

University of Illinois

FY 2002 Budget Request for Operating and Capital Funds



**Prepared for Presentation
to the Board of Trustees
September 13-14, 2000**

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Preface

The budget the University of Illinois achieved for Fiscal Year 2001 may well come to be recognized as a landmark event. The University begins the new millennium with a broadened base of support and a clearer delineation of the multiple ways that we serve all citizens of Illinois that will serve us well for years to come. We have long stressed that the University of Illinois—alone among the State’s public colleges and universities—carries the broadest set of responsibilities for multiple missions. In groundbreaking actions, Governor Ryan and the leadership of the Illinois General Assembly explicitly recognized those multiple missions and responsibilities in their FY 2001 budget decisions.

Governor Ryan has taken innovative steps to strengthen the long-term viability of the Illinois economy. His new VentureTECH program is a multi-year effort to assure that Illinois continues to position itself at the forefront of technology development, and to reap the economic benefits that accrue from such developments. Consistent with the first goal of higher education’s strategic plan for the 21st century, *The Illinois Commitment*, which calls for higher education to help sustain strong economic growth, the Governor has asked the University of Illinois to expand our research and development activities and to strengthen and streamline the processes that lead from scientific research and discovery to technology commercialization. Further, he and the Illinois General Assembly have provided resources to begin the process.

Most important of all from the University’s perspective, the Governor and General Assembly have asked us to take these new steps toward statewide economic development without jeopardizing our capacity to advance our other, more traditional roles and responsibilities in instruction, basic research and public service. With the Illinois economy continuing to thrive, the Governor and General Assembly were able to design an FY 2001 budget to address critically important academic needs while at the same time charting a new course for expanded statewide economic development.

Higher education shared in this welcome allocation of new resources for the current year, achieving budget growth of 5.6% overall and 6.0% in the university sector. But the economies of most states are robust. The linkages between strong research universities and technology development are well known. Virtually every state is strengthening its support for higher education, and the competitive environment in which the University finds itself grows more intense each year.

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Thus, in the midst of a period of unprecedented economic strength in Illinois and the nation, we must reiterate that the fundamental foundation of support for the public university sector remains tax support from the State. At the same time that states' economies are expanding, so too, is the array of budget requirements that must be addressed annually. Consider, for example:

- Even as the IBHE, Governor and General Assembly support a special new initiative to strengthen salary competitiveness for faculty and staff, the latest data from the IBHE peer comparison studies reveal that the new program has enabled institutions only to keep up—to lose no further ground to their competitors. Other states are increasing resources for salary competitiveness more rapidly than was anticipated when the new IBHE initiative was designed.
- The often-dizzying pace at which technology progresses means that technological obsolescence of facilities and equipment also occurs at an accelerating pace. New equipment, new laboratories and new technologies are needed to keep faculty research and student learning at state-of-the-art readiness.
- Every research university in the country seeks to expand its faculty resources in the areas linked most closely with economic development—biotechnology and information technology. Competition for the best faculty in those and other areas grows more intense every year.
- Focus on technology and on economic development is important, but cannot override our need to strengthen our “core business”: the education of students. Even with a strong economy, the University spends \$275 per student less today than in 1980, when the impact of inflation and enrollment changes are accounted for. And that figure includes all tuition increases implemented since 1980. An infusion of \$30 million is required just to enable the University to return to 1980 levels of investment in the education of students.

These concerns are exacerbated when we look at the complex array other factors that major research institutions such as the University of Illinois must address within a constrained set of resources. Those factors include the following:

- The citizens of Illinois expect the University of Illinois to deliver top-quality instructional programs, especially to undergraduates. This expectation implies two fundamentally important factors to be addressed as we assess our instructional mission. First, we must continually improve our undergraduate programs, assuring that they offer our students both top-quality content and a breadth of experiences which will enable them to understand the global nature of our world today and to be active and effective learners throughout their adult lives. Second, we must ensure that our undergraduate programs remain affordable to all who can benefit from them.
- The need for learning now spans a lifetime. Businesses of the 21st century need workers skilled in today's state-of-the-art—but capable of adapting as the state-of-the-art changes tomorrow. We need new opportunities to learn in the workplace and in our homes as well as in classrooms and we need them throughout our society.

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- Technology has changed the way our world operates. As a new millennium begins, we are on the threshold of mind-boggling advances that hold great promise for attacking disease, producing food and even changing the nature of life. Whole new disciplines of study are being created. At the same time we must examine the equally daunting moral and ethical challenges such technologies present.
- Finally, advances in technology and the need for continuous learning will change the organization of higher education. We can now deliver top-quality education on an anytime, anyplace basis, opening opportunities to those previously unable to access traditional on-campus experiences. Such options will extend higher education's reach, not replace residential programs. But they also present an array of structural and competitive issues to be addressed. New partnerships are possible among colleges and universities, the corporate sector and among the states (as with the Western Governors University). While essential for students bound by time or place, new modes of delivery can enhance traditional classroom and laboratory instruction as well. The challenge, as always, will be to test rigorously, examine continuously and choose wisely among exciting new prospects to make higher education more broadly accessible while preserving essential elements of a system widely acknowledged as the world's best.

The University of Illinois is well attuned to the major factors confronting higher education as a new millennium unfolds. The themes upon which our FY 2002 operating and capital budget requests are based align well with the complex issues now confronting our society and with the full range of goals established within *The Illinois Commitment* for all of higher education. While the array of our needs is broad, we understand that we must find an equally broad set of ways in which to address them. We remain committed to a careful and continuous analysis of our operations and the re-investment of existing resources to our highest priority needs. While those needs are numerous, our attention focuses most sharply on those of greatest import. For example:

- The lifeblood of all great universities is its faculty. We must assure that the University of Illinois can attract and retain extraordinary faculty. We must be able to offer not only competitive salary and compensation programs, but state-of-the-art facilities and equipment as well. We must continue to address the issue of faculty capacity at all three U of I campuses. We must recover capacity lost during the fiscal constraints of the early 1990s while at the same time adding capacity in the areas of highest enrollment demand and those of greatest economic development promise. These objectives relate directly to *The Illinois Commitment's* goal to improve the quality of academic programs.
- We must strengthen our stewardship of existing physical facilities. We must assure that students have the best facilities possible in which to learn and that our scientists and researchers have the best support possible for their inquiries. These objectives relate to *The Illinois Commitment's* goals for holding students to higher expectations for learning and for improving the quality of academic programs.

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- The University of Illinois must continue to play a leadership role in producing graduates in the areas of greatest workforce demand and especially those in information technology and biotechnology. These objectives relate to *The Illinois Commitment's* goals for economic development and for increasing the number of citizens in our academic programs.
- The University needs significant improvements in its administrative infrastructure. Two components merit special note for FY 2002. One is the decision to embark on implementation of an Enterprise Resource Planning (ERP) system that will enable human resource, financial and student information systems to operate from a single database. More timely and accurate information will be available to managers at all levels of the University organization once the ERP is in place. Its implementation will require several years and the dedication of literally hundreds of staff. We seek an increment of \$2 million to begin the implementation process.

The second component of administrative infrastructure concerns the University's capacity to address rising legal liability insurance needs. Increased claims for a variety of civil actions combined with the growing tendency to make substantial awards have presented the University with rapidly increasing insurance costs. We seek an additional \$2 million for FY 2002 to address these costs. These objectives relate to *The Illinois Commitment's* goal for improved productivity in our operations.

All three campuses have emphasized the need for additional resources for technology development in their FY 2002 budget requests. U of I students at all levels need access to computers geared to handle the speed and load of today's information-rich educational environment. U of I faculty need similar access, as well as continued exposure to the latest advances in the application of technology in the delivery of instruction.

There are other needs, to be sure. We must continue to strengthen our instructional programs for undergraduates. Our libraries and other strategic research support facilities and equipment must be improved. We need adequate facilities in which to house our instructional and research programs and a basic infrastructure that can withstand the rigors of supporting a vast teaching and research enterprise.

At the same time, we take seriously the need to maintain the affordability of a University of Illinois education, especially for undergraduates. Our general tuition increases have been modest for nearly a decade and approximate the inflation rate since 1990. But we must also help students and their families understand that maintaining affordability does not necessarily mean simply keeping tuition low under all circumstances, especially if that arbitrary act causes academic program quality to suffer. We could, for example, follow a direction taken some time ago by our colleagues in private colleges and universities and move our tuition higher so long as it can be matched by a student assistance program providing adequate support to all students with demonstrated financial need. Perhaps the wisest course would be for the

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University to expand its own student assistance programs, complementing those of the Illinois Student Assistance Commission to insure the accessibility of a U of I education for students of all economic backgrounds.

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

With the State's economy near an all-time high on most performance indices, we seek not only to continue that level of support, but to extend it modestly. The returns on such an investment will pay dividends for generations to come.

James J. Stukel
President

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Overview

The University of Illinois received strong support for FY 2001 from both the higher education budget and through Governor Ryan's VentureTECH initiative.

The economic health of the State of Illinois continues to be robust, underpinning \$1.2 billion in new appropriations for the State budget for Fiscal Year 2001—budget growth of 5.7%. Higher education fared well in the determination of the state's FY 2001 budget; receiving \$132.6 million in new general funds tax support—an increase of 5.6%. The university sector of the higher education budget grew by \$79.3 million or 6.0%, and advanced beyond the overall average increase for higher education for the first time in several years. The University of Illinois received \$41.9 million in new tax support, an increase of 5.9%.

As President Stukel notes in his preface, however, the real strength of the FY 2001 budget cannot be addressed through numbers alone. Concerned about the state's long-term capacity for economic development, Governor George Ryan created a new initiative to help harness the economic strengths that technology development can bring. This new multi-year program, Illinois VentureTECH, will help keep Illinois at the forefront of technology-based economic development. Recognizing that technological innovations often spring from the creativity of scientists and researchers at institutions like the University of Illinois, the Governor has recommended both new operating and capital budget projects that will enhance the University's abilities to expand its federal and corporate research support. Moreover, the Governor's VentureTECH proposals will enable the University to establish more effective and efficient linkages between its research results and the commercialization of new technologies.

For Fiscal Year 2001 the General Assembly concurred with the Governor's VentureTECH recommendations to provide these U of I budget advances:

- \$10 million to plan and construct a medical imaging facility in Chicago
- \$7.5 million to plan a Post-Genomics Institute facility in Urbana
- \$3 million to plan and begin construction of a facility to house the National Center for Supercomputing Applications in Urbana
- \$1.6 million for new scientific and support staff in biotechnology in Urbana

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

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

In addition to these fiscal actions, the Illinois Senate adopted a resolution making explicit its interests in the University's participation in statewide economic development. The resolution clarifies the Senate's expectations of the University's economic development activities.

The higher education budget process for FY 2001 saw the Governor adopt in full the recommendations of the Illinois Board of Higher Education. IBHE and the Governor called for a 6.5% increase in tax support for higher education, with an increment of \$154.8 million. The General Assembly chose to reduce the IBHE's and Governor's recommendations by approximately 1%, or \$22.2 million. The General Assembly did not reduce the funding levels for public universities and community colleges recommended by the IBHE and the Governor, implemented their reductions in other sectors of the higher education budget.

Salary competitiveness was among the key budget issues addressed for FY 2001.

As was the case a year ago, the FY 2001 budget for the University of Illinois is characterized by critically important growth in State tax support, general tuition increases approaching the rate of inflation and significant internal reallocation to augment increases in tax and tuition support. Among the most significant budget advances achieved for FY 2001 is continued support for a program conceived by the IBHE and endorsed by both the Governor and the General Assembly to address salary competitiveness. This program, implemented for all public universities, provides an increment of 1% of each university's personal services base to address critical issues in recruiting and retaining top quality faculty and staff. This additional incremental support will be matched by continued internal reallocation of a like amount. The FY 2001 increment is the second of a five-year program aimed at raising the competitive salary ranking for Illinois universities among their national peer groups

Key budget advances for the current year included:

- ***\$4.3 million for recovery of faculty capacity lost during the past decade.***
- ***Almost \$4 million for additional faculty in biotechnology and information technology at Chicago and Urbana.***

and at adding new faculty and staff in areas of greatest demand for program growth. Securing competitive salaries for all employee groups remains one of the most daunting challenges facing the University, and the University of Illinois endorses the new initiative enthusiastically.

A second vitally important outcome of the FY 2001 higher education budget for the University is the provision of \$4.3 million to continue the Faculty Excellence initiative at Urbana, to help restore core academic positions lost during the economic constraints of the early 1990s. Approximately 70 new positions can be added with this level of support.

Other noteworthy elements of the University's FY 2001 operating budget include the following:

- \$2.95 million for new faculty and support positions in biotechnology and information technology programs at Chicago.
- \$900,000 for expanded faculty positions in computer science and computer engineering at Urbana, permitting enrollment growth in these programs with great workforce preparation demands.
- \$300,000 to initiate the Capital Scholars program at Springfield.
- \$3.3 million for instructional technology upgrades at all three campuses.
- \$1.2 million for additional support for deferred maintenance, plus an additional \$1.9 million to cover operations and maintenance costs in new facilities such as the Spurlock Museum at Urbana and the Outpatient Care Center in Chicago.
- Nearly \$1 million for enhanced library collections, including new digital materials, on top of a 5% price increase for all library acquisitions.

Two other FY 2001 budget actions hold special import for the University of Illinois, although they were not a part of the University's direct operating budget appropriation. First, the Council on Food and Agriculture Research (C-FAR) received an appropriation of \$15 million. The UIUC College of Agriculture receives approximately 80% of this funding, so it is a major enhancement of support for the campus.

Budget advances at the State Department of Agriculture also benefit the University.

In addition, the State Department of Agriculture received two appropriations related to University of Illinois Extension. The first provides \$10.4 million in state support to match contributions to U of I Extension from local county governments. A second provides an additional \$2.3 million to hire Youth Educators to advance the goals and objectives articulated by the Chancellor's Commission on U of I Extension two years ago.

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

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

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

A New Budget Framework

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

For the University of Illinois, the early 1990s brought diminished State tax support with two years of outright reductions in combination with general tuition increases held to the level of inflation. What has changed substantially from the earlier period has been the University's determination to redirect resources internally. In earlier times, reallocations might have been made on an ad hoc basis to accommodate declining support, but with the expectation that the next year's funding from the State would improve. Now, however, the University has recognized the importance of adopting long-term budget planning strategies which include redirection of existing resources as an integral component augmenting tax and tuition support. Within the framework of well-developed long-range plans, resources have been shifted at each campus from programs of relative lower priority to those of higher priority. The campuses have undertaken a fundamental reexamination of the uses of all existing

resources and, perhaps most importantly, have concluded a comprehensive review of their overall academic directions. They have recognized that the danger of attempting to preserve all existing programs and operations in an era of fiscal constraint is that none can maintain the excellence and quality achieved over decades of prudent investment.

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

FY 2001 Budget Outcomes

For Fiscal Year 2001, this mix of positive improvement in budget sources has produced solid progress on the University's most important funding objectives. Tax support for the University increased. Additional tuition revenues were derived from two sources: general increases for all students and a set of special-purpose increases from which all income was specifically dedicated to improvement of instructional programs largely at the professional level. These increased tuition-based revenues were offset, in part, by a modest decline related to planned enrollment decreases at the Urbana campus, which experienced unanticipated enrollment growth in each of the last two years. In total, the \$47.1 million in incremental appropriated funds and new tuition provided growth of 5.2%.

As was the case a year ago, significant internal reallocation accompanied this increase in State support. A total of \$12.9 million was redirected, the equivalent of another 1.3% budget increase. The reallocations accomplished since FY 1995 are outstanding examples of program advances that are possible when incremental tax and tuition revenues are coupled with significant internal reallocation.

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

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

The following tables and graphs illustrate the changes in funding which higher education has experienced in the recent past. Funding improvements for the State's educational systems at all levels has frequently been cited as among the State's highest budget priorities and budget needs for education have played a central role in the justification for recent tax increases. A closer examination of actual State tax appropriations, however, reveals that education's share of the State budget today is well below its position prior to the income tax increase of 1989-1990. Table 1 illustrates that the budget share for higher education has dropped substantially since that increase was enacted, today resting at a level below that prior to the tax increase. For FY 2001, the share for elementary/secondary education declined slightly. In addition, although appropriations for higher education grew by a solid 5.6% for FY 2001, higher education's share of the total budget remained relatively unchanged at 11.1%.

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

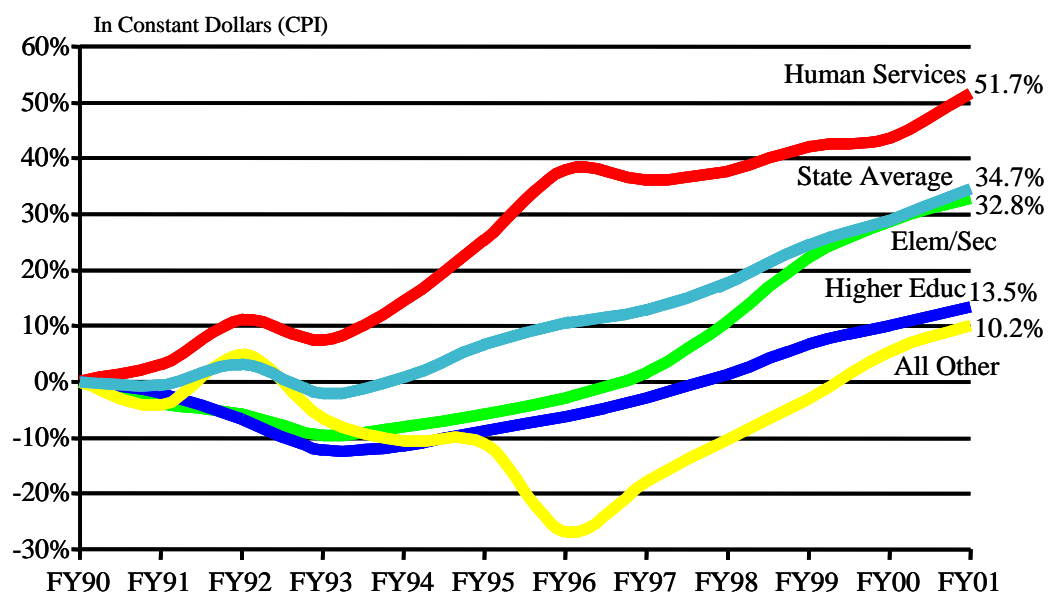
Year	Elementary/ Secondary	Higher Education	DCFS, Human Services & Corrections	Public Aid	All Other
1980	28.8%	12.9%	10.7%	33.8%	13.7%
1989	24.9%	12.0%	12.3%	31.5%	19.3%
1990	26.7%	13.1%	12.9%	30.7%	16.6%
1991	25.8%	12.9%	13.8%	31.5%	16.0%
1992	24.4%	11.9%	13.8%	33.1%	16.8%
1993	24.7%	11.8%	14.7%	33.1%	15.7%
1994	24.3%	11.5%	16.0%	33.5%	14.7%
1995	23.6%	11.2%	15.9%	35.4%	13.9%
1996	23.5%	11.2%	18.8%	35.6%	11.0%
1997	24.1%	11.3%	18.8%	22.4%	23.4%
1998	25.1%	11.3%	29.1%	21.9%	12.6%
1999	26.1%	11.2%	27.2%	22.3%	13.2%
2000	26.6%	11.2%	26.2%	22.3%	13.7%
2001	26.3%	11.1%	26.2%	22.9%	13.5%

During the same period budget shares for other human or social services have risen sharply. Just before the 1989-1990 tax increase, the State invested almost identical shares of its budget in higher education (13.1%) and the combined set of major human service agencies, which includes children and family services, human services and corrections (12.9%). By FY 2001, that relationship has changed dramatically. The three human service agencies together have climbed to a share of 26.2%, growth of over 103%, while higher education has fallen to 11.1% and a decline of about 15%.

Changes in tax support among State agencies are further demonstrated by the trends shown in Figure 1, which illustrates tax funding shifts for State agencies since FY 1990 after appropriations are adjusted for inflation. Elementary/secondary and higher education support has exceeded that for most State agencies, which as a group have seen the real value of their appropriations decline by almost 1%. The significant boost to elementary/secondary education for FY 2001 has brought its budget experience nearly to the statewide average, after several years of below-average experience. In addition, FY 2001 represents only the third year since 1990 that higher education has experienced growth after adjustment for inflation. Fiscal needs of children and family services, mental health and corrections have seen budgets for those agencies soar by more than 80% even after accounting for inflation.

While faring better than most state agencies, higher education tax appropriation increases have lagged those of the major social and human services since FY 1990, after accounting for inflation.

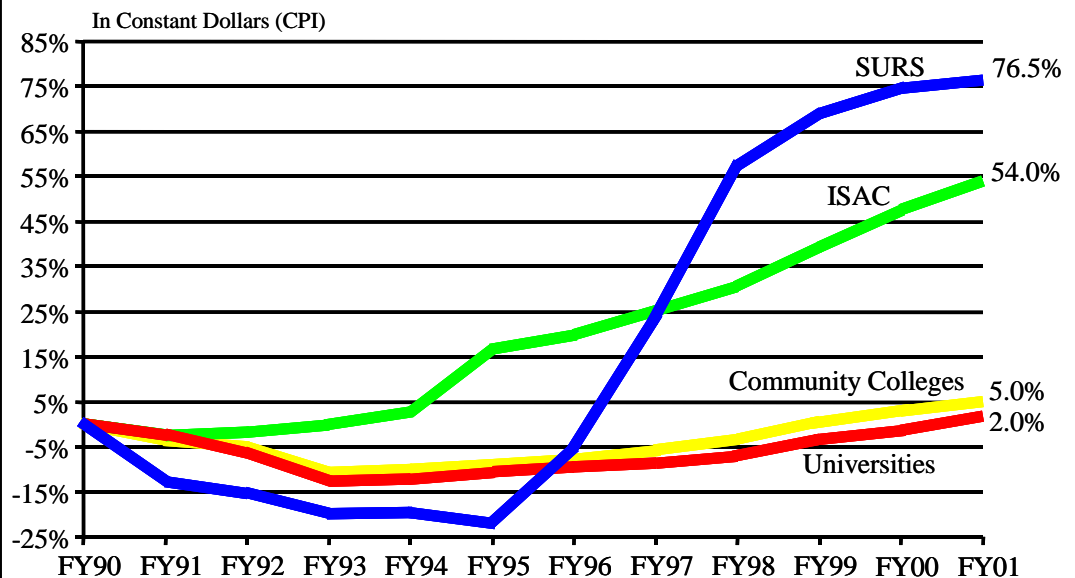
Figure 1
State Tax Appropriations Changes by Agency



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

Figure 2
Cumulative Change in State Tax Appropriations
by Higher Education Sector

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



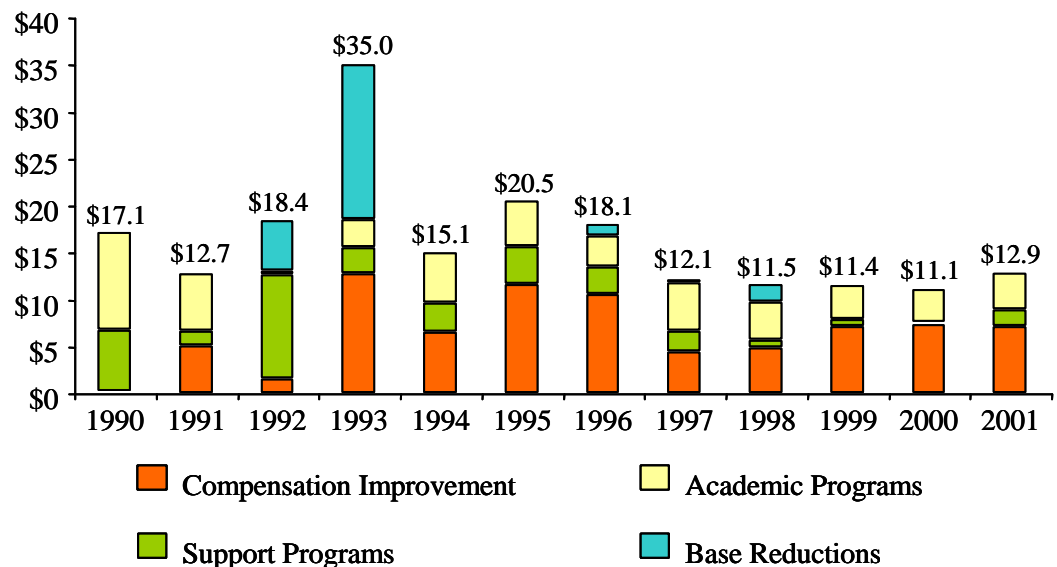
Yet as strong a trend as ISAC has shown, the most significant factor highlighted in Figure 2 is the dramatic growth experienced in SURS funding between FY 1995 and FY 2001. Responding to new legislation setting out a multi-year plan to bring SURS support in line with its obligations to employees who are or will retire from the State's public colleges and universities, SURS has received a significant but absolutely essential budget boost to preserve the strength of the retirement program serving higher education.

