of the increase in the Consumer Price Index, whichever is *lower*, of the original annuity
Schedule for First Retiree Annuitant COLA	On the first of the month in which the anniversary of retirement occurred	The first of the month following the attainment of age 67 or the first anniversary of the commencement of the annuity, whichever is *later*
Schedule for First Spouse Annuitant COLA	First day of the calendar month in which there is an anniversary of the employee's retirement or date of death, whichever occurred first	January 1st occurring on or after the commencement of the spouse annuity if the member died after retirement. For the spouse of the member who died in service, January 1st occurring after the first anniversary of the commencement of the annuity.

With passage of PA 96-0889, contributions for FY 2011 were recertified and the funding required for the pension systems was reduced. PA 96-1497 was signed on January 14, 2011, and amended the General Obligation Bond Act to authorize an additional $3.7 billion in bonds for the purpose of making the state's Fiscal Year 2011 required contributions to the state retirement systems.

After years of underfunding by the employer (the State of Illinois) and issuing bonds for pension payments, the State did make a positive step by appropriating the full certified funding amounts for all five pension systems for FY 2012, FY 2013, FY 2014 and FY 2015 of $4.9 billion, $5.9 billion, $6.8 billion and $6.9 billion respectively. Without a FY 2016 or FY 2017 appropriation enacted for the Pension Systems, the state is statutorily required to fund the systems at the certified level of $7.6 billion for FY 2016 and $8.5 billion for FY 2017. The required state FY 2017 contribution for SURS, which is determined actuarially based on the System's June 30, 2015, fiscal year-end results, is $1,718.9 million. Although an estimated $47 million will be received by SURS from non-state funding sources, the remaining $1,671.9 million will come from the state's General Revenue Fund and the state's unclaimed property fund, which is called the State Pension Fund.

With continuing pressure to reduce state appropriations for this purpose, the General Assembly has proposed a number of major changes to the pensions for current employees under various bills introduced in the past four years. Both changes to benefits and shifting of the normal cost to universities and local school districts have been introduced. Although both chambers did individually pass pension bills with substantial changes, in the spring of 2013 the legislature ended that regular session without coming to a consensus. During the last week of spring 2013 session, both chambers voted to convene a pension conference committee charged with drafting a bipartisan bill addressing changes to the pension systems.

PENSION REFORM (PA98-0599)

In the November/December 2013 veto session, the legislature acted on the conference committee legislation by passing major pension reform for four of the five pension systems (excludes the Judges Retirement System). On December 5, 2013 the Governor signed the bill into law with PA98-0599 with an effective date of June 1, 2014. The following benefit changes were enacted for current Tier I employees (hired prior to January 1, 2011) and additional changes for new employees:

- **Automatic Annual Increase (COLA)**

1) Automatic annual increases on or after the effective date of the law are reduced to 3% of the lesser of

a) the total annuity payable at the time of the increase, including previously granted increased or
b) $1,000 multiplied by the number of years of creditable service upon which the annuity is based. The $1,000 multiplier will be increased by CPI-u each year beginning January 1, 2016.

2) Tier 1 actives will not be eligible to receive the following automatic annual increase:
   a) Age 50 or over [on the effective date of the law] - will not receive their 2nd automatic annual increase;
   b) Age 47 to 50 [on the effective date of the law] - will not receive their 2nd, 4th, or 6th automatic annual increase;
   c) Age 44 to 47 [on the effective date of the law] - will not receive their 2nd, 4th, 6th, or 8th automatic annual increase;
   d) Age 43 and under [on the effective date of the law] - will not receive their 2nd, 4th, 6th, 8th, or 10th automatic annual increase.

- **Normal Retirement Age**

1) Normal Retirement Ages are adjusted for those employees age 45 or younger on June 1, 2014 by 4 months (up to 60 months/5 years) for every year a member is under 46.

- **Pensionable Earnings Limitation**

1) Pensionable earnings shall not exceed the Tier 2 Wage Base (2011 Social Security wage base adjusted by ½ CPI).
2) Tier 1 participants that are receiving earnings exceeding the Tier 2 Wage Base as of the effective date are grandfathered and pensionable earnings are limited to the participant's rate of earnings as of the effective date of the law, or the expiration, renewal or amendment of a collective bargaining agreement that is in effect on the effective date of the law.