Budget Trends in Perspective: Reallocation

Even with improved investment earnings, changes in accounting practices mandated by federal agencies, refinements in assumptions affecting long-term forecasts for pension liabilities and the creation of optional retirement plans, the growth rate in SURS support will continue to be significant for the next 15 years, after which it reaches a plateau, as the General Assembly and Governor follow the legislative mandate to correct past years of serious underfunding. While essential, this mandated growth in SURS support will further constrict the funding available for other segments of the higher education budget.

As has already been emphasized, the University responded to its decline in budget share primarily through a comprehensive review of academic and support programs, priorities and a corresponding reallocation of existing funds. Since FY 1990 more than \$160 million in existing resources have been redirected to high priority academic programs or returned outright to the State via budget cuts. Figure 3 illustrates the size of the reallocations accomplished annually since FY 1990 and identifies the principal uses of reallocations each year.

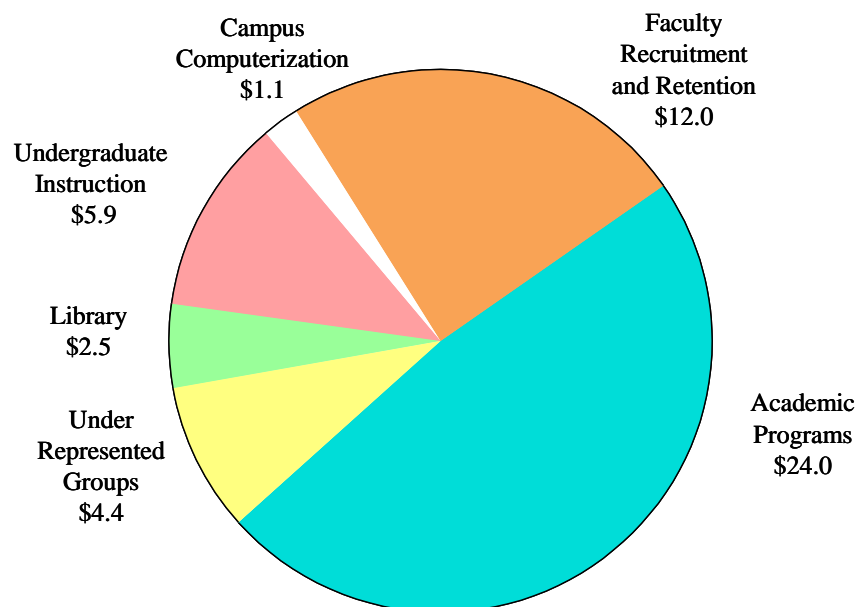
Figure 3
Uses of Reallocated Funds
FY 1990 to FY 2001
(Dollars in Millions)



Given the University's paramount need to address faculty and staff salary competitiveness, it is not surprising that compensation needs have claimed the largest single share of reallocated accomplishments. More than one-third of the total reallocation achieved since FY 1990 has been devoted to this requirement. Another 15% has been required for outright budget reductions, while the balance has been divided among academic and support programs (including covering unavoidable cost increases in areas such as Medicare payments to the federal government and statutory sick leave payments to employees leaving University service).

Among academic program reallocations, those for general instruction have received more than half of the redirected funds. The campuses have sought to add new sections of courses facing significant enrollment pressures or created new initiatives such as the Discovery Program at Urbana-Champaign which brings senior faculty and new freshmen together in small class settings early in the students' programs. Faculty recruitment and retention efforts have captured another 26% of the reallocation pool, including special salary initiatives, laboratory remodeling and upgrades, equipment purchases and so on. As reflected in Figure 4, library initiatives and minority student recruitment and retention efforts round out the major categories of program reallocations.

Figure 4
Reallocation for Academic Programs
FY 1990 to FY 2001
(Dollars in Millions)



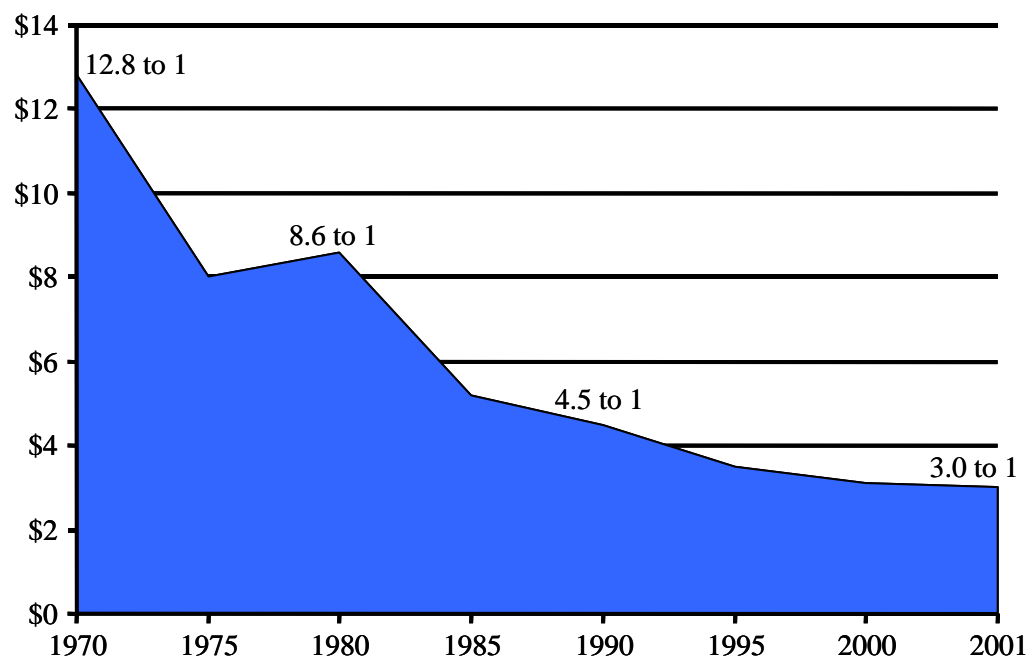
Budget Trends in Perspective: Tuition

It requires a 3.6% tuition increase to make up for the loss of 1% in State tax resources.

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

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

Figure 5
State Support Per Tuition Dollar
FY 1970 to FY 2001



Summary of the FY 2002 Budget Request

The University's FY 2002 operating budget request includes three broad categories. First is a modest "continuing components" section, which includes salary and cost increases, funds to meet unavoidable cost increases related to mandatory payroll items and additional resources to operate and maintain new facilities. A second section identifies two statewide initiatives in higher education advocated by the Board of Higher Education for all public universities. The first of these initiatives continues critically important support for recruitment and retention of faculty and staff. The second documents the need to expand operating budget support for facilities

renovation needs, even with the substantial rise in the amount available to address those needs in the current year.

A final section of the request identifies academic program initiatives which would strengthen the academic base, increase the availability and application of technology for students and faculty and increase the University's links to the State of Illinois. Sustaining competitive salaries for faculty and staff remains the University's paramount budget requirement. Continuing internal reallocation efforts along with steady State support over the past five years have yielded discernible improvement in salary competitiveness for both faculty and staff. For FY 2002 a 4% increase is sought for employee salary increases, an amount which, when combined with the statewide initiative for recruitment and retention of critical faculty and staff noted above should prevent further erosion in competitiveness. It is essential that additional reallocation accompany these incremental advances, since serious competitive gaps remain for faculty and other employee groups.

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

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

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

The FY 2002 request continues the precedent set in FY 1999 to augment support for facilities renovation from its uneven and uncertain status in the capital budget with a more stable, secure component in the operating budget. A growing backlog of deferred maintenance projects combined with the need to address normal deterioration in building systems, the need for functional alteration of space as academic programs

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

change and the pace of technological progress grows more rapid annually make it critical that a reliable source of funds is available. Several Illinois institutions have elevated this concern near the top of their priorities and the University of Illinois joins in the call to continue to address this need in the operating budget.

In his Preface, President Stukel highlights several essential academic program priorities for the FY 2002 request. He stresses that the lifeblood of all great universities is its faculty. The University of Illinois must continue to address the issue of faculty capacity at all three U of I campuses, recovering as well as adding capacity in the areas of highest enrollment demand and those of greatest economic development promise.

Also receiving special emphasis is the stewardship of existing facilities. Students must have the best facilities possible in which to learn, and our scientists and researchers must have the best support possible for their inquiries.

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

Other academic program initiatives are organized around three broad themes that include strengthening the academic base, particularly in areas of greatest student demand for additional courses, improving the acquisition and utilization of technology and expanding the University's linkages to the State of Illinois. Many of these center on bolstering the University's ability to preserve and extend the lifeblood of all major academic enterprises: its faculty. Additional faculty positions are sought to enable each campus to respond to enrollment pressures, adding new courses or new sections of existing courses. Additional funds are sought to enable the University of Illinois to utilize more fully the special strengths of faculty who conduct world-class research the element of comparative advantage which has helped distinguish the U of I from most other institutions. Extending the availability of computers and other instructional equipment and supporting new efforts to apply computing technology to all areas of instructional activity also receives significant attention, as does the need to begin to recover lost capacity in library materials in both print and electronic forms. Moreover, as emphasized by President Stukel in many forums, support is sought for additional endeavors which would expand the University's role in service to the people of Illinois.

In addition to continuation of this facilities renovation program, the University seeks to begin a new, multi-year program to address major remodeling needs through the operating budget, as well as through the more traditional route of the capital budget. Given the constraints of the capital budget and competition from high priority new facilities, it is imperative that the University begin to address major remodeling requirements on a regular basis. A total of \$8 million is sought for the initial phase of this operating-budget-based major remodeling program, which at full maturity should reach between \$20 and \$25 million per year.

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

The full FY 2002 operating budget request is outlined in Table 2, which follows.

Table 2
FY 2002 Operating Budget Request

I. Continuing Components		\$41,685.1
<i>% of FY 2001 Base *</i>		<i>4.16%</i>
A. Salary Improvements - 4.0%	\$30,482.8	
B. Other Payroll Costs	\$940.0	
1. Medicare	\$456.7	
2. Workers' Compensation	483.3	
C. Price Increases	\$7,391.9	
1. General Price Increases - 3.0%	\$3,626.6	
2. Utilities Price Increase - 4.0%	1,993.3	
3. Library Price Increase - 10.0%	1,772.0	
D. O & M New Areas	\$2,870.4	
1. Chicago Projects	\$1,066.9	
2. Urbana-Champaign Projects	1,803.5	
II. Statewide Initiatives in Higher Education		\$9,620.7
A. Recruitment/Retention of Top Faculty and Staff	\$7,620.7	
B. Facilities Renovation	\$2,000.0	
III. Academic Program Initiatives **		\$14,036.6
A. Strengthening the Academic Base	\$8,650.0	
B. Investing in Instructional Technology	3,750.0	
C. Increased Links to the State of Illinois	1,636.6	
IV. Academic Program Initiatives (University-wide)		\$14,400.0
A. Major Remodeling Fund	\$8,000.0	
B. Online Instruction	750.0	
C. P-16 Partnership	750.0	
D. IGPA	400.0	
E. Operational Infrastructure (ERP)	2,000.0	
F. Liability Insurance	2,500.0	
Total Request		\$79,742.4
<i>% of FY 2001 Base *</i>		<i>7.95%</i>

All numbers are dollars in thousands.

* FY 2001 Base: \$1,002,760.4

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

Operating Budget Request for FY 2002

[Redacted]

[Redacted]

Continuing Components



Salary and Benefit Increases

(\$30,482,800)

Overview

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

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

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

For the past seven years, the University has received salary increments that approximated inflation experience and, by supplementing these increments with funds generated through internal reallocation, the University has been able to provide modest salary programs in each year. However, during the lean years between FY 1991 and FY 1994, the University's annual salary increment averaged less than 1%. At the same time, inflation grew by more than 3% while the University's primary competitors averaged 4% salary growth in each year. Consequently, the University's salary standing plummeted and earlier progress toward building a comparative advantage crumbled. From FY 1995 to FY 1998, the deterioration of competitiveness was halted and restoration begun, but the magnitude of the erosion was such that past levels of competitiveness remained out of reach. Unfortunately, the national market for quality faculty and staff accelerated in FY 1999, widening the salary gap further.

In FY 2000 the University took a small step toward competitiveness, but further progress may prove elusive if the market continues as it has in the last two years.

As with other budget priorities, the University's efforts to achieve competitiveness rely heavily on a combination of internal reallocation and strong State funding.

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

Clearly, this duo of internal reallocation in harmony with strong State support can be effective, but the degree to which it succeeds depends on whether the University's pooled resources outmatch those of chief competitors. In FY 2000, the University received a 3% increment for faculty salaries at all three campuses. However, the FY 2000 increment and reallocation, while welcomed, had a lower impact on faculty salary competitiveness than expected. Initial expectations of a large boost to competitiveness were based on the assumption that the market for faculty salaries among the University's peers would increase by less than 4%. In reality, the market increased by almost 5%. Similarly, the impact on competitiveness of the FY 2001 increment of 3% for faculty salaries, plus an additional 1% for recruitment and retention of crucial faculty may be offset by increases in the market among the University's peers. The University is committed to building its competitive position through ongoing internal reallocation, but real progress can be achieved only if State budget allocations are adequate to keep pace with the market now and in the future.

As discussed below, faculty salary standing is a concern throughout the University. Two campuses, Chicago and Springfield, have barely achieved competitive rankings near the medians of their peer groups. A median ranking is not sufficient for the quality achieved at the University of Illinois. Furthermore, the composition of the peer group for the Springfield campus reflects neither the nature nor the quality of that institution in the context of its standing within the University of Illinois.

Despite steady state support, ongoing reallocation efforts and introduction of a new statewide program of supplemental support in FY 2000, salary competitiveness advances have occurred with agonizingly slow progress.

**Faculty
Salaries**

The salary ranking of the Urbana-Champaign campus improved slightly in FY 2000, as the campus inched closer to the peer group median. These trends did little to strengthen UIUC's ability to attract and hold faculty of world-class stature and gain a competitive edge. Fortunately, additional funds to support UIUC's "retaining critical faculty" initiative were provided by the State in FY 2001. The funds will be used differentially to relieve the vulnerability of those faculty in competitive areas who are top-quality and unquestionably undercompensated. Although the boost will have a favorable impact upon UIUC's ability to grow excellence by cultivating a world-class faculty, the brisk pace of the national market leaves the campus vulnerable to outside forces. The campus is dedicated to reestablishing its competitive position and will continue aggressively reallocating internal resources. Strong State support now and in the future is crucial for the success of this goal. Continued progress towards rebuilding UIUC's competitive position while sustaining and improving it for UIC and UIS is essential for the coming year.

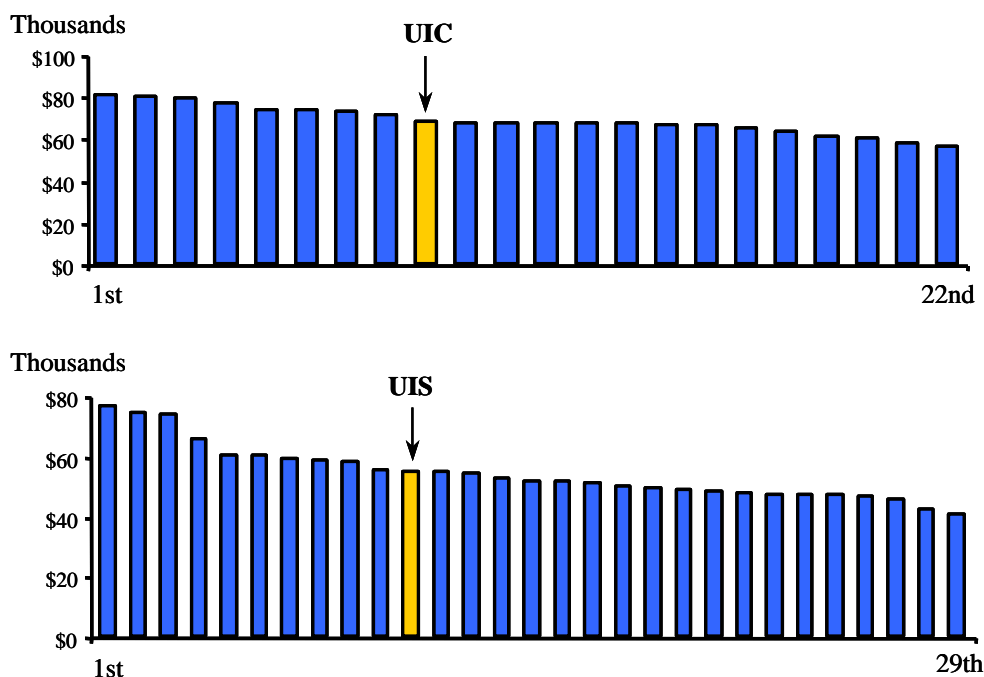
To assess the University's competitive standing among its peers, numerous salary analyses are performed annually. Due to the varied nature of the University workforce, separate analyses are performed for academic employees and staff. Salaries for academic employees are assessed through comparisons with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

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

The competitive standing of each campus indicates how well faculty salaries have fared relative to their peers in the IBHE comparison group. In FY 2000, faculty

salaries at UIC and UIS ranked just above the middle of their peer groups. Figure 6 illustrates UIC's and UIS's intermediate competitive position relative to their IBHE comparison groups.

Figure 6
FY 2000 Competitive Standing among Peers
UIC and UIS

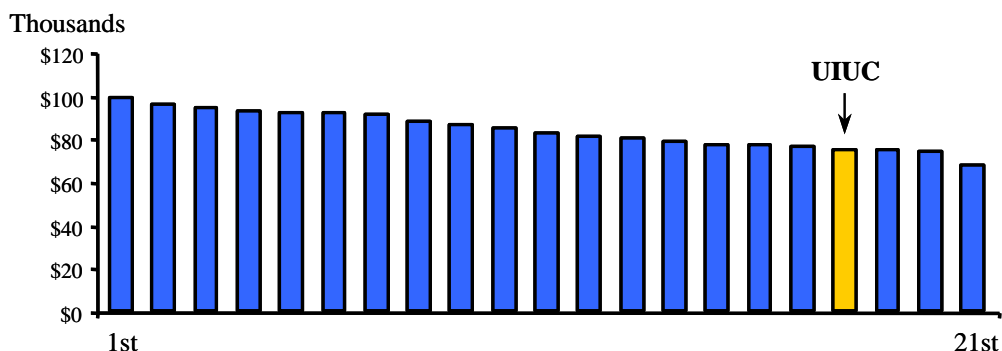


FY 2000 found faculty salaries at UIC and UIS ranked just above the middle of their peer groups.

Salaries for faculty at UIUC remain near the low end among its IBHE comparison group.

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

Figure 7
FY 2000 Competitive Standing among Peers
UIUC



Faculty Salaries by Discipline

Current projections indicate that the University will continue salary improvements in FY 2001, but these may be insufficient to keep pace with regional and national markets. The budget passed by the General Assembly and approved by the Governor provides 3% in incremental funding for faculty and staff salary increases. An additional 1% was awarded for hiring and retaining critical faculty and staff. Universities must provide 1% matching funds from local sources. The University's top competitors are expected to average nearly 5% for faculty salary increases. The University will again redirect existing funds to augment the State increment, aiming to avoid any further loss of competitiveness, but real improvement will come only if and when the University's salary increase program exceeds those of our chief competitors.

Another way to gauge faculty salary standing is to examine salaries by discipline from FY 1987 through FY 2000, years in which salary levels were affected dramatically by funding fluctuations. This review identifies areas of growing difficulties for both the UIC and UIUC campuses. Competition for top quality faculty has become particularly intense in high demand disciplines at both campuses. The University has experienced increased difficulty attracting and retaining key faculty in these high demand areas, as well as in areas of lesser demand.

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

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

Table 3 summarizes average salary data by discipline reported for FY 1987 (prior to the "no salary increase" policy of FY 1988), FY 1994 (the last year of the "no or low salary increase" period of FY 1991 to FY 1994) and FY 2000. Also summarized is the University's comparative ranking relative to other AAUDE institutions for each

September 2000

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

year of the study. For each discipline category, only those institutions reporting data in all three years of the study are included.

Table 3
Faculty Salary Study by Discipline FY 1987 to FY 2000

University of Illinois at Chicago and AAUDE Institutions								
Weighted to UIC Distribution of Faculty								
	Number of Schools	FY 1987		FY 1994		FY 2000		Change in Rank
		UIC Salary	Rank	UIC Salary	Rank	UIC Salary	Rank	
Architecture	17	\$34,233	14	\$49,772	12	\$59,184	8	6
Business	21	45,451	11	67,143	16	91,730	14	-3
Education	22	33,773	10	46,915	12	61,940	9	1
Engineering	19	47,921	2	61,272	11	82,885	5	-3
Foreign Languages	22	33,250	11	44,041	14	56,530	10	1
Letters	22	34,622	10	46,259	12	56,765	11	-1
Mathematics	22	42,184	12	55,408	21	74,771	13	-1
Philosophy	22	41,405	4	51,430	6	57,128	8	-4
Physical Sciences	22	42,846	6	55,116	18	69,217	16	-10
Psychology	22	41,351	9	50,655	17	64,620	13	-4
Social Sciences	22	37,882	14	50,991	17	63,053	16	-2
Social Work	15	36,274	9	45,621	11	54,903	12	-3
Visual and Perf. Arts	22	33,340	7	43,318	10	56,117	8	-1

University of Illinois at Urbana-Champaign and AAUDE Institutions								
Weighted to UIUC Distribution of Faculty								
	Number of Schools	FY 1987		FY 1994		FY 2000		Change in Rank
		UIUC Salary	Rank	UIUC Salary	Rank	UIUC Salary	Rank	
Agriculture	15	\$40,698	6	\$54,879	9	\$70,631	9	-3
Architecture	17	38,858	7	45,797	13	62,774	8	-1
Business	21	52,341	3	73,695	6	101,956	10	-7
Communications	20	36,213	5	48,426	4	64,543	5	0
Computer & Info	19	50,285	7	66,216	8	91,484	2	5
Education	22	41,424	5	51,435	12	64,882	6	-1
Engineering	19	53,995	2	68,284	7	90,443	2	0
Foreign Languages	22	38,917	6	48,333	11	61,303	8	-2
Home Economics	15	32,947	6	44,503	10	67,979	2	4
Law	17	69,147	3	87,844	6	113,140	8	-5
Letters	22	35,365	7	46,674	16	64,303	7	0
Mathematics	22	46,480	11	58,921	17	74,812	10	1
Philosophy	22	33,758	11	43,797	20	59,390	10	1
Physical Sciences	22	51,512	1	66,529	3	85,150	1	0
Psychology	22	44,929	3	60,715	3	81,655	5	-2
Social Sciences	22	41,945	9	54,067	15	69,701	8	1
Social Work	15	38,342	7	45,200	11	55,379	9	-2
Visual & Perf. Arts	22	36,360	7	43,019	17	54,394	12	-5

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

At UIC, three disciplines (Architecture, Education and Foreign Languages) improved their FY 1987 ranking. However, salary rankings lag FY 1987 levels for the other 10 disciplines. These were: Business, Engineering, Letters (including English language and literature and similar disciplines), Mathematics, Philosophy, Physical Sciences, Psychology, Social Sciences, Social Work and Visual and Performing Arts.