- **Tier 1 Employee Contribution Decrease**

1) Beginning July 1, 2014, Tier 1 employee contributions are decreased by 1% of earnings.

- **SURS and TRS Money Purchase Formula Changes**

1) Beginning in FY 2015, the annuity factors used to calculate money purchase benefits shall change to a new effective rate of interest.
2) The new effective rate of interest shall be equal to the 30-year US Treasury bond rate plus 75 basis points. The new effective rate of interest shall apply prospectively towards crediting interest to money purchase plan accounts, portable plan lump sum payouts, portable plan refunds, purchases of service credit, etc.
3) Changes to the money purchase conversion factors are applied prospectively, but members who retire after the effective date of the law are eligible to receive the money purchase benefit they were eligible to receive had they retired during the fiscal year preceding the effective date of the law or the money purchase benefit they are eligible to receive under the new formula, whichever is greater.

- **<u>Optional Defined Contribution Plan</u>**

1) An optional defined contribution will be made available to active Tier 1 employees. The plan is to be implemented by July 1, 2015, unless the plan is not qualified under the Internal Revenue Code. If the plan is not qualified by July 1, 2015, the plan shall be implemented upon being determined a qualified plan. No more than 5% of eligible employees may elect to participate in the plan.
2) Tier 1 employees participating in the DC plan will contribute at the same rate as other participants contribute under the DB plan.
3) Employer contributions shall be a minimum of 3% of pay up to the employer's normal cost for Tier I members in the DB plan.

- **<u>Unused Sick and Vacation Time- New Hires</u>**

1) Persons who first become participants on or after the effective date of the law are not eligible to convert unused sick and/or vacation days into service credit or have unused sick and/or vacation days used to enhance pensionable earnings.

- **<u>Prohibition of Non-Public Employers</u>**

1) Employers that are not defined as an employer under the SURS article shall be excluded from enrolling new employees in SURS. Those employees of such employers that are already SURS participants shall remain participants. The SURS Board of Trustees is given the authority to determine whether or not a person is an employee. SURS members shall not be eligible to receive service credit for a leave of absence for service with a teacher organization if that leave of absence begins on or after the effective date.

- **<u>State Funding</u>**

1) The State shall be required to adhere to a funding schedule that provides an annual contribution, beginning in FY 2015, equal to normal cost plus an amount that is sufficient to fund 100% of each system's liabilities by FY 2044. Normal cost contributions shall be determined under the entry age normal cost method beginning in FY 2016. In FY 2045 and each fiscal year thereafter, the State shall contribute an annual amount to maintain a funding status of 100%. Prior to this, the systems had been operating under the statutory funding program established by PA 88-593 since 1996. This funding program was designed to reach a 90% funding ratio by the end FY 2045.
2) Additional Pension Stabilization Fund Contributions– beginning in FY 2019, the 5 state retirement systems shall receive additional payments as debt service payments on existing Pension Obligation Bonds expire. The Pension Stabilization Fund will receive dedicated revenues that will be proportionately distributed to each system based on the systems proportional share of the State's total unfunded liabilities. In FY 2019, the Pension Stabilization Fund will receive $364 million. Beginning FY 2020, the Pension Stabilization Fund will receive $1 billion a year. The transfers will terminate at the end of FY 2045 or when each of the retirement systems has achieved 100% funding, whichever occurs first. The systems shall not include these contributions or

interest accrued on these contributions in calculations to determine required contributions until the system is 100% funded or FY 2045, whichever occurs first.

3) Additional supplemental payments- beginning in FY 2016, the 5 state retirement systems shall receive additional payments equal to 10% of the difference of what contributions would have been required had the reform not been enacted and required contributions under the reform. The systems shall not include these contributions or interest accrued on these contributions in calculations to determine required contributions until the system is 100% funded or FY 2045, whichever occurs first.