At UIUC, five disciplines (Computer and Information Sciences, Home Economics, Mathematics, Philosophy and Social Sciences) improved their FY 1987 ranking. However, 9 of the 18 disciplines lag their FY 1987 levels of competitiveness: Agriculture, Architecture, Business, Education, Foreign Languages, Law, Psychology, Social Work and Visual and Performing Arts.

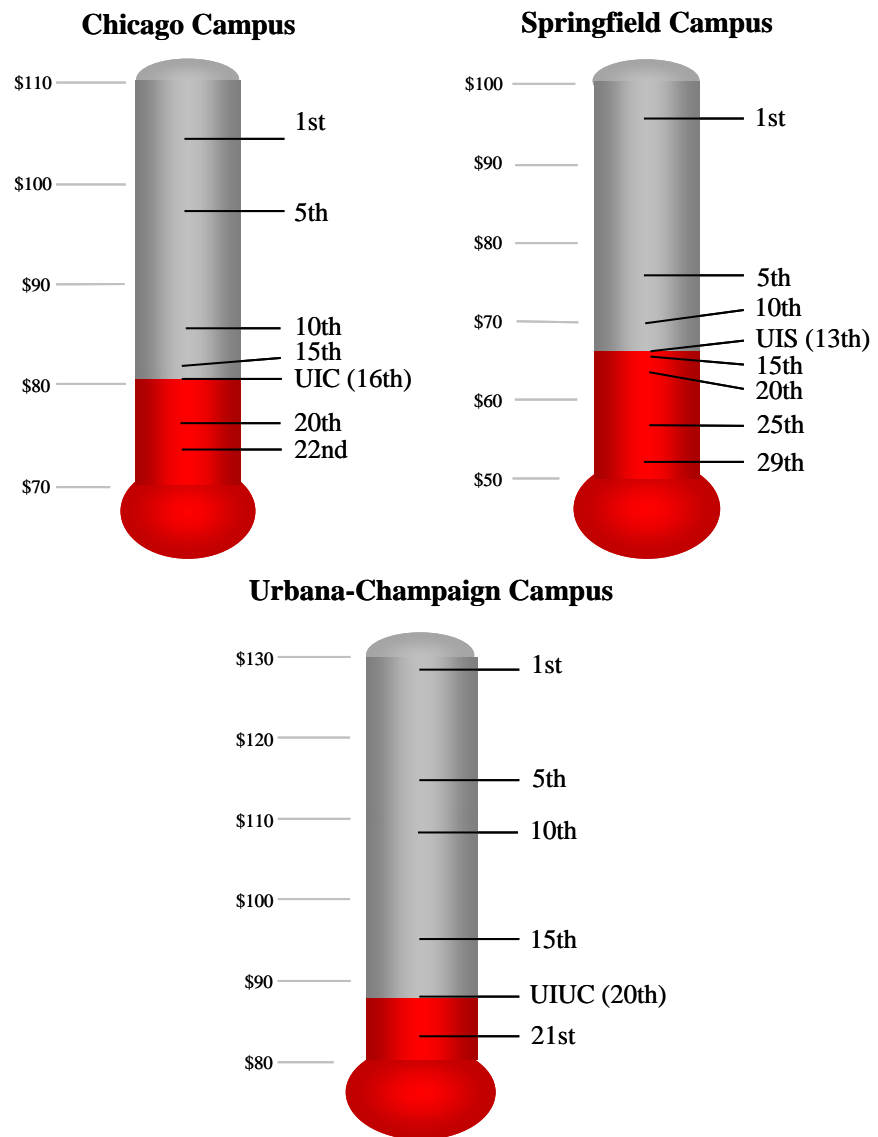
It is clear past declines in State funding have hurt the University's ability to remain competitive for high quality faculty and staff, although this impact has been greater in some disciplines than in others. Many disciplines continue to suffer from a loss of competitiveness. It is critically important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

Faculty Total Compensation

Total compensation represents the combination of average cash salary and employer contributions to fringe benefits. The University's lack of competitiveness in total compensation weakens its overall competitive standing. Figure 8 shows FY 2000 average total compensation for faculty in the ranks of Professor, Associate Professor and Assistant Professor at the three U of I campuses and their IBHE peers. UIC and UIUC fare poorly next to their peers, while UIS ranks in the middle of the pack. The

Chicago campus ranks 16th among its 22-member group, Springfield ranks 13th of 29 and Urbana-Champaign ranks 20th of 21. Both Chicago and Springfield gained two spots over FY 1999, but Urbana experienced no such advance.

Figure 8
FY 2000 Faculty Average Total Compensation
U of I Campuses and IBHE Peer Groups
(Dollars in Thousands)



Relatively low employer contributions for fringe benefits compound the effects of low salary levels on the University's ability to attract and retain critical faculty.

Consequently, the total compensation package must be considered a vital part of an overall strategy to strengthen the University's competitive position.

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

Budgetary constraints in prior years have produced salary programs which have kept pace with inflation but which were below the University's top competitors. Thus, the University remains vulnerable to erosion of competitiveness. Incremental funds totaling \$30.5 million are requested in FY 2002 for faculty and staff salary increases to keep pace with the market and avoid any loss of competitive gain. In addition, the Illinois Board of Higher Education in FY 2000 initiated a statewide 5-year plan to enhance the ability of all Illinois public universities to compete with their peers for top-quality faculty and staff. Consistent with that plan, the University's programmatic request (described in detail later) includes an additional \$7.6 million to recruit and retain key faculty and staff.

Staff Salaries

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

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

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

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

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

	University of Illinois FY 2000		State of Illinois July 1, 1999		% Over/Under State Class	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Chicago Campus						
Secretary IV	\$23,061	\$34,137	\$21,950	\$29,799	4.8%	12.7%
Staff Nurse II	36,940	70,283	38,316	48,672	-3.7%	30.7%
Accountant I	26,411	45,704	26,988	38,112	-2.2%	16.6%
Library Clerk II	18,786	27,807	18,996	25,360	-1.1%	8.8%
Urbana Campus						
Secretary III	\$20,461	\$30,893	\$21,285	\$28,488	-4.0%	7.8%
Storekeeper II	28,821	30,478	26,072	33,456	9.5%	-9.8%
Accountant I	26,415	45,714	26,988	38,112	-2.2%	16.6%
Kitchen Laborer	19,614	26,707	18,660	24,930	4.9%	6.7%

For FY 2000, the University received funds sufficient to provide a general pay increase program of 3% for all employee groups, with additional internal reallocation to address special merit, market or equity concerns. In comparison, the State of Illinois contract provided for a 3% increase. In FY 2001, the University will continue to monitor State comparability.

The University uses data from recognized regional and statewide sources as a point of comparison for employees in the Open Range pay plan. Changes in market salaries are monitored annually using survey data from sources such as Pay Data Service, Mercer Information and Technology Survey and AMSF Foundation. In FY 2000, the University program (3% average) for staff was slightly less than market range increases (3.9% to 4.0%).

Purchasing power comparisons are made using data from the Bureau of Labor Statistics, including sources such as the Employment Cost Index. The compensation costs for civilian workers (not seasonally adjusted) were up 3.5% for the year ending December 1999. The compensation costs for State and local governments increased 3.4% for the year ending in December 1999. The University increase of 3% was slightly less than the Employment Cost Index increases.

Staff Benefits

Benefits for staff employees are monitored for comparability with the private sector, top quality institutions and local employers.

**State
Universities
Retirement
System**

The health of the State Universities Retirement System (SURS), as well as the University's relative competitiveness among peer institutions with respect to retirement benefits, has been a matter of prime concern for many years for both individual employees and for leaders within higher education institutions and the SURS system. Any discussion of fringe benefits improvements for higher education in Illinois must include a strong call for adequate funding of the SURS program to ensure that existing benefits will remain secure. Action taken in FY 1995 by the General Assembly and the Governor to implement a long-term funding plan to strengthen pension funding for all State employees is a most welcome improvement. Law now mandates increases for SURS. FY 2001 is the 6th of a 15-year span of increases necessary to compensate for past funding deficiencies. For this year, SURS

received an increment of \$8.2 million. Addendum I contains a more complete discussion of the SURS funding situation.

It should be understood, however, that while achieving and maintaining adequate funding for SURS remains a key concern for FY 2002 and beyond, funding improvements for SURS will not, in and of themselves, improve either the benefits available to University employees or the University's competitive position among peer institutions. It is urgent that the University moves forward on both fronts. The adequacy of SURS fiscal support must be assured. So, too, must improvements in the University's competitive position in total compensation be achieved.

Price Increases

(\$8,331,900)

Overview

Inflation has eroded the University's budget base by more than \$31 million since 1990. Although inflation has been low, price increase support from the state has been absent for a decade.

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

- General Price Increases

Although the State has sometimes recognized the impact of inflation upon the costs for goods and services, appropriations for this purpose have been non-existent over the last decade. Although inflation has abated in recent years, general price increase funding, which has not been provided since FY 1990 lags inflation by a wide margin, putting increased pressure on the University's ability to support its instructional and research programs adequately. Inflation has eroded the University's budget by \$31.9 million in the 1990s.

- Utilities Price Increases

The University's budget for utilities faces continued compounding pressures from insufficiently funded new areas growth, non-existent utilities support for new programmatic initiatives and infrequent price increases for the utilities base. For the last four years the State has not fully funded the utilities requirements of recommended facilities. Through the last fifteen budget request years, only three increments were received to support the utilities base.

- Library Price Increases

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

- Other Payroll Costs

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

**General Price
Increases
(\$3,626,600)**

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

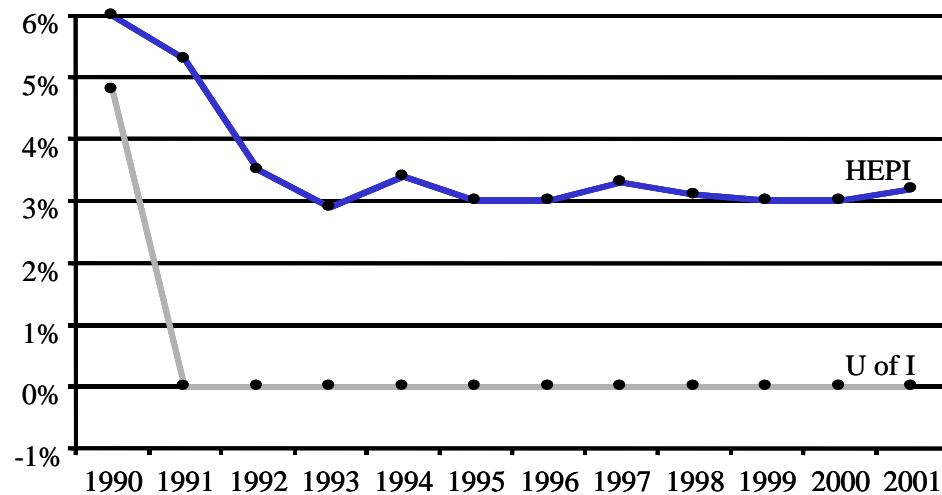
The University's requirements for general price increase funding are determined through a comparison of past funding levels with inflation and several economic indicators. In addition to historical comparisons which show cumulative gains and losses to inflation, economic forecasts are used to project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

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

- Gross National Product (GNP) Implicit Price Deflator
Defines that portion of the overall GNP growth which is attributable to factors other than real growth in the production of goods and services in the economy.
- Consumer Price Index (CPI) (Less Energy)
Measures the change in actual prices paid by urban households for items such as food, housing and transportation. Energy costs are excluded since a separate utilities cost increase request is defined in the following section.
- Higher Education Price Index (HEPI)
Measures changes in the level of general expenditures made by colleges and universities from current funds for items supporting instructional programs and departmental research activities. Sponsored research and auxiliary enterprise expenditures are excluded from HEPI.

A comparison of University funding levels to these measures shows a strong positive relationship among these inflation indices and considerable differences between the price increases estimated by these indicators and University appropriations over the last decade. Specifically, the University has received no general price increase funding in the past ten years, the last one being in FY 1990. In FY 1990, the general price increase did not exceed the Higher Education Price Index, as shown in Figure 9.

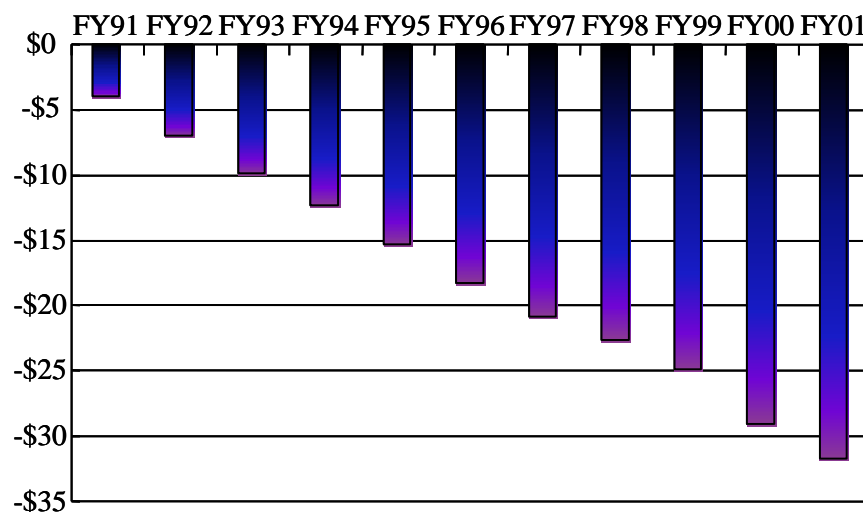
Figure 9
Annual Inflation Increases
versus General Price Increase Appropriations



Budget recisions in FY 1988, FY 1992 and FY 1993, combined with zero general price increase support since FY 1990, have seriously eroded the academic support base of goods and services which underpin the University's instructional and research activities. While internal reallocation has been used to cover unavoidable increases in the most pressing of these goods and services, the University's academic support base has been seriously eroded and now has reached a gap of \$31.9 million, as measured against the Consumer Price Index shown in Figure 10.

Even with relatively low recent inflation experience, the University has lost over \$31 million to the impact of inflation since 1990.

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

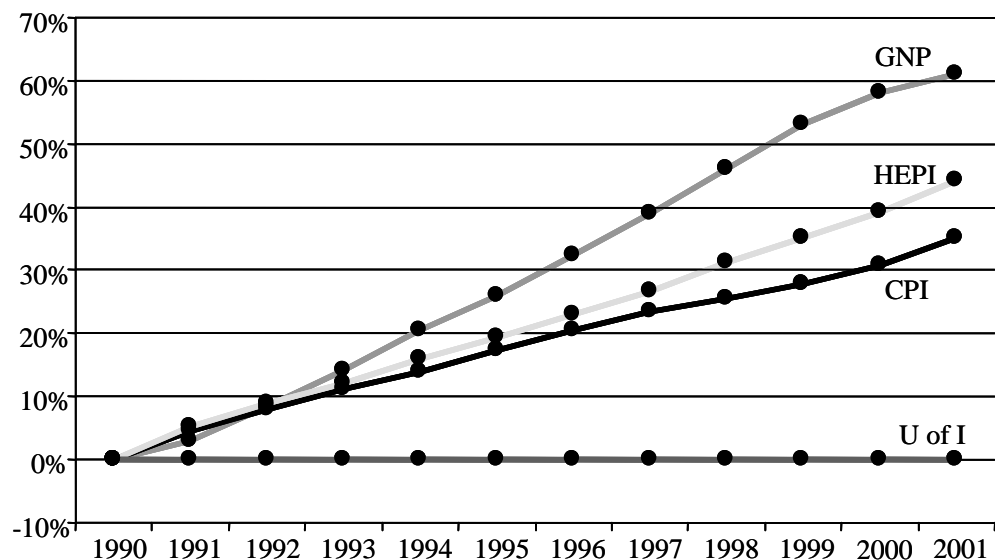


Based on materials included in General Price Increase.

The loss in purchasing power for general goods and services has reached \$31.9 million in the current year.

A review of the widening gap between inflation and University appropriations is displayed in Figure 11. This graph illustrates the wide disparity between actual general price increase appropriations to the University and inflation levels as estimated by GNP, CPI and HEPI indicators for FY 1990 through FY 2001. The University estimates a FY 2002 increase of 2% to 3% (CPI and GNP indices).

Figure 11
Cumulative Inflation Increases
versus General Price Increase Appropriations



For FY 2002, the general price increase segment of the budget request seeks to obtain funding sufficient to halt further losses to inflation. Based on this, a general price increase of 3% or \$3,626,600 is sought.

Utilities Price Increases (\$1,993,300)

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

Utilities funding requirements are formulated from expected costs for the individual components that comprise the total state utility budget of the University of Illinois. For FY 2002 these projected commodities and utilities rate increases yield a composite price increase of 4%. This is a \$1,993,300 increment above the FY 2001 utilities base for all the campuses of the University of Illinois.

The University's budget for utilities faces continued compounding pressures from insufficiently funded new areas growth, non-existent utilities support for new programmatic initiatives and infrequent price increases for the utilities base. For the last four years the State has not fully funded the utilities requirements of

*Fuel market increases
make achieving a
utilities price increase
an essential
component of the
FY 2002 budget.*

recommended facilities. Through the last fifteen budget request years, only three increments were received to support the utilities base. The FY 2002 request of approximately \$2 million of support for price increases is necessary because the factors contributing to increased demand together with the projected increases in commodity and services price increases will cause a synergistic effect on the rate of increase of expenditures for the budget as a whole.

Beginning with the winter of 1999-2000 and continuing through the summer of 2000, the attention of consumers, legislators and the media was captured because of the high rate of price increase in the general market for energy products. Whether local, regional, national or international there is not some facet of the fossil fuels market that is experiencing exploding volatility, rapidly increasing prices and confusion about the forecast for improving conditions. Underlying all of this is the simple function of supply and demand economics beginning at an international level with low crude oil inventories and production levels and an economic recovery in Asia that began in 1999 and stimulated consumption. The oil producing nations, or OPEC as a group, and more recently Saudi Arabia on its own are increasing production levels to bring the high trading price of \$34 per barrel down to a sustainable target price somewhere between \$24 and \$28. Yet this is not sufficient to alleviate the compounding problems that are projected to echo throughout the national energy production and consumption market for the next several years.

In July 2000, the State of Illinois repealed for six months the state's 5% share of the tax on gasoline. The goal is to ease some of the costs consumers are paying for gasoline, the Midwest, in particular, having some of the highest prices in the nation. Some possible reasons for the high price levels are new gasoline production rules implemented by the EPA as part of the second phase of the federal Reformulated Gasoline Program; possible collusion and price fixing by the oil companies, which is being investigated by the Federal Trade Commission; and simply, a strong economy pushing up demand and drawing down supply.

High prices for gasoline reflect what is occurring in other fuels markets, particularly natural gas and heating oil. Summer is not typically a period of price peaks for natural gas unless production is threatened by hurricanes in the Gulf of Mexico. Yet, new cash and future price records are being re-made continuously. The magnitude of

change in the price of these commodities is enormous relative to just one year ago. The July 2000 NYMEX final price for natural gas closed at \$4.37 per MMBtu, more than \$2.10 higher than July 1999. Also, the highest trading price of the closing day was \$4.69. This price dropped by 32 cents to its close. July 1999's largest price swings as the month traded were approximately 7 cents in each direction.

Daily swings are spurred by the rapid market response to new information: projections of natural gas demand, issuances of storage injection levels, weather forecasts and gas production issues, such as a proposed extension of the federal moratorium on royalties for exploration in the Gulf. Bullish and bearish news swings up and down, information put forward one day, refuted by other sources another day.

One of the main areas of concern for the direction of prices is that current natural gas storage levels are estimated to be about 8% below what is deemed to be normal at this time of the year. Worsening this is that with prices so high, there is little chance that stocks will recover and the heating season will begin with only a thin layer of storage protection. If an early or long cold winter occurs prices during the heating season could increase a further 20%. Overall, the projected price increase that the University of Illinois will pay for its supplies of natural gas in FY 2002 are estimated to be 5% higher than the current budget year.

The University of Illinois has dual or triple fuel switching capabilities at its power production plants. The most economical alternate fuel used at the Chicago campus is #6 heating oil. Unfortunately, this fuel has also seen an unusual amount of base price increases beginning with the winter of 1999-2000. Compared to a year ago, wholesale heating oil prices are 70% higher. Low stocks together with high demand are the major influence on pricing of this fuel. If natural gas prices stay high through the summer, major electricity producing utilities may also use this fuel, thus diminishing the capacity to recover stock levels prior to the heating season.

The base function of the price of this fuel is the price and supply of crude oil. Low stocks of crude oil, which will remain comparatively low regardless of the recent global increases in production, mean tight markets, resulting in higher oil product prices, including #6. As a contributor to the composite price of steam production, it is

estimated that in FY 2002 the price the University will pay for steam will be 5% higher than the current budget year.

Distinctively unrelated to international crude oil price and supply, its trickle down effects on the American economy and the price of its oil and gas products and inventory levels is coal. There can be no more of a marked contrast in price effects than a comparison of the two markets. In the case of coal, plentiful supplies and low demand cause relatively low to flat pricing. Emission standards for fossil fueled generating stations have curbed the demand for coal and thus healthy inventories are being maintained. The University's most recent three year contract, which spans FY 2002, is actually less per ton than the prior contract, however, a factor of the final price is the delivery charge, and with diesel fuel higher and projected to remain higher, it is expected that overall, coal costs will increase, but not more than 1%.

A significant factor in the price that the University now pays for electricity is the legislatively mandated change in the billing structure away from the purchased fuel adjustment. When electricity was a fully regulated service, any increases or decreases in the price to obtain or generate electricity were passed on to the consumer through the purchased fuel adjustment mechanism. Deregulation as legislated eliminated this mechanism. Instead utilities may charge for the actual commodity, the kilowatt-hour, based on market pricing. This does not necessarily track with what the utility experienced in acquiring or generating the resource, thus the result of any cost saving measures may be retained by the utility and not passed on to the consumer.

Another structural change that is being monitored is the change in the taxation structure that gives municipalities new mechanisms for tax collection from consumers who enter the deregulated market, and for all consumers the change from the 5% Public Utility Tax to the Electricity Excise Tax. The new tax has a tier structure based on consumption with no legislative intent to increase the level of taxation beyond 5%.

Increases in cost that the University expects to pay for electric service is primarily attributable to the cost of the constituent fuels that are used by utilities for generating electricity and imbedded in the costs that utilities pay to purchase outside supplies of electricity that are then resold to consumers. From this, it is expected that the University of Illinois will experience increases in cost in the range of 3.5% and 4.0%.

The final area of significant budget impact for the University's expenditures for utilities is for water and sewer. Savings gained through effective contract negotiations and costs for increases of other long negotiated contracts are within the base, therefore, combined it is estimated that increases at all the campuses for both these services will range between 3% and 4%.

The University of Illinois has gained internal control over its expenditures for utilities by instituting fuel efficiency efforts, reduced unnecessary consumption through energy savings initiatives, implemented major capital projects such as new and expanded cogeneration facilities, steam and chilled water distribution improvements and effective contractual negotiations for the purchases of commodities and services. These significant cost avoidances have been subsumed within the base and the level of expenditures that the University experiences for utilities is in stasis. However, there are presently numerous effects rippling and compounding throughout all energy markets, impacting consumers with rates of increase beyond expectation and provoking budgeting problems simply based on the fundamental economic principle of supply and demand.

The University of Illinois is a consumer. Its utilities budget has experienced almost a decade and a half of increasing utilities expenditures with virtually flat financial support, offset by the management initiatives enumerated above. FY 2000 utilities expenditures ended with a unit cost for natural gas higher than any that had been experienced in the prior decade. It is a signal of pricing peaks and volatility that are expected to continue. Current price projections are underscored by these uncertainties caused by an energy market more globally oriented and less inclined to governmental regulation. It is imperative that the University of Illinois, with a limited arsenal of new price containment measures at its command, receive a 4% utilities increment to meet the FY 2002 projected increases in utilities costs.

**Library Price
Increases
(\$1,772,000)**

The Libraries of the University of Illinois are requesting a 10% increase in their materials budget to ensure that the Libraries are able to maintain the quality of their collections and meet their commitment to students, faculty and researchers. Several factors place the University Libraries at risk in meeting their mission. Double-digit inflation in journal costs continues to threaten the quality of the collections. The burgeoning number of electronic resources that have become vital to the teaching and

research needs of the campus must be made available. Interdisciplinary studies and new programs are creating added pressures on the University Libraries to provide new materials. Finally, owing to these and other factors, the erosion of collections that began more than fifteen years ago worsens. Support must be provided to curtail this serious threat to the quality of the collections.

The Chicago (UIC) Library, that serves the largest university in the Chicago area, holds nearly 2 million volumes including 21,000 current serial titles. UIC's special collections include a wide range of research materials on the history of Chicago. Chief among these are the Jane Addams Memorial Collection, Corporate Archives of the Chicago Board of Trade, records of A Century of Progress International Exposition, 1933-34, records of the Midwest Women's Historical Collection, records of the Chicago Urban League, the R. Hunter Middleton Chicago Design Archives and 10,000 rare books, prints and maps that comprise the Lawrence Gutter Collection of Chicagoana. The Libraries of the Health Sciences, one of the largest such units in the nation, is the regional library for 893 medical libraries in 10 states.

The Springfield (UIS) Library supports students with a collection numbering more than 509,000 volumes, 2,500 periodical subscriptions, nearly 2,000 films and videotapes and 1,500,000 microforms. The UIS Library's special collections unit houses an oral history collection containing interview tapes and transcripts from more than 1,200 persons whose memories touch on important themes in the social, economic and political history of the State. The UIS Archives is the location of the Illinois Regional Archives Depository, collecting county and municipal records from 14 central Illinois counties in support of research focusing on local history and genealogy.

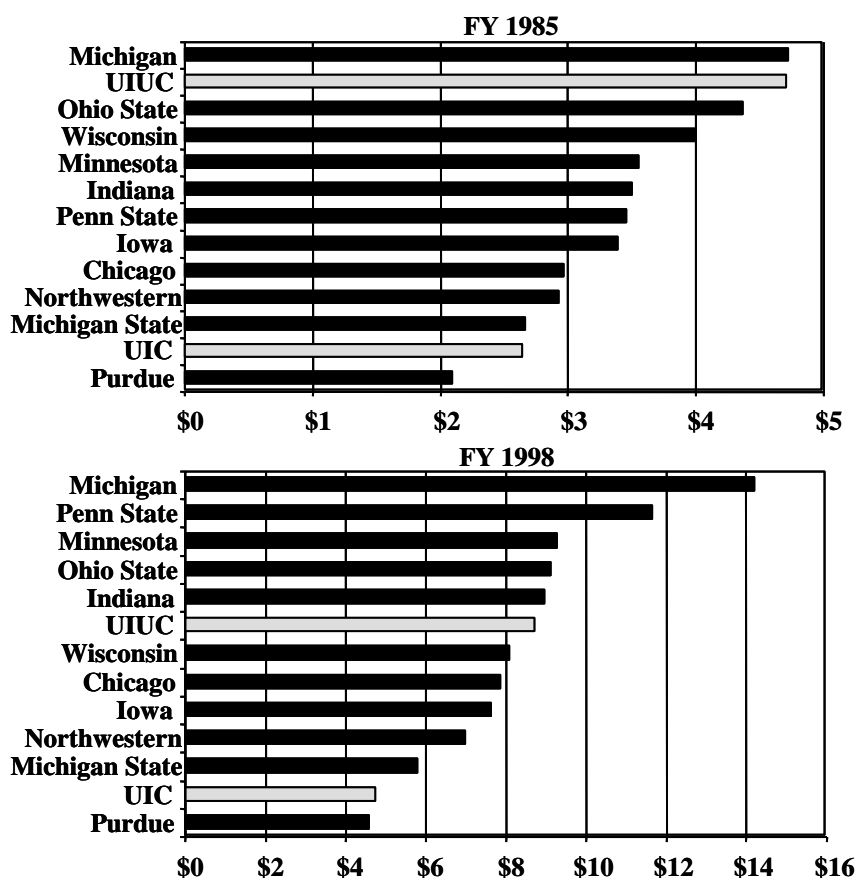
The University of Illinois at Urbana-Champaign (UIUC) Library is a major educational and cultural resource for the University and the State of Illinois. With a collection of more than 20 million items, it is one of the world's great research libraries. Strong and unique collections have been a hallmark of the UIUC Library. Distinguished collections exist in areas as diverse as American history, chemistry, English literature, engineering, mathematics, music and Slavic languages and literature. The Library's reputation for excellence is enhanced by numerous special collections, including holdings on John Milton, William Shakespeare, Marcel Proust,

Carl Sandburg, James B. Reston, H. G. Wells and Mark Twain. Within the past five years the Library has inaugurated a program of enhanced electronic collection development, purchasing additional abstracting and indexing services, which provide access to the scholarly literature at UIUC, as well as other institutions, and building new collections of electronic journals, electronic texts and other recently developed types of online materials.

Libraries are committed to maintaining the strongest collection possible to meet the educational and research needs of their diverse users. They are equally committed to providing their users access to collections owned by others both through the traditional means of interlibrary borrowing and through electronic access and article delivery services. The University Libraries also play a role in Illinois, providing resources and information services to citizens of the State. Because of their regional and international reputation, the Libraries often serve as hosts to visiting scholars from around the world and their collections have been instrumental in developing and supporting research and scholarship in many pivotal areas, including agriculture, engineering, the arts and social policy. Sustaining these programs and services, however, has become increasingly difficult.

The cost of purchasing materials for the Libraries continue to rise dramatically every year because of escalating production costs, increasing output from the world's scholars and the unusually high price inflation of many foreign scientific and technical journals. In addition, because of inconsistent collection funding over the last decade, the quality of the Libraries' collections has been seriously compromised. Journal price inflation has risen at almost twice the rate of the increases to the Libraries' budgets. The erosion of their materials budgets is clearly shown when the Libraries' materials expenditures are compared to their peer institutions. Among members of the Association of Research Libraries (ARL), the UIUC Library materials expenditures declined from 8th in FY 1985 to 21st in FY 1999. In FY 1985, Figure 12 shows the UIC and UIUC Libraries materials expenditures ranking 12th and 2nd, respectively, among the 13 CIC member libraries. By FY 1999, however, the UIUC Library rank dropped to 5th behind Michigan, Penn State, Ohio State and Minnesota, while UIC retained its low ranking.

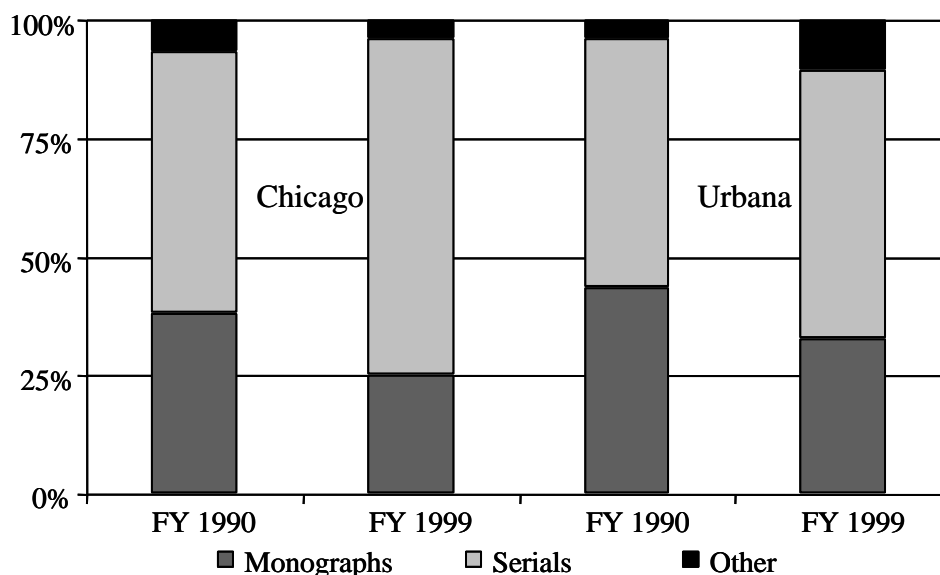
Figure 12
CIC Library Materials Expenditures
 (Dollars in Millions)



Despite a stable upward trend in the general economy, inflation of library materials has become so significant that high inflation rates in any given year could devastate the monographic budget, particularly in the sciences, where inflation has been the highest and more recently in the social sciences, where inflation rates are beginning to soar. For more than a decade, the Libraries have cancelled a significant number of serial titles, approximately 2,000 at UIC and 7,000 at UIUC, attempting not only to balance the serial budget in the face of extraordinary inflation, but also to protect some materials funds for monograph and electronic acquisitions. Nevertheless, the Library's ability to purchase new books and important electronic products and services is in a steady decline. Although the relative importance of monographs compared to serials and to electronic products varies by discipline, traditional books remain heavily used by students and faculty across all disciplines. In FY 1990, approximately 38% of the UIC and 43% of the UIUC libraries materials budget went for monographs; by FY 1999 Figure 13 shows these percentages dropping to 25% at

UIC and 33% at UIUC. The acquisition of new monographs is essential to keep pace with research and curricular demands.

Figure 13
Library Material Budget Information



The necessity for electronic resources only worsens the Libraries' budgetary needs. At present, electronic journals average between 10% to 30% more than their print equivalents and in many cases user needs require that both electronic and hardcopy subscriptions be maintained. Because many electronic items cannot be purchased, but only licensed, ongoing access to them cannot be assured. New methods of electronic document delivery can be used to help offset the cost of expensive, low-use print journals, but the delivery costs of a single article are quite high. However, electronic resources do make available enough choices for the Libraries in providing access to information to justify their carefully considered purchase.

The special value of the collections of the Libraries lie in the unique strengths of their holdings for students and scholars, as well as external users throughout the State, nation and world. Now and in the future, continuing and stable financial support is critical to answer the educational and scholarly needs of the campuses, to enhance access to collections in other libraries and to exploit the potential of electronic information. In addition, the Libraries play a significant role as the libraries of last resort for the citizens of Illinois. To meet these challenges successfully, the

**Other Payroll
Costs
(\$940,000)****Medicare and
Social Security
Contributions**

*Medicare cost
increases present
mandatory,
unavoidable budget
requirements.*

University Libraries requires an increase of 10% in FY 2002 to offset expected continued inflation, keep pace with the demands of its users and begin to recover a small portion of the ground lost over the past fifteen years.

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

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

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

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

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

<u>Fiscal Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>% Change in Expenditures</u>
1990	\$1,718.0	\$1,740.5	0.0%
1991	1,718.0	2,261.7	29.9%
1992	2,743.7	3,323.5	46.9%
1993	3,473.7	3,644.0	9.6%
1994	3,492.0	4,277.3	89.1%
1995	4,417.3	4,850.0	13.4%
1996	5,967.3	5,982.0	23.3%
1997	5,967.3	6,086.6	1.7%
1998	6,141.5	6,267.3	3.0%
1999	6,302.7	6,754.1	7.8%
2000	6,491.8	6,944.8 (est.)	2.8%

The FY 2000 appropriation is \$6,491,800 for the combined Social Security and Medicare requirements. In FY 2001, expenditures are expected to rise to \$7,312,800. An increment of \$456,700 is requested to bring the FY 2002 appropriation to expected needs. Because it is a federal mandate, this is truly an unavoidable increase for the University.

Workers' Compensation

The University of Illinois, unlike other universities or State agencies whose claims are handled through the Illinois Department of Central Management Services, receives a direct appropriation for payments of Workers' Compensation claims to University employees. Table 6 details the State appropriation to the University compared to actual expenditure claims. In the last seven years the University has been forced to reallocate funds to cover increased claims. Strenuous efforts to control costs have helped reduce the impact of cost increases, but the University continues to face growing exposure in this area.

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

	Fiscal Year	Appropriations	Expenditures	% Change in Expenditures
	1990	\$ 1,670.2	\$ 2,343.9	0.0%
	1991	2,685.0	2,665.0	13.7%
	1992	2,087.9	2,087.9	-21.7%
<i>Despite strenuous cost</i>	1993	2,193.5	2,193.5	5.1%
<i>control measures,</i>	1994	2,986.3	3,001.1	12.6%
<i>Workers'</i>	1995	2,986.3	3,291.0	9.7%
<i>Compensation costs</i>	1996	2,986.3	4,258.6	29.4%
<i>have risen faster than</i>	1997	3,365.0	3,598.9	-15.5%
<i>available resources to</i>	1998	3,365.0	3,727.0	3.6%
<i>pay them.</i>	1999	3,466.0	3,686.8	-1.1%
	2000	3,466.0	3,727.1	1.1%
	2001	3,570.0	3,780.0 (est.)	1.4%

For the last several years, the University has utilized the assistance of an actuarial firm to establish an appropriate level of funding for Workers' Compensation. The firm's methods for estimating projected claims and resulting outlays have proven to be very accurate. Actual claims for FY 1999 were \$3,686,800 while the State appropriation was \$3,466,000 creating a deficit of \$220,800. Actuaries have projected payments for FY 2001 to be \$3,780,000 and \$3,980,000 for FY 2002. The University has created extensive programs and incentives to control and reduce costs in the last several years. Even with the success of these programs, additional resources are required. For FY 2002, \$483,300 for workers' compensation is requested.

Operation and Maintenance of New Areas (\$2,870,380)

**Campus
Levels:**
UIC
(\$1,066,890)
UIUC
(\$1,803,490)

It is imperative that new or significantly remodeled space receives adequate operations and maintenance support when the space is first opened for use. Without adequate support, an immediate deficiency is created.

The FY 2002 request for funding support of the operation and maintenance of new and significantly remodeled facilities is to support eleven facilities across two campuses of the University of Illinois. The majority of the facilities are geared toward biological and engineering sciences and services. This is not surprising given that the request comes from the State's largest university. Nor is it surprising that the actual costs to support these facilities range above the 'average', whether it is the campuses' or other State facility averages.

State budgeting policies regarding operation and maintenance support of new areas and significantly remodeled space pose specific problems:

- "Other" costs, comprising an array of expenses such as janitorial, building maintenance, grounds keeping, environmental health, public safety and utility production are funded at a statewide average cost per square foot. Not what the facilities require.
- Utilities costs, comprising funds to pay for heating, cooling, electricity, water and sanitary services, are funded at a campus average cost per square foot. Not what the facilities require.
- Each year a share of projects are not recommended for any support. Certainly, not what the facilities require.

The full negative extent of funding the utilities costs of facilities at an average rather than required level has not yet been experienced. The process began in FY 1998. Since that period of time there has not been a large, intensive energy using facility such as Molecular Biology. Fully funded in FY 1996 and FY 1997, that teaching and research facility received what it required. Had the facility been funded in FY 1998 at the campus average, there would have been a budget shortfall of almost \$1 million in utilities alone.

Within the last nine budget years, the new areas support request has ranged between \$1 and \$3 million (FY 1996 data are discounted for Molecular Biology and Chemical and Life Sciences, FY 2000 and 2001 are discounted by ISPI). In retrospect, these budget requests will be viewed as relatively small when compared to the upcoming budget years that will include new areas support requests for facilities such as the Post-Genomics Institute, the new National Center for

Supercomputing Applications facility and an addition to the Microelectronics Laboratory, among many other new energy intensive facilities for medical, computing, engineering research and teaching.

It is known that resources to support new facilities are not infinite. However, the University of Illinois is concerned about the method of using averages to make decisions regarding the allocation of resources to support new areas. It is highly disadvantageous to any University with higher than average facility support costs. The future is bright with promise from revolutionary new programs and fields of study that will yield scientific and technological breakthroughs. But the potential economic threat to the University from unmet operation and maintenance support dollars for these facilities is real. Perhaps this is an opportunity for the IBHE to revise its process of allocating finite new areas support dollars from one based on averages to one based on need.

The requirement to support the operation and maintenance of new areas and significantly remodeled facilities in FY 2002 totals, \$2,870,380. Eleven facilities as shown in Table 7, comprising approximately 443,000 GSF, require either full or partial funding of the annual costs for operation and maintenance.

Table 7
FY 2002 Operation and Maintenance
Requirements to Support New Areas

Project	GSF	Total Annual Cost	\$/GSF	Date of Occupancy	Months	FY 2002 Amount
Chicago						
Neuropsychiatric Institute Remodeling	58,710	\$471,900	\$8.04	9/00	6	\$ 235,950
Police Station	28,000	201,050	7.18	4/01	12	201,050
OCC Backfill	106,353	629,890	5.92	7/00	12	629,890
Subtotal						\$ 1,066,890
Urbana-Champaign						
Mechanical Engineering Lab and Addition	44,000	\$465,610	\$10.58	6/01	12	\$ 465,610
Mechanical Engineering Building-Ford Lab	5,000	62,050	12.41	8/01	12	62,050
Engineering Hall Renovation	80,850	151,200	1.87	7/00	10	126,000
Roger Adams Lab Remodel	7,010	81,880	11.68	2/01	12	81,880
Boneyard Creek Improvements	N/A	78,000	N/A	10/01	8	52,000
ACES Library and Information Center	83,700	672,950	8.04	5/01	12	672,950
USDA/UIUC Greenhouse Project	15,000	136,900	9.13	8/01	12	136,900
Advanced Computations Building Addition	15,000	206,100	13.74	5/01	12	206,100
Subtotal						\$ 1,803,490
Total						\$ 2,870,380

**Chicago
Projects****Neuropsychiatric Institute Remodeling**

Funded for partial support in FY 2001, the FY 2002 request is for the final six months of support of this major renovation and remodeling project. Operation and maintenance of this facility supports 58,710 GSF of space devoted to teaching, research and clinical needs of the Department of Psychiatry. Two of the programs benefiting from the reconfiguration and quality upgrades are the Children and Adolescent Clinical program and Affective Disorders. The completion date for this remodeling has been moved up a few months from January 2001 to September 2000. The final six months of support for this facility totals \$235,950.

UIC Police Station

The University of Illinois at Chicago Police will fully vacate the space held in the Physical Plant Services Building. The Police will be moving from less than 7,000 GSF to the newly renovated Maxwell Street Chicago Police building, a total GSF of 28,000. Approximately 137 full time, and 65 part time employees (staff and officers) will move. Many benefits will arise from the relocation aside from the increase in space. There will be a consolidation of all operations and an increased level of security involving operations because it will be a physically discrete functioning unit. The location, in the middle of the south campus development, will allow for greater university and community access for meetings and walk-in reporting. The addition of a new sally port will increase operations security and provide for better traffic flow by keeping individuals under arrest separate from general staff and visitors.

Costs to support this facility focus on the 24-hour operations schedule, increased janitorial, building maintenance and expanded dispatch and telecommunications abilities. Of particular interest are the interior and exterior maintenance requirements for this facility. The station is on the National Register of Historic Places and when complete will be a showplace for the campus and community, the enjoyment of which will be enhanced by an historical photograph display of the station on view in the lobby. The University has agreed to maintain the historical elements of the facility and preserve its integrity while upgrading the functions for campus Police. Scheduled for completion in April 2001, a full year's support request of \$201,050 is required.

New uses of vacated and remodeled space require incremental resources for its care and operation.

Urbana-Champaign Projects

OCC Backfill

The Outpatient Care Center Backfill project renovates and remodels space vacated by academic units that moved permanently to the Outpatient Care Center. The project primarily converts clinical space into academic space, a total of 106,353 GSF spread across seven buildings. Funds required supporting the operation and maintenance of this space is entirely for 'other' functions that are janitorial, security and maintenance, among other costs. These are incremental expenses. Utility support for this project is not required, as the renovations will not have an incremental impact on current utility support of this space.

The buildings that include space renovated in this effort are Magnetic Resonance Imaging Center, Medical Sciences Building, Health and Human Development Sciences Building, University Hall, Clinical Sciences, Clinical Sciences North and the Neuropsychiatric Institute (2,558 GSF for the College of Medicine). The departments and programs that will benefit from this additional space are Bioengineering, Radiology, Medicine, Medical Education, Psychiatry, University Health Services and the Urban Health Program. Occupancy of this renovated space will span from the summer of 2000 through the summer of 2002; therefore, the full annual increment to support this space is being requested in FY 2002, a total cost of \$629,890.

Mechanical Engineering Lab and Addition

The Mechanical Engineering Lab was constructed in 1905 with several additions added through 1917. This renovation will rehab over much of the existing building and includes an addition of student labs and conference spaces. The remodeling will replace old mechanical systems with new and modern utilities along with inside plant media and networking equipment. Additional interior work includes the remodeling of a high bay industrial area. A new second floor will be added creating a series of laboratory spaces. New labs will be equipped with water/drainage, chilled process water, fume exhaust, sufficient electrical and networking capacity. The addition creates a much-needed area for a blend of classroom, conference room and galleries, all with an emphasis on student group interaction and project work. A full year of incremental operations and maintenance is requested at \$465,610.

A complete renovation of this major facility has significantly reduced its deferred maintenance backlog. Adequate resources are required to maintain its sophisticated new infrastructure and support systems.

Mechanical Engineering Building – Ford Lab

The Department of Mechanical and Industrial Engineering has received a gift from the Ford Motor Company to construct and equip the Ford Automotive Science and Technology Laboratory - FAST Lab. This \$1.25 million project provides for the final phase of remodeling and modernization of the Mechanical and Industrial Engineering Department's Automotive Systems Laboratories in the Mechanical Engineering Building. With the Ford gift, 5,000 square feet of laboratory space dating from the 1950s will be enhanced to provide 21st century laboratory facilities. The new space will feature vehicle component build and test areas, engine test cells with the latest emissions and dynamometer controller systems, and will provide access to state-of-the-art laser diagnostic instrumentation for in-cylinder temperature species and flow measurements. A full twelve months of operations and maintenance support is requested at \$62,050.