- **Funding Guarantee**

1) Beginning July 1, 2014, the State is obligated to properly fund the system. If the State fails to make a required payment, the Board of Trustees shall bring a mandamus action in the Illinois Supreme Court to compel the State to make the required payment. For purposes of this Section, the State waives its sovereign immunity. This payment mechanism will also apply to "Pension Stabilization Fund" payments. However, all such payments are subordinate to bonded debt obligations.

Prior to the June 1, 2014 effective date of the enacted changes, the court suspended implementation until lawsuits brought by unions, retirees and others challenging the constitutionality of the overhaul of the retirement systems. On May 8, 2015 the Supreme Court of the State of Illinois upheld the ruling by the Circuit Courts of Sangamon County and found the changes unconstitutional. The Governor and General Assembly continue to discuss changes to the pension system, however there have not been any new bills introduced to date.

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. While Illinois' pension funding ratio is one of the lowest in the nation, many other states are not changing their benefit structure significantly. Major changes in benefits could put the University of Illinois at a substantial disadvantage when recruiting faculty of national and international stature. While the University is a creation of the State, the market in which it operates is significantly different than state agencies. While the State continues to grapple with this major problem, the University is concerned about being able to maintain an overall competitive compensation package to recruit top faculty and staff.

ADDENDUM II

ENSURING ACCESS–FINANCIAL AID

Overview

The University of Illinois has a strong commitment to access for the people of Illinois whose taxes contribute substantially to the support of the University. To ensure full access for all qualified Illinois residents, regardless of their income level, the University assists students with a wide range of financial aid programs including grants and loans from federal, State and private sources; federal work study funds; and grants and loans from institutional resources. Over 31,300 U of I undergraduates received some form of gift assistance, the largest portion being need based financial aid. Financial aid is crucial for ensuring accessibility to students from families with limited means. A critical component of financial aid packages for Illinois residents is the Monetary Award Program (MAP) grants they receive from the Illinois Student Assistance Commission (ISAC). For many years the maximum MAP grant awarded to those students with greatest financial need was sufficient to cover the full tuition and mandatory fees at Illinois public universities. In FY 1996, tuition and mandatory fees at the Chicago and Urbana campuses of the University of Illinois first exceeded the maximum MAP award, and the University began supplementing MAP grants for these students to cover the difference.

Students and the University are more directly affected by changes in State and federally sponsored financial aid programs than ever before. Maximum award levels for Pell and MAP are shown in Table 2.

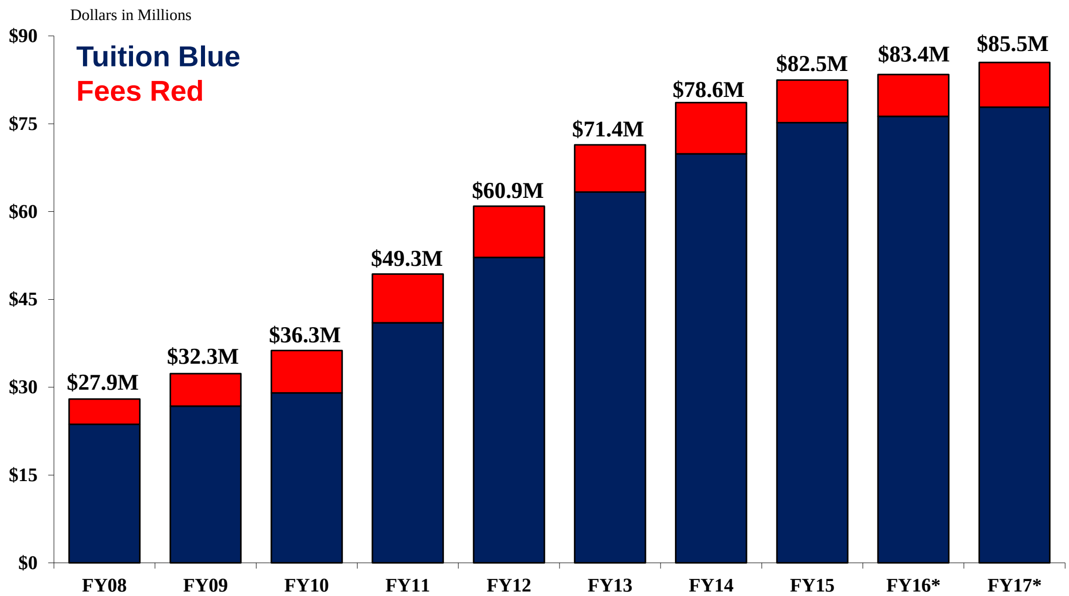
Table 2
Federal Pell Grants and Illinois Monetary Award Program Maximum Award Levels