Engineering Hall Renovation

Engineering Hall is over 105 years old and is no longer sufficient to meet the programmatic and space needs of the College of Engineering. As part of the interior renovation, some 80,850 GSF will be rehabilitated to meet current operational needs. System upgrades are designed for the plumbing, HVAC and electrical systems. The reconfiguration will provide space for computer labs, student activity functions, distance learning labs and administrative offices. The renovation to the exterior of Engineering Hall will include cleaning and repair of the masonry/brick along with new doors and windows. Scheduled for completion in July 2000, the remaining ten months of funding is requested for a total of \$126,000.

Roger Adams Lab Remodeling

This remodeling project will refurbish four labs, comprising roughly 7,010 GSF in the Roger Adams Laboratory. These Chemistry wet labs have seen very little rehab over the last thirty-year period. The work will include all new finishes, lab casework and benches, some fume hoods, new electrical and lighting, new HVAC and new communications work. Scheduled for completion in February of 2001, twelve full months of incremental operations and maintenance are requested, a total of \$81,880.

Boneyard Creek Improvements

This project will provide improved storm water control in the north campus, an area that has experienced continuing flooding problems due to major storm events occurring more regularly in the past several years. Drainage improvements to the Boneyard Creek along its route from Wright Street to Lincoln Avenue will be addressed by this project. These improvements are part of a comprehensive plan developed jointly by the University and the Cities of Champaign and Urbana to alleviate flooding problems throughout Champaign and the Urbana campus without adversely affecting the City of Urbana on the downstream side. Funds are requested to provide support for landscaping, lighting and flow control equipment in and around the reconfigured channel. Eight months of support at \$52,000 is requested.

ACES Library and Information Center

The ACES Library and Information Center for the College of ACES will enable the College to unify its agriculture and home economics collections and its information and computer services into a centralized location and provide flexibility for internal expansion. State-of-the-art shelving equipment will serve the needs of the college by maximizing space utilization. The approximate 83,700 GSF facility will include space for all the current holdings of the College, plus growth space for library material in the stack areas. The new building will also provide space for computer instructional labs and support areas, as well as an alumni center and information and career center. Conference and meetings rooms are also programmed along with multi-media rooms to serve the needs of the College. Scheduled for completion in May of 2001, a full year of operations and maintenance support is requested totaling \$672,950.

USDA/UIUC Greenhouse Project

The Greenhouse Project is a joint effort between the University and USDA to support research collections in the corn and soybean families. The Maize Genetics Stocks Collection and the National Soybean Germplasm Collection are unique and extremely valuable collections. Scientists all over the world request samples from among the collections. Constructing greenhouse bays adjacent to and integrated with the Turner Hall greenhouse service corridor will create the greenhouse complex providing ready access to the rest of a very large greenhouse complex, its basement and several adjoining laboratory and office buildings of the College of Agriculture,

Consumer, and Environmental Sciences. The greenhouse bays will provide 15,000 net assignable square feet (NASF) of modern standard greenhouse space. Basement space under these greenhouse sections will be used for additional cold storage for the Maize Genetics Stocks Collection and for laboratory space to support the nematology research program. Twelve months of funding is requested at \$136,900.

Advanced Computation Building Addition

The National Center for Supercomputing Applications has been a national leader in computational science since 1985. Throughout NCSA's history the Advanced Computation Building (ACB) has been the home of NCSA's computing systems. With continued new funding from the Program for Advanced Computational Infrastructure (PACI) grant for larger systems, and increased national emphasis on computational science and engineering, NCSA requires additional machine room space to support a growing national user community. The ACB Addition provides about 15,000 gross square feet of machine room space. A full twelve months of funding is requested at a total of \$206,100.

Statewide Initiatives in Higher Education



Recruitment and Retention

(\$7,620,700)

Overview

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

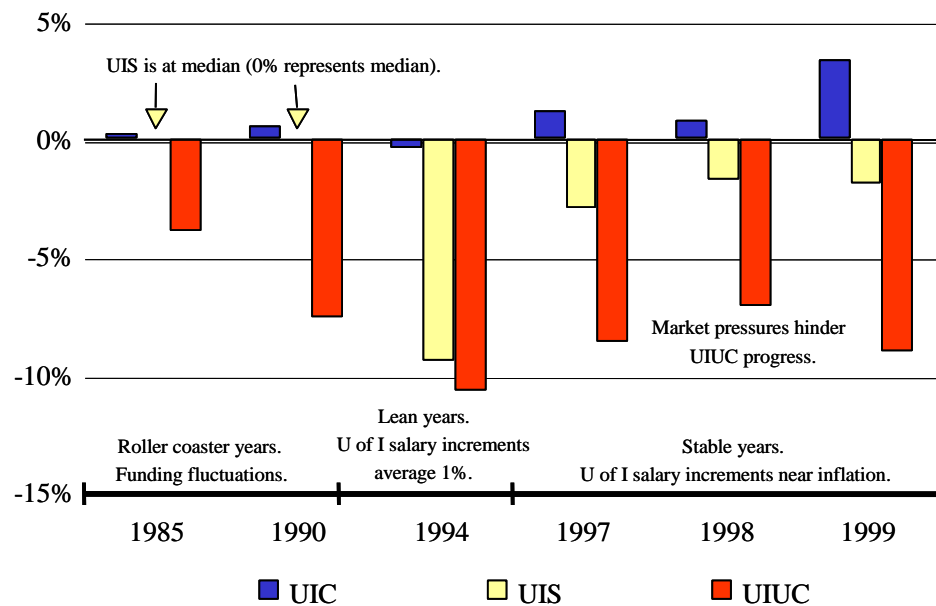
In FY 2000, the IBHE embarked on the first year of a statewide five-year plan to increase the ability of Illinois' public universities to compete with their peers in the faculty and staff salary market. The overall goal of this plan is to assure that Illinois public universities maintain an appropriate compliment of faculty and staff to provide the highest quality of instruction, research and service by assuring that faculty and staff are fairly compensated.

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

Continued support for the IBHE's plan is crucial if the state's public universities are to compete successfully with their peers for quality faculty and staff. This support became even more crucial for the University of Illinois as a result of market trends since FY 1999. The weighted median salary of each IBHE comparison group serves as a benchmark to assess competitiveness in the national market. Figure 14 displays the weighted average salary of full-time instructional faculty in the ranks of assistant professor and above at each University of Illinois campus as a percentage of the weighted median salary of each peer group since 1985. In general, salaries for these faculty at UIC have been slightly above its IBHE peer group median, while those at UIS have recovered to slightly above the median as well. Faculty salaries at UIUC remain mired far below its peer group median. Each year from FY 1995 to FY 1998, UIUC made progress toward the median, but in FY 1999 this positive trend reversed

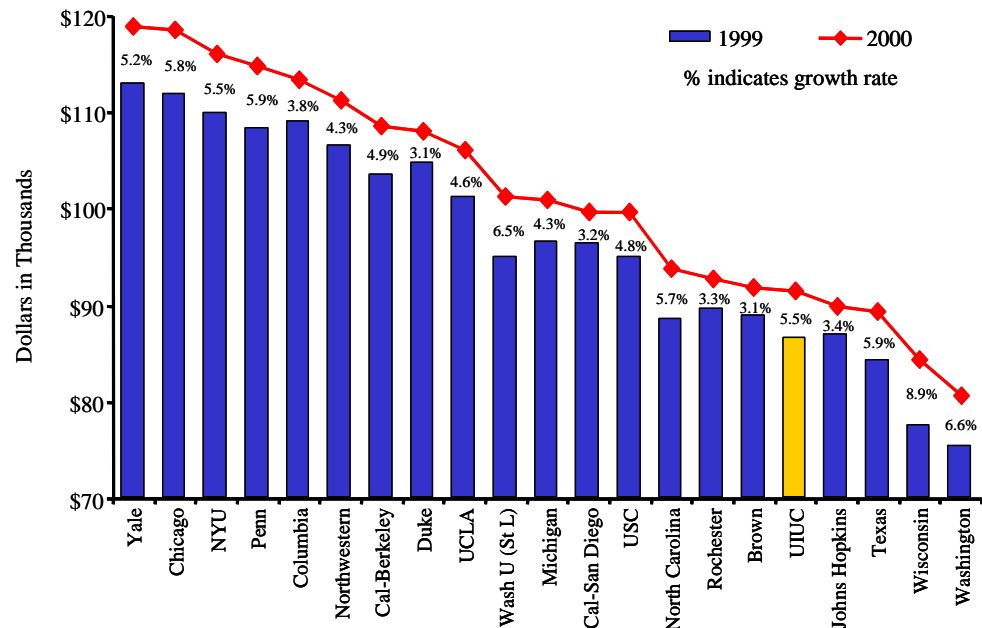
and the campus slipped back almost all the way to its 1995 position. Thus, the slight progress in FY 2000 failed to bring UIUC within striking distance of the median.

Figure 14
Distance from IBHE Peer Group Median
UIC, UIS and UIUC



The reason for the failure to catch the median can be traced to very large increases in average faculty salaries at some peer institutions. Figure 15 compares FY 1999 and FY 2000 average salaries of full professors at UIUC and its IBHE peer group. The University of Wisconsin had the highest growth, while Duke had the lowest. The mean percentage change for the group was 5%. UIUC's 5.5% tied for 8th with New York University, trailing (among others) such important regional competitors as the University of Chicago, University of Wisconsin and Washington University in St. Louis.

Figure 15
FY 1999 and FY 2000 Professors' Average Salaries
UIUC and IBHE Peers



Continuation of the plan begun in FY 2000 is essential if any progress is to be made in salary competitiveness.

These figures illustrate the difficulty the University faces when attempting to gain parity in an accelerating faculty salary market. The IBHE's five-year plan calls for all Illinois public universities to receive an additional 1% increment for recruitment and retention of key faculty and staff. Thus, the University requests \$7.6 million to implement the IBHE's initiative in FY 2002, to be matched by an equal amount from institutional sources.

Facilities Renovation Support

(\$2,000,000)

Overview

Stated most simply, physical facilities are a critically important component of the academic support structure necessary to conduct instructional, research and service activities in any institution of higher education. Academic facilities constructed and operated with State funds for the University of Illinois have a replacement cost of \$3.8 billion. Most of these facilities were built to “institutional standards” in construction materials and techniques, meaning that with proper maintenance and regular renovation of components which have exceeded their useful lives, the facility can have a nearly infinite life. Toward this end, the University has attempted to create a consistent funding source to service its facilities infrastructure. FY 1998 began the initial phase of a multi-year funding request included in the University’s operating budget request. A strong priority for this initiative has been expressed by the IBHE and supported in the Governor’s budget over the last four years. For FY 2001, another increment was appropriated bringing the four-year total to almost \$7 million. For FY 2002, the University seeks to build on this essential start. Steady and sustainable revenue streams are crucial to maintain the University’s physical assets. A variety of University of Illinois programs are today housed satisfactorily in buildings more than 100 years old and that experience can continue if adequate facilities funds are available.

The Need

If replacement of worn-out building systems is not completed on a timely basis, significant backlogs of deferred maintenance projects arise.

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

- Replacement Needs
Normal use inevitably causes wear and tear on building systems and components to the point at which their useful lives are exceeded and they must be replaced. This process is frequently described as depreciation and is universally recognized. If proper annual maintenance is not available for building systems, their useful lives are shortened. If replacement of worn-out building systems is not completed on a timely basis, significant backlogs of deferred maintenance needs arise, eventually resulting in larger and more costly major remodeling requirements.
- Realignment Needs
The needs of academic programs vary over time. As enrollments shift among fields of study, space needs change with them. As the state-of-the-art within fields of study changes, so too do the facilities needed to support new activities. In some cases, the entire functional use of space must shift to accommodate changes within or among academic programs.

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

**Space
Realignment,
Renewal and
Replacement
(SR³)**

- Renewal Needs

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

Several types of funding are required to meet the range of facilities operating, maintenance, renovation and replacement needs which universities confront annually. In Illinois, day-to-day operations and maintenance costs are funded through the annual operating budgets of colleges and universities. Major remodeling and new construction funds come from capital budget appropriations with annual sales of bonds which customarily carry 25-year debt retirement obligations. At this time, funds to address minor remodeling needs most often associated with the factors outlined above also come from capital budget sources. Optimistically, the University hopes to continue the multi-year program started in FY 1998 and continued through FY 2001 maintaining a sustainable source of funds for facilities renovation.

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

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

Approximately twenty-five years ago the University of Illinois defined the need for an operating budget based source of funds to address annual space renovation requirements. Using historical reviews of the useful lives of all building components, the University developed a formula based approach to provide an estimate of the annual expenditures which an institution would need for regular replacement of components which had exceeded their useful lives (such as roofs, heating, ventilating and cooling

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

systems and so forth) and which could also address the annual need for reconfiguration of space to address new functional requirements brought on by changes in academic programs. This approach was termed Space Realignment, Renewal and Replacement or SR³.

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

The SR³ approach thus requires that an institution keeps an accurate inventory of the space it has and that it computes the replacement costs of all of its facilities by type of space. Fortunately in Illinois, the Capital Development Board and Board of Higher Education have worked together to provide institutions with construction cost estimates for the various types of space which colleges and universities require and with inflation estimates needed to escalate those costs for future construction timetables. Summing the SR³ requirements for all the facilities on a campus establishes the amount which an institution should spend each year to make certain that its academic facilities are functionally appropriate for the programs it offers. For the three campuses of the University of Illinois for Fiscal Year 2002, the SR³ requirement is \$23 million.

SR³ Proven Effective

In 1979 the University of Illinois undertook a major restructuring of the debt for its auxiliary facilities and created an entity known as the Auxiliary Facilities System. An integral part of the debt restructuring was the initiation of an annual space renewal and replacement component in the operating budgets of all auxiliary facilities. Since auxiliary facilities do not face the same need for functional reconfiguration of space to meet changing academic program needs that academic facilities must address, the annual Auxiliary Facilities System space renewal and replacement requirement equals one-half of one percent of the facilities' replacement costs. This requirement represents a first dollar operating budget commitment for all University of Illinois auxiliary

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

**FY 2002
Operating
Budget
Request for
Facilities
Renovation**

facilities. It has been in place over 20 years and it provides the best documentation possible for the effectiveness of the SR³ philosophy and approach to effective facilities maintenance. As a group, University of Illinois auxiliary facilities today are significantly better maintained than the University's academic buildings.

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

The need for an operating budget based program which can address a variety of facilities needs facing the University of Illinois has grown to the point that its priority matches the need for new or expanded academic program funds. For FY 2002 the University of Illinois will continue the program and seek to add incremental funds necessary to fund the SR³ formula. For FY 2002, the University seeks \$2 million for the fifth year of this multi-year initiative.

Funds provided under this program would be used to meet facilities needs arising in three distinct areas:

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

The University strongly believes that the SR³ formula approach is the most effective mechanism to implement an operating budget based facilities renovation program.

*SR³ is simple,
straightforward,
equitable,
comprehensive and
cost effective.*

The SR³ approach offers numerous advantages, which include the following:

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

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

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

Academic Program Initiatives

[Redacted text]

[Redacted text]

Strengthening the Academic Base

(\$8,650,00)

Overview

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

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

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

Faculty Excellence

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

The Urbana campus had 245 fewer tenure-system faculty members in Academic Year 2000 than it had in 1988. Funding associated with these positions has been reallocated over the years to augment state support in those lean years, so as to attain the goals articulated above. The Faculty Excellence initiative at Urbana aims to rebuild faculty strength and fill gaps left by the lack of new faculty recruitment in the early 1990s. The goal is to restore 150 tenure system faculty lines. Emphasis is being placed on strategic growth in information technology, biotechnology and the arts and humanities, while also capitalizing on targets of unusual opportunity. Through the

end of FY 2000, Urbana had received \$2 million in state support for Faculty Excellence. Fifteen new experienced faculty members have been recruited with these funds and 22 additional recruitments are in process. The confirmed hiring has been concentrated in colleges experiencing the largest losses in the recent past: ACES (3.25 FTE), Engineering (4 FTE) and Liberal Arts and Sciences (5.5 FTE). Of the salary funds, \$1.3 million have been committed recurringly and \$1.7 million are obligated to the authorized recruitments. The unexpended funds have been used to help underwrite the start-up costs of the new faculty members.

For FY 2001, Urbana received an additional \$4.3 million in Faculty Excellence funds plus \$0.9 million for expansion of Computer Science and Computer Engineering programs. The campus will be recruiting aggressively and strategically to rebuild and add strength in important areas. As before, a share of the funds will be expended nonrecurringly to meet the start-up requirements of new faculty until all funds have been committed to permanent faculty lines. The FY 2002 request includes an additional \$1,000,000 for Faculty Excellence. These funds will enable the campus to sustain momentum in rebuilding the faculty. At the same time, the request is moderate in recognition that recruitment of talented mid-career scholars takes time and some of the significant new funding received in FY 2001 may remain available for recruitment in FY 2002.

In the longer term, it has become clear that the goals of Faculty Excellence will require a more concerted effort than originally expected when the program was begun in 1996. The market for academic leaders in growth fields has been unusually dynamic, with numerous universities pursuing goals similar to those of Urbana. (For example, in the most recent recruitment cycle, the College of Letters, Sciences and Arts at the University of Michigan, a prime competitor, hired 97 faculty members—approximately twice as many as Urbana was able to pursue in the same fields.) The effect has been to increase the salaries and start-up costs required to attract the best talent. Urbana now estimates the costs of Faculty Excellence at closer to \$15 million, of which \$6.3 million have already been received from the State.

Urbana is seeking to add \$1.8 million in recurring funds to meet the start-up requirements of new faculty members. The current campus budget for this purpose is \$1.1 million and has not increased in at least four years. The FY 2002 request takes a

Enriching the Undergraduate Experience

First Year Discovery

major step to increase the campus' ability to cope with the cost of attracting new faculty.

The costs of equipping laboratories have skyrocketed, averaging more than \$500,000 in some fields. The School of Molecular and Cellular Biology estimates that \$6.7 million will be required to equip the laboratories of 13 new faculty members in biotechnology. The Department of Physics anticipates \$3.7 million in start-up costs for 5 new faculty members. The College of ACES estimates start-up costs of \$2.8 million for 8 new faculty. Requests for campus support for faculty start-ups have been ranging in excess of \$4 million annually. Although a significant share of the costs eventually will be recovered through external grant earnings, requirements of this magnitude outstrip the campus' capacity to provide essential up-front matching funds and be competitive with peer institutions.

As a Research I institution, the University of Illinois at Urbana-Champaign has a wide variety of faculty, facilities and resources. In order to receive the full benefit of an Illinois education, undergraduates must be able to draw fully upon these resources. The campus must make faculty more available to undergraduate students and must find ways to involve students from their freshman year onward in the intellectual life of the university community. The campus has created a number of initiatives designed to help achieve this goal such as the first-year Discovery program and living-learning communities. Various units across campus have also initiated programs that provide undergraduates with capstone courses or research opportunities. For FY 2002, UIUC requests funds to expand these programs and others so that a larger portion of the undergraduate population may participate in them.

Academic Year 2001 will be the sixth year of the Discovery Program, intended to promote faculty interaction with students and improve student transition to the intellectual life of campus. Student response has been quite favorable. Currently, the program provides spaces for about 65% of the freshman class. The Chancellor has articulated the goal of providing spaces for 75% of the freshmen. Further development of the Discovery Program toward this goal will focus on providing spaces for students in majors that currently have the lowest rates of participation. In FY 2001, the campus allocated funds to cover the recurring cost of the program at its

Living and Learning Communities

current size. To continue the expansion of the program in FY 2002 toward reaching the 75% goal, funds are requested to support 10 additional sections.

One of the key recommendations in the Framework for the Future, the UIUC strategic plan, was the development of new Living and Learning Communities, and this is reflected in recent budget requests that the University of Illinois sent to IBHE. These communities bring academic advising, tutoring, learning assistance and faculty contact to the residence halls, allowing students to more closely integrate their learning objectives with their living environment. Already in place when the Framework was written, two new communities have now joined Unit One: Women in Math, Science and Engineering (WIMSE) and Weston Exploration. In Fall 2000, two more living/learning communities open their doors—an International Living/Learning Community and a community focused on leadership. All of these communities offer courses as part of their academic component requiring state funding support. In FY 2001, UIUC used non-recurring finds to cover the academic component cost of these programs.

Undergraduate Research

One of the distinguishing hallmarks of an undergraduate education at a research university is the opportunity for students to become involved in scholarly research. Currently, there are a number of such programs on the UIUC campus; however, many students who would like to do research with faculty are unable to do so. Funds are needed to support undergraduate research with faculty who has no other access to such funding. These funds could be used either to provide stipends for faculty who are willing to work with students as well as for students working on faculty research projects both over the summer or during the academic year.

Capstone Experiences

It is important that undergraduate students have an opportunity to consolidate and synthesize what they have learned over their four years at the university. A capstone experience may take different forms, and different forms may be appropriate for different disciplines or majors. Not all such experiences need to be in the form of a small, faculty-taught seminar. For example, a capstone experience could consist of an honors thesis, a senior design project or an internship. Further, adding a capstone experience in the major should not necessarily require an increase in graduation requirements through the addition of yet another course to the major. The Council for the Enhancement of Undergraduate Education has recommended that the campus

General Education Requirements

identify “best practices” in capstone experiences and target specific areas of the campus for the development of such courses. For FY 2002, funds are requested for a pilot project to expand the opportunities for capstone experiences for undergraduates that would look beyond the traditional small, faculty-taught senior seminar.

The UIUC General Education requirements were established in 1989 by action of the Senate. One of the strategic priorities for the Provost is to complete the implementation of those requirements. The foreign language requirement goes into effect for freshmen entering UIUC in Fall 2000. The next requirement scheduled for implementation is Quantitative Reasoning II, estimated to cost approximately \$100,000. The 1989 Senate mandate included nine hours in each of the distribution areas (Humanities and the Arts, Social and Behavioral Sciences, Natural Science and Technology). To date, only six of the nine hours in each of the areas have been implemented. The campus would like to continue toward implementation of the full nine-hour requirement, estimated to require the addition of approximately eleven FTE faculty as well as funds for teaching assistants. For FY 2002, requested funds, represent the first phase of the final implementation of the General Education requirements.

Undergraduate Advising

In Spring 1999, the Campus reviewed the status of undergraduate academic advising. The review identified a range of advising models in use across the campus, many serving students very well, but some in need of attention. The overall resource need was estimated at \$750,000, including 17 additional staff lines. The Campus allocated \$290,000 in FY 2000 and \$160,000 in FY 2001 to improve academic advising in the College of Liberal Arts and Sciences. For FY 2002, funds are requested to continue enhancing undergraduate advising, including improvements in colleges other than LAS.

Capital Scholars

The UIS campus vision calls for achievement of excellence in the liberal arts areas of undergraduate education, complemented by a lively extracurricular intellectual, social and cultural life. The Capital Scholars program will offer an important contribution toward the achievement of that goal by enhancing academic programs in the liberal arts and sciences and by attracting capable new students. Funds of \$250,000 will be directed toward building the infrastructure of services needed for a more residential campus.

**Meeting
Employment,
Training and
Business Needs**

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

Business

Information technology's increasingly prominent and vital role in commerce and the community requires many more highly trained professionals—this need is understood and being addressed at UIC. In order to meet increased student demand and address accreditation issues, the College of Business Administration must continue to extend access to courses. Funds were requested in FY 2000 and FY 2001 to address demand in Management Information Systems, Information Decision Sciences, Accounting, Finance and Business Administration as a part of a multi-year plan to address student needs. UIC received support for this workforce development initiative in FY 2001. As an extension of this initiative, the college would like to hire new faculty to bring the student to faculty ratio more in line with AACSB standards. These new funds will support the undergraduate curriculum, which was revised in 1995 to reflect the changing needs of the business community.

Engineering

The College of Engineering at UIC has also put forward a multi-year proposal to enhance its ability to provide Computer Science and Electrical Engineering academic programs for both traditional and non-traditional students. Student demand for Electrical Engineering and Computer Science courses is large and the college cannot handle the number of applicants despite internal reallocations to support these programs over the past three years. In order to increase course availability, the College plans to hire 13 additional faculty members in Computer Science and Electrical Engineering over a three-year period. The college estimates total future resource need for this initiative at approximately \$2.7 million. The campus received funds in FY 2001 to support College of Engineering Workforce Development Initiatives and requests additional support for FY 2002. Additional funding will be requested for FY 2003.

Architecture and the Arts

Technology is now embedded as a mainstream method of production and continues to be among the most significant areas of experimentation and research within the various arts disciplines at UIC. Digital production has become a core function in these environments. The accelerating professional adoption of digital tools and techniques has had a profound impact on the role of arts education. As a base, the College of Architecture and the Arts must expand and stabilize digital instruction to students at the undergraduate and early graduate levels to adequately prepare them for current professional expectations.

The College of Architecture and the Arts proposes to create a virtual reality computer facility for advanced undergraduate and graduate students in Electronic Media, Industrial Design and Architecture. The equipment would be used to visualize industrial designs and architecture and to create new experiences within the traditions of the fine arts. Virtual reality can be used in place of model building and mockups because it supports a true three-dimensional, interactive experience and a pre-experience of planned space. This ability to generate an experience of a variety of designs is extremely educational for the student and the client. The proposed interdisciplinary facility would allow architects, designers and artists to create virtual designs and evaluate their effectiveness. Besides being of great educational utility, the facility would also be the basis of externally supported research in both the domain areas and the application of virtual reality to those areas. Collaboration between Industrial Design and Electronic Visualization would be enhanced with a shared PC computer facility for advanced undergraduates and first year graduate students. The equipment would be used to visualize industrial designs and to create a new experience within the tradition of fine arts and to develop effective human interactions with virtual artworks, computers, products and environments.

Education

UIS is committed to responding to the statewide need for the training of well qualified elementary and secondary school teachers to enter the ranks of teachers across the state and for the continuing professional renewal of current teachers. Through the Springfield Public Educational Partnership the campus engages in collaborative efforts with Springfield's public school district and identifies teachers' training needs. Currently, student demand exceeds the teacher education program's available staffing resources. The newly inaugurated online Educational Leadership masters degree will

Computer Science

enhance the campus' ability to meet the requirements of teachers for renewal of certification. Funds are requested to make additional investments in these programs.

UIS is helping to meet Illinois' needs for information technology workforce development through its undergraduate program in computer science and its graduate programs in computer science and management information technology. Particularly notable is UIS' online program, which draws students from across the state without requiring them to relocate to Springfield. Funds are requested to augment the faculty base in these programs.

Health Care Delivery

Located in the world's largest medical district, and as one of four universities nationally with a full complement of health sciences colleges, UIC is uniquely placed to provide premiere health care and training supported by active collaborative research. UIC can contribute to the enhancement of the economic vitality of the state by expanding opportunities for professional programs to keep the supply of graduates in balance with employment demands and to ensure that those graduates have mastered skills and knowledge needed to meet new and emerging occupational demands. Health care delivery, like most other fields, is being revolutionized by technology. Academic programs need to prepare students for immediate entry into these new workplace environments.

The critical shortage of qualified nurses in health care and the need for advanced nurse leaders within health care is driving the opportunity for a new program of study that would enable RNs to complete a baccalaureate degree with the option to advance to a master's degree program. The College of Nursing would like to partner with the highest-ranking community colleges to target their best graduates for entry into the proposed post-RN baccalaureate degree. In addition, Nursing would also like to pursue opportunities to develop a new program in partnership with health care delivery systems. Through UICMC and Advocate Health System, the college has identified opportunities to develop a program of apprenticeship clinical experience and tuition support in exchange for entry-level employment. The greatest demands are for university-educated nurses; funds are also requested to correct a historically driven mismatch in the ratio of faculty to students.

Biotechnology

The College of Pharmacy requests funds to incorporate instructional and functional technology in the interdisciplinary course sequence on delivery of primary pharmaceutical care in a community setting. The program will serve cohorts of 155 entry-level Doctor of Pharmacy students per year. Through this request, the College will integrate learning both onsite and at external experiential training sites through web-based applications and video-conferencing. Their goal in providing this technology-assisted professional practice environment is to enable their graduate students to become the pharmacy practitioners of tomorrow—savvy to the capabilities of technology to enhance their professional practice and their ability to provide pharmaceutical care services for their patients. This proposal will provide the environment that will foster the development of skills, attitudes and behaviors that will enable Pharmacy graduates to become caring, informed, empathetic caregivers in our multicultural society. Students are being prepared for future responsibility for the pharmaceutical care of their patients.

Last year, UIC proposed a major multi-year investment initiative that would impact multiple units and programs related to biotechnology. Utilizing UIC's strengths across multiple colleges, the biotechnology initiative includes areas of development such as magnetic resonance imaging, structural biology, organic chemistry, biophysics, molecular medicine, genomics, nutraceuticals, epidemiology and bioengineering. These areas of investment are interdisciplinary in nature and will facilitate collaboration among multiple colleges. The IBHE recommended support for this initiative at a level of \$1.4 million. The campus is requesting the second year of support for this initiative at a level of \$1.5 million. For FY 2001, UIUC received \$1.6 million for scientific and support staff in Biotechnology as part of the Governor's VentureTECH recommendation.

Opportunities for collaboration with business and industry, as well as with other academic institutions would be possible. This initiative would entail support for a critical mass of scientists who would garner grants and contracts from the federal, private and commercial sectors. Anticipated benefits include important new research programs in basic and applied sciences, external funding of new programs, establishment of new liaisons with industry and the emergence of new company start-ups. It is expected that this kind of new program in biotechnology will have a profound impact on society by preparing students for employment, advancing research

that will bring with it the potential for new economic development and fostering advancement in healthcare. As a part of the UIC initiative, the College Medicine requests funding for five new faculty positions for the new combined basic sciences department in “genomics.”

The increase in the public interest in dietary supplements has grown in recent years as evidenced by the more than doubling in sales for such compounds since 1996. The food industry has recognized the increased demand for "natural substances" with potential health benefits and the U.S. Government has faced the task of regulating this new trend. Thus, nutraceuticals represent an emerging concern and their increased use is expected to impact all aspects of the health care system. Fortunately, advances in biotechnology have similarly progressed and new methodologies are poised to meet the demand for the increased research and development of nutraceuticals.

The growth of the nutraceutical industry and the increasing acceptance of the potential benefits of dietary supplements represent an opportunity to expand on the strengths and traditions of the Department of Human Nutrition and Dietetics to participate in this emerging field. State-of-the-art approaches in molecular biology, biochemistry, toxicology and pharmacology and their coordinated application to research, development and discovery of nutraceuticals will make UIC a leader in this important area.

The UIC College of Dentistry requests funds in support of its Department of Restorative Dentistry–Division of Biomaterials and Technology, a unit that plays a vital role in the campus-wide biotechnology initiative. The mission of the Division of Biomaterials and Technology is to develop, understand and advance materials that are used for biomedical applications including implants, diagnostics and therapeutic devices. Research in this division will include characterization, design and development of materials as well as composite devices (implants, diagnostics and health support tools) that are materials-based in character. All biotechnology fields rely on biomaterials as the basic building blocks for final products such as implantable devices, diagnostics and external therapeutics; as such, biomaterials are considered an enabling technology.

The field of environmental health sciences has evolved significantly. While core training programs are still viable, the School of Public Health's department of Environmental and Occupational Health Sciences needs funds to support its research program. To successfully compete for research dollars, the department needs to increase its research infrastructure and augment its expertise in environmental toxicology, with an emphasis in exposure assessment and biomarkers as well as in environmental epidemiology and risk assessment with an emphasis in environmental management. Funding requested would support new faculty in these critical areas that will provide additional expertise for areas emerging in the discipline. These additions will allow further development of training programs and courses for workers in the areas of exposure and risk assessment, occupational/industrial health and environmental management. The new faculty will also support relevant content of certificate coursework, which must meet the changing needs of the public health field.

The continually changing ethnic, racial, immigrant, demographic and economic groupings within our society require an increasingly skilled pool of public health professionals. Epidemiology and biostatistics is core to public health as they provide the research framework to address questions regarding the causes and prevention of disease. These disciplines provide tools to address questions regarding prolonging and increasing the quality of life and assisting clinicians and patients in choosing among the many treatment and lifestyle options that influence these outcomes. A major shift in biomedical sciences in the last decade has been toward translational research—or taking advances in the basic sciences and quickly translating them to impact patients with disease or those at risk of developing disease. Clinical and molecular epidemiology specialties have emerged to assist in the interpretation and application of molecular and clinical studies on a broader scale.

Another area of epidemiology that is grounded in basic and clinical sciences is infectious disease. The field of epidemiology emerged in response to the need to understand epidemics and moved toward chronic disease. With the HIV/AIDS epidemic and improvement in molecular techniques, infectious disease epidemiology has now reemerged. The School of Public Health—Division of Epidemiology and Biostatistics is working on numerous research projects involving infectious diseases. The School of Public Health is unique in that it retains faculty with medical, epidemiology, anthropology and sociology training in addressing HIV/AIDS and TB

**Enhancing
Academic
Quality**

in various Chicago communities. To add to those demands, many of the School's graduate students are interested in focusing on infectious disease epidemiology. The School's strategic planning process and external reviewer have indicated that this is an area of strength to build on and to start that process, the School requests funds to support this initiative.

The National health care system "crisis" has created a demand for enhanced university-based research in health care policy and for university education of future researchers, policy makers and managers. UIC is in an advantageous position to develop prominence in its health economics and health services research programs because of its existing breadth and depth in pertinent fields and because of its commitment to leadership in addressing critical issues such as health services. The School of Public Health seeks funds to support faculty in health economics, health administration/managed care and health management. Development of an expanded Health Economics Program will provide public policy makers with research evidence to improve their ability to appropriately allocate health care resources. Health economists, in particular, can provide training and education on the cost-effectiveness of various health care policy decisions, direct decisions on health human resource needs, on efficiency of the delivery of health care and on important health-related outcomes of health care decisions. This expansion will provide the opportunity to educate future health care researchers and policymakers.

Strengthening the UIS colleges' ability to support faculty is central to achieving the level of academic excellence sought by the campus. UIS colleges need increased support to meet their growing responsibilities in academic planning, faculty oversight and budget control. The campus will direct funds in this category to the hiring of key staff members to aid in this developmental effort. The goals for the campus include development of a faculty who are active scholars. In keeping with this goal, UIS has seen a steady increase in the scholarly output of its faculty. Additional funds are needed, however, to ensure that this positive trend continues.

UIS continues to refine its program review process. Self-studies are examined by college curriculum committees, reviewed by the graduate or undergraduate and graduate council, with recommendations made to the Provost and the Campus Senate. This process would be enhanced by establishing a revolving fund to support

**Improving
Graduate
Education**

recommendations for program enhancements directly linked to the program review process. UIS is making progress in guiding degree programs toward systematic assessment of learning outcomes and use of the data emerging from such assessment for program improvement. Further progress could be achieved by establishing a revolving fund to support improvements in the assessment process. The goal of the funding would be to move programs toward fuller integration of assessment of learning outcomes into curricular development process.

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

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

**Public Affairs
Initiatives**

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

Academic Base

totaling \$7.5 million, amply demonstrating the potential of a formal research center devoted to policy and administrative studies to achieve national recognition.

The UIS vision statement noted the campus' accomplishments in public affairs research and service, but recognized that in the next phase of the campus' development, a sustained effort should be made to establish an equivalent record of excellence in public affairs education. Funds requested in this category would be directed toward increasing support for concentrated campus-wide educational activities organized around public issues.

Providing a high quality education as well as one that is affordable and a good value are part of delivering the same package. Developing schedules, programs and incentives to assure that students can achieve their academic objectives in a timely manner and, at the same time, maintaining high quality academic programs that are relevant to life and work go hand in hand.

Several departments of the College of Liberal Arts and Sciences teach general education classes which are too large for effective teaching and learning. In the History Department, for example, the average class size is almost 100 students in HIST 100 and 101 and in the Mathematics Department, MATH 160 and 165 average 172 students per section. Lecture size in Psychology 100 has been averaging 350 students per class and in Communication 100, the average is 386 students. Sociology 100 averages 193 per class and Criminal Justice 101 averages 334 per class. The addition of eleven new or enhanced faculty positions in these departments would not only raise the academic profiles of the departments but also provide a critical mass of faculty who will teach smaller sections of these classes. The College plans two hires in five of these departments and one in Criminal Justice.

Library Base

Providing high quality library services is essential to providing adequate undergraduate education. The UIC Library has lost substantial buying power over the last decade as a result of relatively high rates of inflation and relatively low budget increases. The Library would like to use new funds to support the purchase of serials, monographs and to support access to electronic information. The Library has felt an increased demand for network-based information resources as faculty integrate network use into their undergraduate classes and plans to take advantage of

consortium buying which has the greatest potential for resource-sharing savings.

Total estimated dollars to support inflationary increases, monographs, serial titles and network-based information including full-text journals is \$1.8 million, the campus anticipates receipt of support for these needs in FY 2001 and requests additional funds for FY 2002 as well as funds to support information technology upgrades for the Library.

Investing in Instructional Technology

(\$3,750,000)

Overview

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

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

Increasing Network Capacity

In the 1980s, UIUC placed what was then a state-of-the-art computer network in place. The current campus network is based on the wiring and optical fiber technology of that period and is rapidly approaching its maximum capacity. Its use grows several hundred percent each year, however, and this explosive growth is expected to continue, fueled by increased use of multi-media materials in teaching and research. Audio and video content drive the need for ever-greater bandwidth, server capacity and they are critical elements in contemporary paradigms of scholarship. The Urbana campus lacks the technical capacity to handle the data and information transmission requirements of its faculty and students and is lagging behind many of its

**Technology
Infrastructure**

peer institutions in addressing this need. Only recently has a modest program of rewiring and fiber replacement begun with a small pool of institutional funds. A much more aggressive approach is required if UIUC is to catch up and once again establish a position of leadership.

A recent study by the Communication and Computing Services Office estimates the one-time cost of upgrading the existing network to be \$17 million. In addition, a pool of \$5 million in recurring funds is needed to maintain and operate the upgraded network. The upgrade is expected to take five years, including the replacement of electronics, switches and routers. The current request is a first step in a multi-year request designed to produce \$3 million in recurring funds for network upgrades.

In order to more creatively use new technologies to increase quality, to ensure that all programs are state-of-the-art, relevant to life and work and increase the ability of faculty to effectively use technology in teaching and learning, UIC needs to make significant investments in faculty and student technology resources. Nonrecurring funds for equipment investment and recurring support for technology-driven needs, such as providing online classes require immediate attention.

Creation of a Technology Investment Pool will address the growing demand for nonrecurring technology investments at UIC. Faculty computing needs and student computer laboratories require upgrading that exceeds the capacity of individual units. A central pool of funds would address needs across campus in an efficient manner. In FY 2001, the IBHE recommended \$400,000 for campus technology investment; these funds are committed to support faculty PC replacement, multi-media classrooms and new student computer labs, including their support and maintenance, as well as technology infrastructure. The campus is requesting \$700,000 to support this initiative in FY 2002.

**Instructional
Upgrades**

UIS equipment budgets in the sciences have been level-funded for over ten years. Although the campus received substantial one-time funding for purchase of laboratory equipment when the Health Science Building opened in the early 1990s, that equipment is now outdated. During this same period the campus has experienced substantial growth in the sciences, with enrollments in the sciences tripling in the past decade. Majors such as psychology, computer science and communication now make

**Electronic
Information
Resources**

more extensive use of instruction in laboratory settings than in the past. Additionally, with expansion of general instructional computer laboratories, the revolving fund for replacement of those computers is no longer adequate. Funds requested in this category will be directed toward meeting instructional laboratory equipment needs.

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

The Library of the University of Illinois at Urbana-Champaign (UIUC) seeks recurring funding to improve access to information in electronic formats and to expand its preservation efforts to digitize materials that would not otherwise be available to scholars. Progress in web-based information delivery has fueled expectations of faculty and students alike for direct and immediate access to the sources needed for research, teaching and learning. Faculty have become reliant upon full-text access, particularly during the last year and recognize that colleagues elsewhere have gained a competitive edge by having resources on their desktops that are unavailable at UIUC. Electronic books have begun to enter the marketplace, image databases are becoming more common and multimedia web delivery is not too distant. The UIUC Library must have sufficient funding to keep pace with peer institutions in the provision of online materials and to take advantage of new developments in information technology.

In recent budget years, the UIUC Library has been able to acquire some standard online indexing and abstracting services, basic statistics sources, full-text newspapers and the networking of stand-alone CD ROM products. The Library has made progress in all these areas, but still has noticeable deficiencies.

The most pressing need continues to be in science and technology, areas where both institutional interest and publishing are equally vigorous. Most notably absent is desktop access to journals from the foremost commercial and professional society

publishers, including Elsevier, Academic Press, Kluwer, Wiley and IEEE. Online scientific and technical collections also lack journals from various smaller professional societies, as well as certain important high-priced individual titles. Chemists and scientists in allied fields need better access than we can afford to the American Chemical Society's SciFinder Scholar, the premier research tool in chemistry. The UIUC Library also has been unable to purchase other non-journal sources in a variety of areas that would increase the productivity of UIUC scientific and technical researchers.

Another area of significant pressure is in the humanities. Publishers, who have previously specialized in the microfilming of texts, older journals and periodicals, as well as new, entrepreneurial companies, have announced publication schedules for complete journal runs and web-accessible text resources that will provide unprecedented research opportunities for humanities scholars. The American Periodical Series, a collection of more than 1,000 periodical titles central to an understanding of social, political and cultural history, represents one of many significant web-based products the Library is not able to acquire for its users. The Library has built a good undergraduate-level collection of literary texts in the last few years and also has acquired some additional, more specialized textual sources both in English and foreign languages, but it is critical that the Library broadens and deepens its holdings to provide a state-of-the-art electronic collection for humanities scholars.

The Library must also pursue enhancements to its established collections. While the UIUC Library has succeeded in adding a number of basic indexes to the collection this year, serious gaps remain in the humanities, sciences and social sciences. This includes many foreign-language and primary source records that are fundamental to scholarship. Access to basic statistical sources in business and industry, as well as essential reference materials such as encyclopedias and dictionaries, should be a matter of routine acquisition for the UIUC Library. However, sufficient funds simply do not exist to provide these materials to students and faculty.

The development of the electronic resources collection over the last five years has been funded entirely through internal reallocation of Library resources. The absence of adequate central Library funding has made it necessary for individual departmental library funds to absorb the expense of providing online access to certain sources in

their disciplines that also serve the needs of researchers in other departments. These expenditures have reduced the funds available for basic monographs and new serials in the individual disciplines. While a certain amount of internal reallocation is necessary and salutary in the face of new demands and expectations, the damage to the total UIUC Library collection is becoming increasingly apparent. Also, to compensate for Library budget inadequacies, various departments and colleges are currently funding certain tools that the Library has been unable to afford, especially in business and to a lesser extent, in the sciences. Electronic resources should be funded at a level to meet the basic needs of all users, regardless of discipline.

Preservation

The final major element of the Library's request for FY 2002 relates to document preservation. As is true in other great research libraries, the UIUC Library is challenged constantly by the serious physical deterioration of its collections. This is due to high use; the effects of environmental conditions on the paper, plastics, audio, videotape and other media on which the materials were produced; and the inherent instability of many of these media and formats. For example, paper produced since the mid-1850s, when the industrial revolution spurred a change in production of paper from rag to wood pulp, is highly acidic. Its acid contents literally burn away the paper's strength, turning it from white to yellow to brown and finally to crumbs. Other media, such as audio, video and magnetic tapes, suffer from similarly inherent problems and the machinery required to access them becomes rapidly obsolete and unavailable, leaving the UIUC Library with nearly 40% of its collection in danger of becoming unusable.

Preserving or reformatting physical materials in ways that will ensure long-term access to them requires both on-site capabilities and the use of full-production laboratories and specialist contractors that are now available in the marketplace. The specialized conservation of unique, rare and near-rare material in the collections includes such activities as restoration of bindings, removal of items from harmful scrapbooks and bindings, photographic copying and the repair of damaged paper and other materials. The holdings of the UIUC Library that fall into this category include some of the world's most important publications and intellectual works. The deteriorating condition of these specialized collections and the lack of adequate records about them in the online catalog affects scholars throughout the world and

inhibits the Library from sharing its unusual collections with alumni and donors throughout the country.

A significant component of preservation is the digitization of materials. This method of preservation serves as both a preemptive step in preserving the collection and also provides broad access to fragile and under utilized materials. The holdings of the UIUC Library that are candidates for digital preservation include some of the world's most important publications and intellectual works.

The absence of an active program in this area places us at a disadvantage among the world's first and second tier research libraries who are currently making great strides to selectively digitize and make accessible treasured cultural heritage materials using robust and innovative technologies. The specialized digital capture of unique, rare and near-rare material in the UIUC Library collections involves a number of activities, including high resolution digital camera photography of oversize materials such as rare historical maps, posters and architectural drawings; flatbed and drum scanning of rare, deteriorating photographs for which no archival film negatives exist; high fidelity scanning of slides and other transparent media; the use of book-friendly cradles and planetary scanning devices for materials with weak or tight bindings; and the production scanning of holdings that are already on microfilm to provide broader access in a more convenient format. It is the responsibility of the UIUC Library, as a leader, to participate in shaping the standards and models that are currently being developed in the library and archival communities that address digital preservation and access.

The Library has made an ongoing investment in digital preservation by the establishment of the Digital Imaging and Media Technology Initiative (DIMTI). The mission of DIMTI is to develop reliable digitization methods, implement network technology to promote preservation of the Library's unique collections, provide widespread access to these collections and study their uses. The DIMTI has garnered support for exploratory digitization and educational outreach projects from a number of external sources, including the Intel Corporation, Eastman Kodak Company, the Institute of Museum and Library Services and the J. Paul Getty Trust. However, the Library's current budget is insufficient for ongoing funding of these programs at the level required to continue to attract substantial external support, save high fidelity

**Information
Resources**

surrogates of these materials before they deteriorate beyond use and to fulfill this institution's investment in its superlative research library collection. Until the UIUC Library has an ongoing and sustainable program of preserving and conserving precious resources, it will not be living up to its responsibility of stewardship and protection of the materials in which the state has invested since the University's beginnings.

For nearly three decades, technology has been used by the UIC Library to provide access to information. For example, the online catalog provides access to the print, book, journal collection and various systems search citations to individual journal articles. More recently, technology has been used to access a broader range of electronic information, e.g., census data and full-text journals and to deliver print information more quickly by converting it to electronic format, e.g., scanning. With the establishment of the InfoTech Arcade, the Library moved into a new role, the creation of electronic information in conjunction with faculty initiatives. The "first generation" of faculty users of the InfoTech Arcade are maturing, technology continues to change and the U of I Online initiative will increase an already rising demand for these services.