Fiscal Year	Pell	MAP	Total	UIUC Freshmen General Tuition + Fees
2007	$ 4,050	$ 4,968	$ 9,018	$ 9,882
2008	4,310	4,968	9,278	11,130
2009	4,731	4,968	9,699	12,230
2010	5,350	4,968	10,318	12,528
2011	5,550	4,968	10,518	13,508
2012	5,550	4,968	10,518	14,276
2013	5,550	4,968	10,518	14,960
2014	5,645	4,968	10,613	15,258
2015	5,730	4,968	10,698	15,602
2016	5,775	4,968	10,743	15,626
2017	5,815	4,968	10,783	15,698

ISAC MAP formula uses FY 2003-2004 tuition levels.
MAP Formula uses max of $4,968 and reduces all awards by 5%. (FY12 - FY17)
FY 2016 MAP awards may change.

For several years the Pell and MAP program maximum awards have not kept pace with the increases in tuition and fees. To ensure access the University has set aside supplemental funding to help the neediest students. As shown in the Figure 1, the cost of the Supplemental Financial Aid program began to increase several years ago as budget cuts to both ISAC and the University precipitated reductions in MAP grants and increases in the sticker price of tuition and fees.

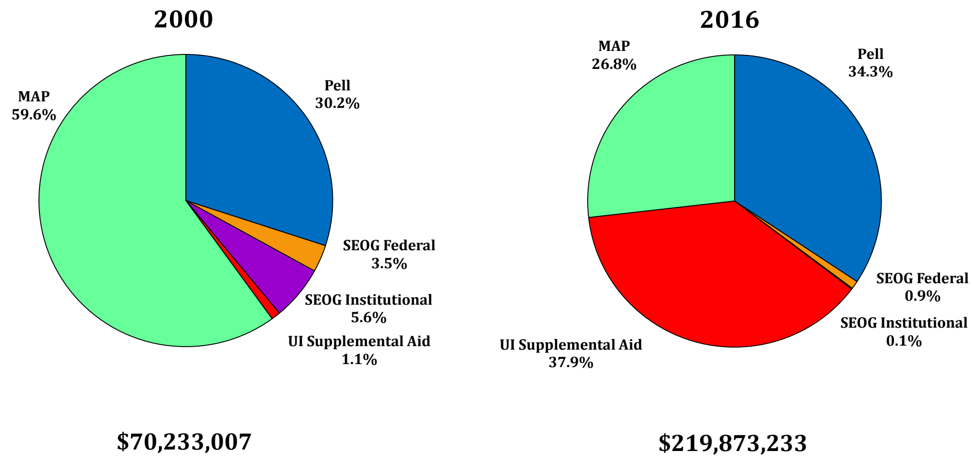
Figure 1
University of Illinois
Supplemental Financial Aid Expenditures
FY 2008 to FY 2017



FY 2016 preliminary, FY17 estimated.

As the University continues to balance quality with affordability, institutional aid has become a much larger part of the access for students. Institutional aid in FY 2016 will exceed both Pell grants and MAP grants, and as such the University has become a major partner in the financial aid process. Figure 2 shows the changing environment, the increase in the total amount of aid and the growth in institutional aid in the last decade.

Figure 2
University of Illinois
Undergraduate PELL, MAP, SEOG and UI Supplemental Aid



Source: IBHE Financial Aid Survey. FY16 is Preliminary.