The Library requests funds for three target areas. On both the East and West sides of campus, the InfoTech Arcades need to be expanded, updated and more fully staffed. A key role of the Arcades is to be a test-bed for new technologies so that faculty can experiment with hardware and software in order to determine what is best for their research and teaching. Some faculty then purchase the best configuration for their work, while others continue to use the Arcades as their primary source of technology. The equipment, people and software requested will aid faculty who are creating online curriculum materials, as well as build the infrastructure needed to support library partnerships and the undergraduate reserve service. Funding is also requested to support Library Partnerships. Partnerships with faculty are leading the library into database creation and management faster than had been anticipated. The equipment and software requested will support multi-disciplinary and interdepartmental initiatives.

Finally, the Library requests funds to move the undergraduate reserve service online. In order to transform the traditional reserve reading room into a copyright compliant

electronic service, the library needs to acquire hardware and software that will hold and serve full-text to pre-qualified users. The equipment will allow for secure delivery of items scanned from the library collections for individual study and research.

Increased Links to the State of Illinois (\$1,636,600)

Overview

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

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

Outreach and Service

Training professionals to meet statewide needs is a high priority. The UIC College of Education is developing programs in response to societal and workforce needs thereby increasing access to services. The State of Illinois will benefit from the foresight of its current leaders and their acknowledgement of the societal value of well-educated citizens; life-long learning skills will carry the state through the technological revolution. Children given a strong foundation in basic skills progress successfully through high school and are more likely to go on to college and graduate school. College educated citizens earn more money and participate more in civic life. A prerequisite to ensuring the increased educational attainment of Illinois citizens is providing a solid elementary and secondary foundation; preparing well-qualified teachers and school administrators is essential to that goal.

Teacher Training

It is essential that UIC focus attention and resources on its teacher education programs in mathematics and science. At both the elementary and the secondary level, the

requirements for the education of teachers in content and pedagogy will soon change. As of July 1, 2003, every Illinois math or science teacher must demonstrate the ability to teach subject matter that is aligned with the Illinois Learning Standards for K-12 students. Every Illinois teacher will be required to know how to teach reading, address the needs of cultural and linguistic minorities, accommodate special learning needs and infuse technology in the curriculum in order to qualify for an initial teaching certificate. In addition, the Chicago Public Schools Teaching Standards Task Force will be formulating Chicago Public School requirements, which augment those of the State.

Since UIC is Illinois' sole urban land-grant institution, it has a responsibility to prepare high-quality mathematics and science teachers for the children of Illinois and for Chicago in particular. Teaching mathematics and science effectively in schools with high poverty rates or diverse language and cultural backgrounds requires teachers with strong training in these areas. Given its important role as an urban land-grant university, UIC should be taking the lead in both research in teacher education and training of those teachers who have been traditionally under-prepared in mathematics and science.

The UIC College of Education plays a key role in helping the state meet multiple Illinois Commitment goals and, in particular, its second goal: higher education will join elementary and secondary education to improve teaching and learning at all levels. Increased faculty funding will enable the College of Education to support the standards-based reform of all teacher and administrator programs at UIC. The "Big-City" proposal seeks to engage liberal arts and sciences colleges and other external partners in re-conceptualizing subject matter and pedagogy, including its alignment with new standards-based K-12 curricula in Illinois. The campus is in the process of a multi-year recruitment effort of senior faculty in secondary education who have received attention nationally both in their discipline and in teacher education.

The College of Education seeks to recruit, prepare and retain substantial numbers of teachers and school leaders for urban school districts such as Chicago. Hiring quality faculty is critical if the College is to work successfully with College of Liberal Arts and Science math and science faculty members and have credibility with the Chicago Public Schools on supporting student learning in failing high schools in a high-stakes

Service

environment. The College proposes to develop and document the success of programs that address the teaching and learning needs of high poverty, predominantly African American and Latino students in urban classrooms. The “Big-City” proposal seeks to develop state-of-the-art assessments of quality—some of those performance-based—for teachers’ subject matter and pedagogical knowledge.

The Jane Addams College of Social Work (JACSW) plans to increase its number of graduates to meet a growing statewide occupational demand for social workers and revise its curriculum in response to changing social conditions. The Illinois Department of Employment Security predicts that by 2005, employment opportunities for social services will increase 158.6% from the 1992 amount. A contributing factor is the decision by the Illinois Department of Children and Family Services to require that all of their private contractors be accredited. Advanced level community content is needed in the academic program in order to respond to changing social conditions. The social-behavioral aspects of health problems such as AIDS and drug abuse have had devastating effects on many poor urban communities; JACSW needs to upgrade the professional competencies of its students to deal with such issues.

Making curricular changes to prepare social workers for a new practice and policy environment and providing access to staff in community agencies is a major objective of the College’s strategic plan. JACSW plans to admit 250 new students, including 100 part time students who are currently employed in social service agencies, to its Master of Social Work program. With new program funds, the College will develop new field units in nontraditional community-based settings and will increase program hours by two credits to incorporate content on community development and community based practice. These changes will improve and institutionalize academic program changes and provide increased access to working students.

Knowledge of Geographic Information Systems (GIS) technologies has become important in a wide range of occupations, as technical advances have swept across all disciplines in which data can be associated with a physical location; any discipline which uses locational statistics and distance formulae can take great advantage of GIS. Analysis which could previously only be imagined is now possible in jobs associated with fields as diverse as economic geography, cliometrics, epidemiology, sociology, political science, engineering, urban planning, marketing, administration, public

health, environmental sciences and management. GIS can also be used to make difficult analysis more accessible to the public. Such information can be quickly mapped, and federal agencies such as the U.S. Department of Housing and Urban Development have begun community GIS initiatives.

GIS specializations extend far beyond traditional geography professions into real estate, transportation, marketing, resources management, planning and public administration, leading the Urban Regional Information Systems Association to propose that certification in GIS technology be established. Employment demand for GIS technicians is part of the nationwide demand for computer-trained personnel. While online training is available for some GIS software programs through software firms, training in particular software applications is not readily available within UIC campus disciplines. While UIC had been a leader in the very development of GIS thirty years ago, advances in the industry have made it necessary for UIC to make a concerted effort to increase mastery of the latest advances in GIS to students and faculty across disciplines. GIS applications are becoming as varied and specific to disciplines as are statistical applications, but the transfer of GIS mastery across the disciplines has been limited by the small number of GIS experts on campus and the expense of formal GIS software training classes available from software corporations.

**Partnership
Illinois**

Partnership Illinois has done a lot with little money and, with a new infusion of funds, the momentum that has been created will continue. A formal report on the impacts of the program, including the external funds leveraged by the program, will be completed by the end of the summer. Although the grants have been small, they have enabled important partnerships and leveraged change in many external organizations. The FY 2002 budget request is organized around three program areas:

**Undergird School
Professional
Development Models**

Faculty members from Education and Liberal Arts, collaborating with schools and regional educational offices, have created new models of professional development aimed at novice teachers, schools in low-income settings and districts improving science and math instruction. New funds will be used to disseminate these models in other settings around the state and to administer the programs.

**Support Partnership
Illinois Connections**

Faculty members and units on campus have created ongoing connections and linkages with communities, non-governmental organizations and governmental agencies for the

**Extend the
Partnership Illinois
Strategic Initiatives
Program**

purposes of community and economic development. Partnership Illinois Connections addresses critical issues affecting Illinois' future, including the "digital divide." New funds will provide the support necessary to begin integrating these connections into the ongoing public service programs of the respective colleges.

Strategic Partnership Illinois Initiatives provide funds to link the research and education base of the university with the needs of the state. Funding will extend the Strategic Initiatives program of small grants to new partners engaged in improving the conditions for children and families; expanding ways for communities to utilize the arts; addressing issues of safe food, water and clean air; enhancing good government; and stimulating community and economic development.

The FY 2002 budget request will enable UIUC to maintain the momentum gained by Partnership Illinois and to solidify gains. However, for the long term, a major infusion of funds from multiple sources will be important if Partnership Illinois is to achieve its promise of linking the campus with external organizations committed to the critical issues of the state. Next fall, the faculty coordinators of the Strategic Partnership Illinois Initiatives want to introduce to members of the Partnership Illinois Council and the Cabinet the concept of a Partnership Institute. This three million dollar venture will create the visibility, programmatic support and structure necessary to make a renewed commitment to public service an integral part of the fabric of the campus for a long time to come.

**Fire Service
Institute**

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

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

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

For the past 75 years, the University of Illinois has provided training for the State's Fire Fighters and Officers. Programs are offered in fire fighter training, hazardous materials, rescue, industrial fire fighting, arson investigation and prevention. About 80% of the courses are taught in the field, with the other 20% taught on the University of Illinois campus in Urbana-Champaign. Attendance at the Institutes' programs was nearly 15,000 last year, and unduplicated attendance was approximately one-fourth of the fire fighters in Illinois. Approximately 70% of the State's fire fighters are volunteers, or paid-on-call, and of these, there is roughly a 20% turnover rate. Coupled with new hazards and technologies, the need for ongoing fire training for new personnel, continuing personnel and the communities remains critical.

Based upon a statutory formula providing a one-eighth share of the revenue to the Fire Prevention Fund to the Institute, it is estimated that an increment of \$136,600 is required for FY 2002.

Academic Program Initiatives University-wide



Major Remodeling Fund

(\$8,000,000)

Overview

As highlighted in the section of Facilities Renovation Support, the University has a significant deferred maintenance backlog. Over the past four years the State has been supportive of the University's efforts to address facility renovation projects which are under a million dollars within the University's budget rather than using the State's capital budget and bonding authority. The SR³ formula estimates that the University should be spending between \$21 million (at one-half of one percent of replacement value) and \$29 million (at two-thirds of one percent of replacement value), for the existing academic buildings on all 3 campuses. The state has been appropriating approximately \$5 million from the capital development fund to the University for repair and renovations. The University is allocating another approximately \$11 million towards this effort as well. Each of the campuses are also funding deferred maintenance projects. The University of Illinois is close to achieving a steady amount of deferred maintenance funding as required by the SR³ formula. These funds are used for smaller projects in buildings which have a specific deficiency, environmental or structural concern. This program has been successful in halting the significant increase in deferred maintenance projects at the University.

However two-thirds of the University of Illinois' major buildings are at least 30 years old. Many are between 50 to 100 years old and have never had a total building overhaul. At times leaking roofs have been fixed and individual systems upgraded, but this is a bandage approach. A look at the University capital priority list shows a large number of buildings in need of a major remodeling and reprogramming effort. UIUC priorities are Lincoln Hall, Freer Hall and Burrill Hall while UIC priorities are the old College of Medicine buildings. The University of Illinois is proposing a new program, to tackle deferred maintenance as well as renewal and realignment needs of each building as a single project, rather than looking at individual systems. Figure 16 shows different remodeling and reprogramming issues. When a structure has reached a mature age, wherever possible, it is more efficient to look at the entire interior of a building for lead paint removal, asbestos abatement, air flow/air quality issues, floor replacement, ADA compliance issues, efficient heating, lighting and energy conservation issues. Technological changes have led to rapid obsolescence of telecommunication and power lines. Older buildings often were not designed for the computer and information age. Additionally regulations have changed concerning

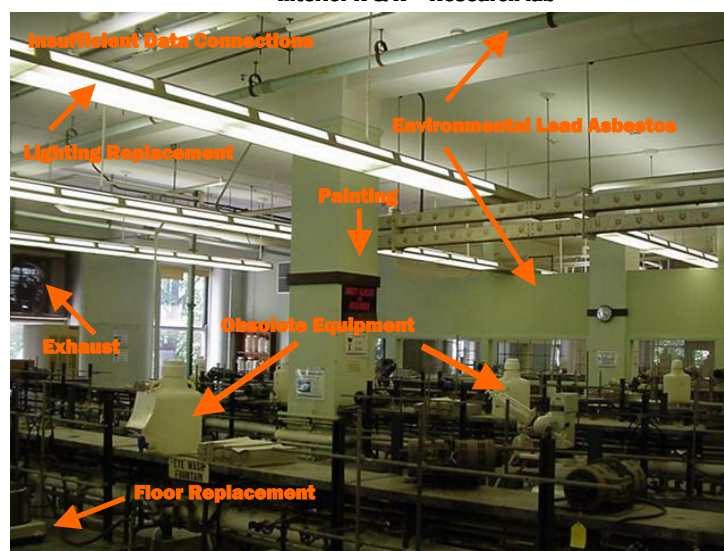
materials used, design layouts and accessibility. A major renovation may create an opportunity to look at the skin of the building, roof replacement, window replacement tuck-pointing and exhaust hood quality. At the same time, it is also possible to look at reprogramming or realigning the space for other purposes. With many science laboratories and buildings over 40 years old, the building is no longer equipped to do state-of-the-art research, instructional and laboratory space is outdated and used inefficiently. For example, fume hoods that were built for post-war wet lab research are no longer sufficient to contain the hazards associated with bioengineering and biochemistry. Thus a building may be put to better use as an administrative, instructional, or a different type of research facility.

Figure 16
Major Building Renovation Fund

Exterior R & R - Freer Hall



Interior R & R - Research lab



A prime example of a recent complete building remodeling project is the renovation and restoration of Engineering Hall at the Urbana-Champaign campus. This building was constructed as a state-of-the-art facility in 1894. Over the next century HVAC, telecommunications and other systems were added, but the facility was never given a comprehensive make over. The building no longer satisfied program or space requirements of the college. Funding was found from a variety of sources, including private donors and State capital funds. During the renovation projects, all occupants of the building were moved to other facilities. The building skin was sand blasted, windows refitted and the interior gutted. All of the infrastructure, HVAC, water, power and data communications were brought up to modern standards. The architectural integrity of the building was kept intact, and in many cases, restored to its original luster. The first floor classrooms offer state-of-the-art presentation equipment with student computer and placement labs added. The administrative units and conference areas on other floors have been completely remodeled with modern infrastructure and distance education facilities added to the building, bringing a 106-year-old building into the Internet age. After this \$14.6 million restoration, the clock on deferred maintenance was essentially reset. This is but one example of the restoration of an aging building renovating potentially serviceable facilities that are encumbered by basic deficiencies.

Finding capital funds for remodeling has always been difficult. While the University has taken its stewardship role seriously, for a variety of reasons including competition from new building projects, funding through the State's capital budget for this type of renovation has not achieved highest priority. This new multi-year operating budget program proposed here would provide funding for major remodeling and restoration of the campus core for each of the campuses in the operating budget as a recurring appropriation. As new high tech laboratories are put in place around the periphery of each campus core, the center of the two large campuses are in need of new infrastructure, modern classrooms and faculty facilities that lend themselves to greater efficiencies of energy, cost and use. Remodeling a major area of a building or an entire building at one time reduces the costs of the remodeling project and disruptions of the building. The University is requesting \$8 million for the first year of a multi-year program to restore the campus core.

Online Instruction

(\$750,000)

Overview

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

In just over three years, U of I Online has provided financial assistance, guidance and support to units on the three campuses of the University of Illinois for the development of thirteen degree programs, ten post-baccalaureate professional development sequences and six programs in continuing education and professional development, all of which can be accessed in an online format, without campus residence. The degree programs span a wide variety of fields, including liberal studies, teacher education, management information systems, computer science, electrical engineering and health professions education. A complete list of online courses and programs is available on the U of I Online website at:

<http://www.online.uillinois.edu>.

During academic year 2000, there were more than 5,500 enrollments in over 300 online course sections offered through U of I Online. By comparison, there were approximately 2,200 online course enrollments during the previous academic year. More than one hundred individuals have already graduated from one of the University’s online master’s degree programs. U of I Online also is helping to extend the reach of University public service activities through online delivery mechanisms. Thirteen new online public service activities were funded by the U of I Online unit during academic year 2000, in areas ranging from University of Illinois Extension

“Master Gardener Online Training” program to “Native Americans of Illinois” (a website and informal online course for K-12 teachers and college instructors).

Few, if any, of the university’s online academic and public service programs would be in existence were it not for substantial financial support from U of I Online during the start-up phase of each program. U of I Online development grants cover the one-time costs of converting an existing degree or certificate program to an online format or creating a new online program. These startup costs typically include faculty release time, employment of graduate and undergraduate assistants, compensation of programmers and technical support staff and purchase of hardware and software.

To ensure continued growth and success of the U of I Online initiative, the University must continue to invest in the development of promising, new online academic programs—particularly in high demand program areas that meet traditional and lifelong learning needs of citizens in Illinois. Through internal reallocation, U of I Online has provided more than \$1 million per year in development grants to the campuses for each of the past three years. All of the funding for these grants has come from non-recurring University resources and several large grants from the Alfred P. Sloan Foundation. However, due to other high-priority University initiatives, the former level of internal reallocation cannot be sustained. Only through an infusion of new recurring dollars can the University of Illinois expand the number, breadth and reach of its online programs.

Another priority of the U of I Online initiative is marketing—marketing of individual online programs and the overall unit. Increasing enrollments in online programs are essential to long-term sustainability, and individual units on the campuses often do not have the specific expertise needed to market their online programs to the appropriate audience. Similar to the central role with faculty development, U of I Online will assist the campuses by gathering competitive and market information, conducting market trends and research studies, serving as marketing consultants to online programs, providing turn-key marketing plans and infrastructure for online programs and identifying appropriate strategic partners. Development of comprehensive marketing approaches will be critical in meeting the full potential of online degree and certificate programs. With new program funds, U of I Online will be able to employ one or two full-time staff members to work in this critical area.

In the proposed \$750,000 budget, the bulk of the request would be used for program development funds, with a smaller amount allocated to support personnel in the area of marketing. The University of Illinois foresees great potential for U of I Online to expand over time to meet the educational needs of place-bound and time-restricted learners throughout the State of Illinois, and in so doing, to address all the goals of the Illinois Commitment. However, this potential cannot be reached without additional support for the development of new programs in high demand areas.

P-16 Partnership

(\$750,000)

Overview

The American Council on Education, the Kellogg Foundation and both the Illinois Board of Higher Education and the Illinois State Board of Education, among other prominent education groups, have urged strongly that higher education institutions address the quality of education from preschool through university and beyond. In response to this nationally recognized need, the University of Illinois has made this issue a high priority for the University's agenda. A task force of university faculty and school-based personnel was assigned to address the relationship between the University of Illinois and P-12 education in the State. One of the task force's responsibilities was to make specific recommendations for enhancing that relationship both immediately and long-term.

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

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

For the FY 2002 budget request, the task force has recommended the initial step of establishing a P-16 Education Office with a director who is cognizant of the issues at both state and national levels. The proposed office will serve initially as a data-gathering center, with a part-time web master to oversee the data gathering operation and support the director in using technology to enhance links between schools, universities and across levels of education. A key initiative in the first year of the project will be a competitive grant program to encourage collaboration between University of Illinois faculty and school personnel, with the intent of fostering development of models related to the preparation of teachers and students at all levels.

Institute of Government & Public Affairs

(\$400,000)

Overview

The Institute of Government & Public Affairs (IGPA) was established in 1947 by a joint resolution of the Illinois General Assembly. IGPA conducts research on public policy issues and public decision-making processes, disseminates research results to practitioners and citizens and applies public affairs expertise to solving problems confronting decision makers. Within the University, IGPA's goal is to better complement the strengths of the university campuses in prominent substantive areas, while maintaining the unique strengths that IGPA brings to the mission of the University. Currently, the institute's research and public service activities focus primarily on five program areas: governance, health care, law and regulation, public finance and regional development and social policy. IGPA needs to strengthen its programs in health policy and the environment and develop new strengths in those technology areas being pursued by the campuses.

Technology

IGPA could make a major contribution to social, policy and ethical issues of technology by investment in the impact of technology, technology assessment and law and technology. In order to properly develop strength in technology policy, three new faculty positions are requested. One position would be in the area of technology and the law and the other two would be in biotechnology or agriculture.

Health

IGPA has held a national reputation in the health area for some years. The UIC campus has included IGPA in its strategic priority for developing faculty strength in health economics and public policy. Health policy has been a central issue in this country for several years and the issues are broadening and becoming more complex. This request would allow additional faculty positions targeted to health economics and those who can bridge to the technology area, particularly those looking at human and animal genomics.

Environment

The goal for IGPA would be to provide economic, ethical and policy expertise on environmental issues. This request would allow for additional work on land use and property rights issues.

State Politics and Public Finance

IGPA has a long tradition of possessing unique faculty strength in state-level politics, policies and state and local public finance. An additional three faculty positions

would allow the Institute to expand its expertise as state government is expanding its areas of influence and interest. This request includes the development of a joint IGPA/UIC program in Metropolitan Public Finance. This expertise is central to the economic development mission of the university and the state, given the importance of taxation and other incentives for retaining and attracting business and industry.

The world is rapidly changing and public policy issues continue to arise in areas unknown just a few years ago. For IGPA and the University to maintain their fine tradition in public policy research and service, faculty with expertise in these new areas are needed.

Operational Infrastructure (ERP)

(\$2,000,000)

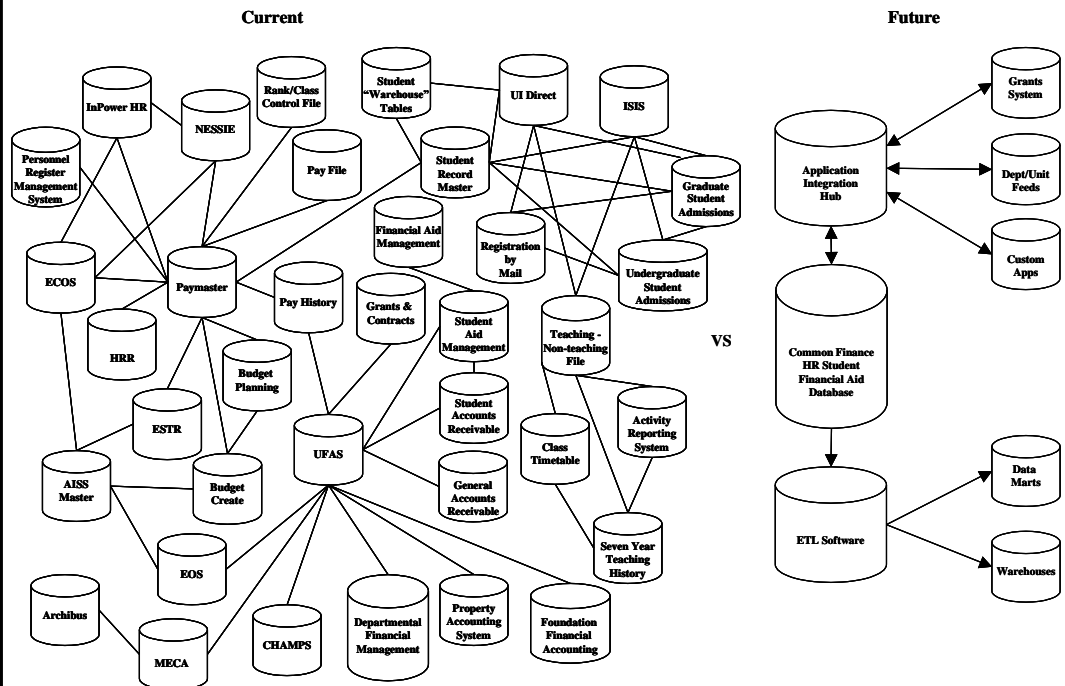
Overview

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

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

opportunity to re-engineer current processes and practices. A graphic image of the spider web of systems is shown in Figure 17.