In June 2002, the board directed the administration to review the institution's tuition policies that were adopted in 1995, and to make recommendations for changes, if warranted. The report, *Ensuring Quality and Affordability: Tuition and Financial Aid at the University of Illinois*, was submitted to the Board of Trustees in January 2003. The report, which was developed with the help of the chancellors and provosts, faculty representatives and representatives of the Board of Trustees, includes a statement of the guiding principles for financial aid and recommendations for managing the University's Supplemental Financial Aid program. The Board of Trustees approved a policy at the July 2004 meeting, and reviewed and modified the policy in November of 2007, November 2008 and September 2014.

GUIDING PRINCIPLES FOR FINANCIAL AID - 2014

- The University of Illinois will make every effort to enable qualified students who cannot afford the cost of a university education, as determined by federal financial need, to participate in its programs of study.

- Students who can afford to pay the full price of tuition and fees are expected to do so. Such students will still be eligible for merit scholarships.

- Students who cannot afford to pay the full price will be offered a combination of grants and loans from various sources appropriate to their financial circumstances.

- The University will control its costs through control of the length of study for which it will support students from institutional funds and of the proportion of loans to grants made from institutional funds.

- Each campus will determine eligibility for financial aid based on a number of criteria. Good academic progress toward degree completion is an essential feature.

INSTITUTIONAL SUPPLEMENTAL FINANCIAL AID POLICY - 2014

- Supplemental Financial Aid grants will be derived from institutional funds, as well as from auxiliary enterprise and self-supporting funds.

- These grants will be awarded to Illinois resident undergraduates, and generally be limited to the first four years (eight semesters), with an additional year available at the discretion of each campus.

- The financial aid officers, in consultation with the campus academic leaders, will develop specific campus policies for awarding Supplemental Financial Aid grants to their undergraduate students. Grants to individual students will be adjusted, within the constraints of campus policy and available resources, as circumstances warrant to best serve these students and their families.

- On a yearly basis, the University will review and set Supplemental Financial Aid budgets on the campuses in relation to resident tuition and mandatory fees collected during the academic year, and will assess the effectiveness and the financial viability of financial aid programs. On average, each campus will increase its supplemental financial aid pool by a percentage that is greater than or equal to the percent increase in resident undergraduate tuition and mandatory fee income, provided student unmet financial needs warrant such increase, and provided such increase does not impair the University's core missions and functions.

- This information will be reported to the Board of Trustees on a yearly basis in order to ensure that Supplemental Financial Aid expenditures at each campus are appropriate and that financial aid programs are effective in meeting the objectives.

The financial aid guidelines and policy were developed with the advice and counsel of Trustees, the Administration and the Academic Affairs Management Team. The University Policy Council reviewed the financial aid guidelines and policy before being enacted by the Board of Trustees. The supplemental financial aid program will continue to be monitored and evaluated, in conjunction with multiple sources of student aid, student needs and student progress, in order to maximize its benefit to the students. The actual amount needed in the budget year will continue to be analyzed based on a number of variables.

Additionally the University has been impacted by shortfalls in funding for other programs administered through ISAC. The State's cash flow problems have impacted ISAC funding and timing of payments as well. Changes in funding to ISAC are critical to over 15,600 university students directly, and also to the financial health of the University. The University will continue to monitor payments and cash flow from ISAC.

ISAC has also determined the highest priority for funding is the MAP program and has reduced or eliminated funding for several other programs such as the Illinois Veterans Grant (IVG) program. Beginning in FY 2011, IVG grant funding was eliminated by the state. If there is insufficient funding in the program, under current Illinois state statute the college or university is prohibited from collecting the funds from the student. Although recent Federal Post 911 benefit changes have diverted some students off of the IVG, expected IVG and other veteran related program waivers for FY 2016 are estimated at over $27 million for public universities. The program has not been fully funded since FY 2005, and today they are waived entirely by the institution. While ISAC made some funding available for this program in the past on a non-recurring basis, a permanent funding for this statutory program is not in place. Two related programs, Illinois National Guard Grants and POW/MIA Scholarships have also been underfunded. In FY 2015 the University waived $9.3 million for the IVG and veteran related programs.