Figure 17
Tangled Net of Systems



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

The ERP system implementation will involve major software and hardware changes, network upgrades in major buildings and telecommunication hubs, significant temporary personnel costs and strategic changes in business practices. The non-recurring costs are estimated at approximately \$165 million, with an additional recurring cost of \$5 million per year. Major internal realignments of funding and other institutional funding mechanism plans are being implemented to help pay for the ERP.

The ERP system implementation will substantially improve administrative services, especially for student systems, substantially improve the efficiency of business functions, substantially improve the reliability of administrative systems and eliminate the risk of major business system failures. Two million dollars is requested to help proceed on the purchase of software and key consultants for the process of ERP implementation.

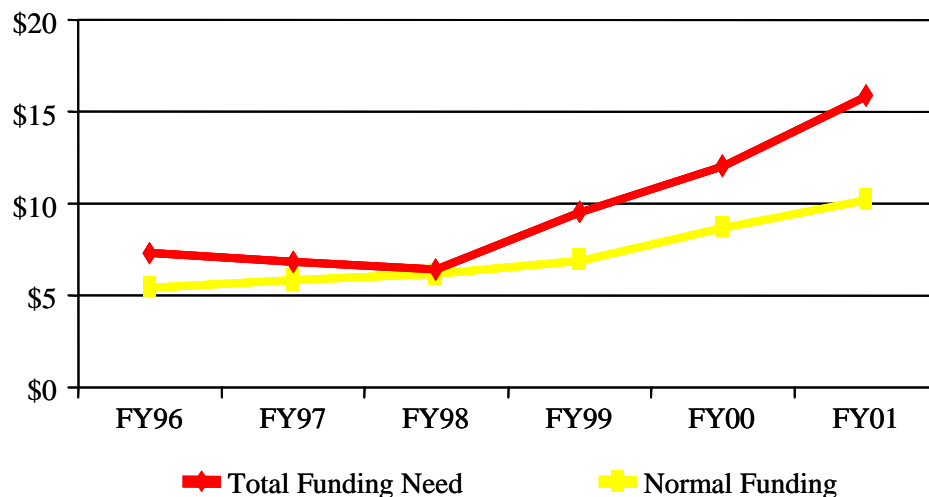
Liability Insurance

(\$2,500,000)

Overview

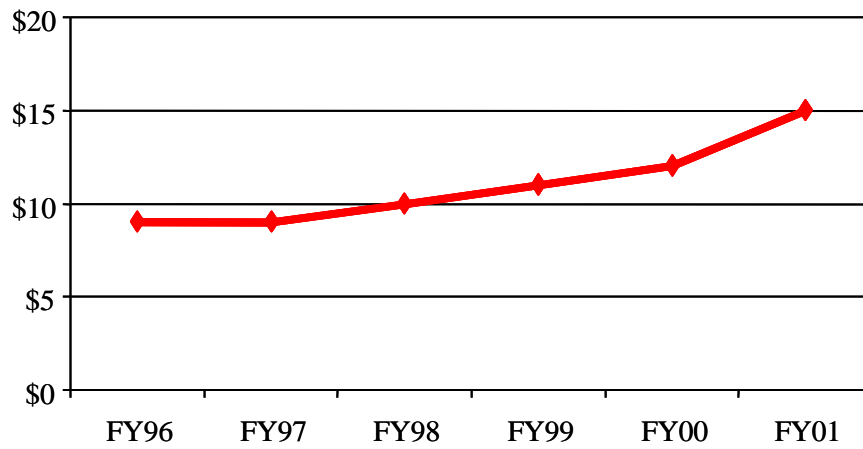
The total funding requirement for the Hospital/medical professional liability self-insurance program has increased 150% since FY 1998 increasing from \$6.4 million to \$15.8 million in FY 2001. Normal funding (the projected, future cost for claims incurred in the upcoming year) has steadily increased each year since FY 1996. Both the “total funding requirement” and the “normal funding requirement” are discounted to recognize the time value of money and the long time required to effect closure. Figure 18 shows medical malpractice funding trends.

Figure 18
Medical Malpractice
FY 1996 through FY 2001
(Dollars in Millions)



Following national trends, the University of Illinois claim experience is deteriorating. Awards of the court are hitting new highs; claims are requiring more dollars to effect settlement. The Cook County venue is one of the most litigious in the country; awards and settlements are among the highest. These facts are given consideration by both the actuary and the insurer. Figure 19 shows aggregate retention required by Insurance Company.

Figure 19
Aggregate Retention Required by Insurance Company
 (Dollars in Millions)



An outside audit has indicated that existing procedures and risk management programs in the hospital and clinics are appropriate and effective. In FY 1999, there were 19,000 hospital discharges and 403,000 outpatient visits; 28 suits were filed claiming negligent treatment; 59 additional incidents were reported as having claim potential. This equates to approximately 2 claims for every 10,000 visits/discharges.

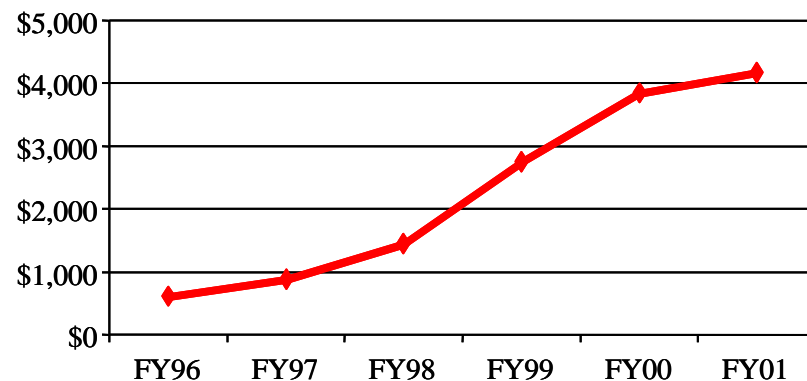
The UIHMC is a prestigious academic medical center providing high-level medical care for difficult medical problems; additionally, the University provides a broad range of services for participants in the state's entitlement programs. Loss control programs are in place, but claims happen. If national trends play out at the UIHMC, the incidence of claims and the cost to adjudicate those claims will increase.

The University of Illinois maintains a Board Legal self-insurance program to cover the cost of claims made for personal injury. Personal injury includes claims of discrimination, wrongful termination, civil rights violations, failure to educate, etc. The funding costs for the Board Legal program have escalated from \$0.6 million to \$4.1 million during the period FY 1996 to FY 2001. This rapid increase is due to:

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

Using the funding requirements of the past five years as an indicator, it is expected that funding needs will continue to increase into the near future. Figure 20 shows Board Legal Funding.

Figure 20
Board Legal Funding
(Dollars in Thousands)



Loss control for Board Legal liability is difficult; the type of claim is varied, the source of claims is scattered and the frequency is low, but costs can be high for a limited number of claims. Current loss control programs are general in nature, with peer-to-peer dispute resolution being the most recently initiated program. The University has approximately 21,000 FTE employees and 65,000 students. An average of 20 claims is filed each year, a frequency less than .01%.

The University will continue to attempt to control the acceleration in costs arising from this area through training, awareness and by procedures. However, the University is requesting \$2.5 million for Legal Liability funding.

Addenda

[Redacted text]

[Redacted text]

Addendum I

Retirement

Overview

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

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

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

In FY 1995, there was significant movement towards an improved level of retirement funding. Public Act 88-593 mandates that the State's five pension systems achieve a level of 90% of full actuarial funding in 50 years and includes a continuing appropriation provision to enable the State to reach that goal. This legislation will strengthen the financial condition of the Retirement System and should help preserve funding stability for pension systems despite fiscal constraint in the rest of the State budget. In FY 2000, SURS received an increment of \$11.7 million in General Revenue Funds.

A mandated new valuation methodology and a new set of actuarial assumptions will alter, to some degree, the future annual increments necessary to fund SURS required by PA 88-593. Under new Governmental Accounting Standards Board (GASB)

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

The combination of these changes to the traditional defined benefit plans, plus the addition of defined contribution plans have reduced the project increment for SURS in FY 2002 from over \$60 million projected in 1996 to only \$11.4 million in the Spring of 2000. The FY 2002 increment is currently projected at \$11.4 million, though increased volatility in the various asset markets may affect the actuarially certified number in the Fall.

Addendum II

University of Illinois Extension

Overview

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

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

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

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

The report issued by the Commission made several recommendations concerning funding. Additional funding has been received through the Illinois Department of Agriculture to add 35 professional youth educator positions to local offices and county board match has increased to 100% match by the State.

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

**Commission on
Extension
Recommendations**

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

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

Funding has already been provided for item one in the University's FY 1999 budget. For FY 2002, \$1.4 million in needs remain to address items two and three.

Addendum III

Division of Specialized Care for Children

Overview

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

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

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

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

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

- Orthopedic conditions (bone, muscle, joint disease)
- Heart defects
- Hearing loss
- Neurological conditions (nerve, brain, spinal cord)

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

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

Because of State budget constraints general price increases have not been available. No increase has been made to the DSCC budget for the services they provide since the last general price increase in FY 1990. During this time the consumer price index has increased by approximately 36%. It is worth noting the medical and health related price increases have been roughly twice the rate of the Consumer Price Index for all Urban Consumers. As a result DSCC has been forced to reevaluate eligibility criteria, reduce staff and streamline administrative costs. However, DSCC has reached an end of the road where these services can be provided without a significant infusion of program funds. In FY 2002 the University seeks \$2 million for this State-wide public service commitment.

Capital Budget Request for FY 2002

[Redacted]

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Background and Context

Overview

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

Deterioration of facilities effects academic program and faculty migration.

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

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

University hopes to establish a regular and sustained funding source to remodel those facilities in the central core of campus which serve the basic educational needs of the student body.

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

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

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

University projects recommended for funding by the General Assembly and approved by the Governor as part of the FY 2001 budget include the following:

The FY 2001 budget provided new capital resources to address an array of needs.

- Repair and Renovation, all campuses - \$10.7 million
- Classroom Office Building Planning Funds, UIS - \$1.3 million
- Agriculture Land Acquisition, UIUC - \$2.5 million
- Computer Science Building Match, UIUC - \$8.0 million

- Digitalization Infrastructure WILL-TV, UIUC - \$0.8 million
- VentureTECH economic development projects totaling \$23.5 million

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

Table 1
History of Recent Capital Budget Actions
FY 1996 to FY 2001
(Dollars in Thousands)

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Campus Requests						
Chicago	\$51,567.0	\$30,265.0	\$51,350.0	\$69,350.0	\$101,423.0	\$77,850.0
Springfield	3,827.6	4,983.1	5,212.8	3,670.4	4,139.4	5,582.7
Urbana-Champaign	<u>42,837.0</u>	<u>46,071.0</u>	<u>42,962.0</u>	<u>73,920.0</u>	<u>109,391.0</u>	<u>100,415.0</u>
TOTAL	\$98,231.6	\$81,319.1	\$99,524.8	\$146,940.4	\$214,953.4	\$183,847.7
IBHE Recommendations						
Chicago	\$17,500.0	\$19,100.0	\$21,560.7	\$18,280.4	\$46,280.4	\$14,395.2
Springfield	1,110.0	2,525.5	3,245.9	2,629.5	2,770.0	2,023.1
Urbana-Champaign	<u>23,700.0</u>	<u>29,881.0</u>	<u>26,475.8</u>	<u>15,741.3</u>	<u>24,480.3</u>	<u>65,605.7</u>
TOTAL	\$42,310.0	\$51,506.5	\$51,282.4	\$36,651.2	\$73,530.7	\$82,024.0
Regular Capital Appropriations						
Chicago		\$11,594.1	5,280.4	24,384.6	\$71,008.3	\$4,197.5
Springfield		883.6	216.8	2,575.3	737.2	1,664.6
Urbana-Champaign		<u>12,963.9</u>	<u>13,480.3</u>	<u>10,350.2</u>	<u>8,940.1</u>	<u>17,459.8</u>
TOTAL		\$25,441.6	\$18,977.5	\$37,310.1	\$80,685.6	\$23,321.9
Appropriations for Special Projects						
Planning Funds		\$3,000.0				
VentureTECH						\$23,500.0
Total Appropriation	<u>\$0.0</u>	<u>\$28,441.6</u>	<u>\$18,977.5</u>	<u>\$37,310.1</u>	<u>\$80,685.6</u>	<u>\$46,821.9</u>

Summary of FY 2002 Priorities

(\$243,367,000)

Overview

The University's FY 2002 Capital Budget Request consists of 11 projects at a total cost of \$243,367,000. Table 2 represents a combined priority listing of the proposed projects for this year.

The first priority is a \$10,000,000 Repair and Renovation request which is comprised of 6 projects at the Chicago campus, 3 projects at the Springfield campus and 10 projects at the Urbana-Champaign campus. These projects, while not large enough to compete with major remodeling requests, represent a significant and very real funding need. A high priority on renovation and renewal must be maintained by institutions with facilities the size, scope, complexity and age of the University of Illinois. The Repair and Renovation request is vital for the continued renewal of existing University facilities, provision of up to date support for academic programs and protection of the State's investment in capital facilities. More detailed descriptions of these projects are provided in the sections following this overview.

The second priority provides \$45,000,000 for a Central Campus Air Conditioning Center at the Urbana-Champaign campus. \$4,500,000 in planning funds for this project were appropriated by the General Assembly as part of the FY 2000 Capital Budget but no funding was forthcoming in FY 2001. This request will directly enhance the functional capability of the instructional and scientific research laboratories along the "science corridor" in the east-central portion of campus. This regional chiller facility will provide replacement capacity for several chillers which have reached the end of their useful lives in addition to providing emergency backup capability. Moving to a smaller number of chillers and a central chilled water "loop" will also help reduce long-term operating costs.

Priority three seeks \$32,000,000 to match funding from a donor to complete building of a new computer science facility for the Urbana-Champaign campus. \$8 million was appropriated in FY 2001 and coupled with this request will net an \$80 million building request for a state-of-the-art computer facility.

Table 2
FY 2002 Capital Budget Request
Summary by Priority and Campus
(Dollars in Thousands)

Priority	Project	Chicago	Springfield	Urbana	Total	Cumulative
1	Repair and Renovation	\$ 4,350	\$ 330	\$ 5,320	\$ 10,000	\$ 10,000
2	Urbana Campus Chiller			45,000	45,000	55,000
3	Siebel Computer Science			32,000	32,000	87,000
4	Classroom Office Building		30,000		30,000	117,000
5	Roof and Masonry Repairs	8,000			8,000	125,000
6	Urbana CBA Match			15,000	15,000	140,000
7	West Side Chiller	6,400			6,400	146,400
8	SURS Building Acquisition			2,167	2,167	148,567
9	Lincoln Hall Remodeling			46,300	46,300	194,867
10	Chicago CBA Match	27,500			27,500	222,367
11	Freer Hall Remodeling			21,000	21,000	243,367
	Total	\$46,250	\$30,330	\$166,787	\$243,367	\$243,367

Priority four seeks \$30,000,000 to complete a major building for the Springfield campus. \$1.3 million was appropriated in FY 2001 and this \$30 million will allow for construction of new classroom, laboratory and office space for consolidation of academic programs and student services functions in the central core of campus.

The fifth priority would provide \$8,000,000 to repair failing roofs and deteriorating concrete on several buildings at the Chicago campus.

Priority six seeks \$15,000,000 to construct a new College of Business Administration building at the Urbana-Champaign campus.

The seventh priority provides \$6,400,000 as a first phase to improve the cooling infrastructure that serves the West Side of the Chicago campus.

The eighth priority is \$2,167,000 to for the acquisition of a facility which once served the State University Retirement System. This facility allows the University to consolidate administrative computing functions into a single location to improve working conditions and enhance operating efficiencies.

The ninth priority seeks \$46,300,000 in funds to perform a major remodel to Lincoln Hall at the Urbana-Champaign campus for the first time in over 75 years.

The tenth priority would provide \$27,500,000 for the Chicago campus and a new College of Business Administration Building.

The eleventh priority is a \$21,000,000 request for a major remodeling project at Freer Hall on the Urbana-Champaign campus.

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

Table 3
FY 2002 Capital Budget Request
Summary by Category and Campus
(Dollars in Thousands)

<u>Category</u>	<u>Chicago</u>	<u>Springfield</u>	<u>Urbana- Champaign</u>	<u>Total</u>
Building, Additions, and/or Structure	\$27,500	\$30,000	\$ 47,000	\$104,500
Land Acquisition			2,167	2,167
Utilities	6,400		45,000	51,400
Remodeling	12,350	330	72,620	85,300
Site Improvements				
Planning				
	<u>\$46,250</u>	<u>\$30,330</u>	<u>\$166,787</u>	<u>\$243,367</u>

Table 4
FY 2002 Capital Budget Request
Future Funding Implications
(Dollars in Thousands)

<u>Priority</u>	<u>Project</u>	<u>Category</u>	<u>FY 2002 Request</u>	<u>FY 2003 Cost</u>	<u>Cost for 2004 and Beyond</u>
1	Repair and Renovation	Remodeling	\$10,000		
2	Urbana Campus Chiller	Utilities	45,000		
3	Siebel Computer Science	Building	32,000		
4	Classroom Office Building	Building	30,000		
5	Roof and Masonry Repairs	Remodeling	8,000		
6	Urbana CBA Match	Building	15,000		
7	West Side Chiller	Utilities	6,400	\$10,000	\$6,500
8	SURS Building Acquisition	Land	2,167		
9	Lincoln Hall Remodeling	Remodeling	46,300		
10	Chicago CBA Match	Building	27,500		
11	Freer Hall Remodeling	Remodeling	21,000		

Capital Requests

[Redacted]

[Redacted]

Priorities

(\$243,367,000)

Priority 1: Repair and Renovation

\$10,000,000 - All Campuses

As in years past, the University's top priority is attention to annual repair and renovation. A total of \$10,000,000 is requested for the 19 projects outlined in Table 5. Detailed descriptions of these projects are found in the Repair and Renovation project description, following this Priorities section.

Table 5
Repair and Renovation Projects by Campus

Chicago Projects	Amount
Medical Sciences Building, RRC Remodel, Phase I	\$1,000,000
Medical Science/Science Engineering Lab, Elevator Renovations	875,000
Science/Engr. Lab, Renovate Organic Chemistry Teaching Lab, Phase II	505,000
Clinical Sciences North, Elevator Renovation	450,000
College of Pharmacy, Plumbing System Upgrade, Phase I of II	695,000
Education, Communications & Social Work/Library, Elevator Renovations	825,000
Total	\$4,350,000
 Springfield Projects	 Amount
Replace HVAC Rooftop Units	\$112,000
Communications Psychology Visual Arts Bldg, Computer Lab Renovation	103,000
Carpet Replacement	115,000
Total	\$330,000
 Urbana-Champaign Projects	 Amount
Architecture Bldg., Remodeling	\$650,000
Lincoln Hall, Remodeling	800,000
Metallurgy & Mining Bldg., Remodeling, Phase II	850,000
KCPA, HVAC Improvements	385,000
Huff Hall, Replace Roof A and Repair Dormers	250,000
Loomis Lab, Replace Roofs at all Levels	410,000
Foreign Languages Bldg., Replace Plaza Deck	800,000
Fire Safety Upgrades	425,000
KCPA Accessibility Upgrades, Phase II	250,000
Loomis Laboratory, Classroom Remodeling Room 141 & 151	500,000
Total	\$5,320,000

**Priority 2:
Campus
Chiller****\$45,000,000 - Urbana-Champaign**

At present the central cooling needs of the UIUC campus are served by 60 steam absorption chillers totaling 21,000 tons of capacity as well as 29 vapor compression chillers totaling an additional 18,000 tons of capacity. The majority of these chillers are located in individual buildings with a smaller percentage located in regional plants. As of spring 1999, 83% of the installed tonnage of steam absorption equipment had reached an age of 30 years or older, and is expected to fail within the next 5 years. Of the remaining installed tonnage, 50% is expected to fail within the same time frame due primarily to equipment quality deficiencies. The result is an array of equipment with severely degraded performance that no longer reliably satisfies the cooling needs of the campus. Coupled with this problem is the exponentially rising cost of maintenance and replacement of this equipment. A recently completed campus cooling master plan study that included an extensive life cycle cost analysis, clearly indicates that the timely installation of a new central chilled water system to serve the entire campus is both the best and the least expensive response to this situation. Thus, a project to install such a system is being aggressively pursued. The need for this project is nearing crisis proportions.

This project will construct a new central chiller plant with 15,000 tons of installed capacity that is available to serve the cooling needs of campus year-round. It will be designed and constructed to accommodate an ultimate future total capacity of 28,000 tons. The proposed site of this plant is along Pennsylvania Avenue near the southern edge of campus. This project will also convert the existing North Campus Chiller Plant, making it compatible with the new central plant and its associated chilled water distribution system. The north plant will remain at its current nominal capacity of 5,000 tons with provision for increasing the capacity to 7,000 tons in the future. Large diameter, direct-buried chilled water distribution main piping will be installed in a modified loop configuration across campus. The two plants will be connected to opposite ends of this common distribution system. The piping will be sized, configured and routed to allow all of the buildings on the contiguous campus proper to be served by this new system at some time in the future.

Included in this initial project will be the connection of approximately 40 "priority" buildings to this new system. They are considered priority because these buildings are served by cooling equipment that is the closest to operational failure. Connection of

these buildings will involve the installation of the necessary branch distribution piping as well as the conversion of each building's chilled water system to make it compatible with the new system. The aging cooling equipment that is presently serving these buildings will then be taken out of service.

The overall system will be sized and configured to support an ultimate future connected load of 50,000 tons to meet and serve the projected 20 year campus load growth. The central system design approach will take advantage of load diversity to allow this ultimate load to be served by just 35,000 tons of installed capacity in the two plants combined. The initial project will support 28,000 tons of load demand with 20,000 tons of installed capacity (15,000 tons of new capacity in the central plant plus the existing 5,000 tons in the north plant). The balance of the required cooling capacity will be added over the next 20 years to meet load growth as new buildings are constructed and existing buildings are connected to the system as the cooling equipment that now serves them reaches the end of its life.

Installing this facility with the appropriate distribution system revisions yields an estimated net present value of \$169 million using a 20 year life cycle cost methodology (that is, an average annual cost of just over \$8.45 million per year). This is almost \$47.5 million less than the cost forecast of the piecemeal approach the campus would otherwise have to employ during the same 20 year time period.

The planning of this project was funded by a \$4.5 million appropriation in the FY 2000 Capital Budget. Funds were not appropriated in the FY 2001 Capital Budget magnifying the need for funding this year in order to build on work already begun with planning funds from two years ago. The construction of the new central chiller plant, revisions to the north chiller plant, installation of a chilled water loop and building laterals and the associated revisions and renovations to the existing distribution system constitute a FY 2002 capital request of \$45 million.

\$32,000,000 - Urbana-Champaign

The Department of Computer Science is currently one of the largest computer science departments in the country, with over 1,100 undergraduates, 380 graduate students and 37 faculty members. Its internationally renowned faculty led research projects in theory and computational geometry, system software and programming languages, high

Priority 3: Computer Science Building

performance computer architecture, parallel computing, graphics, numerical analysis and artificial intelligence. Because of the breadth and depth of its research programs, the department is the largest producer of computer science Ph.D.'s in the country—roughly 4% of all computer science Ph.D.'s.

With this legacy, the five-year goal of both the Department and the building's major donor is very simple: making this the very best computer science department in the world. The achievement of this vision—the combination of student interest and breadth of research in emerging computing technologies—will require a new building capable of housing 70 or more faculty members with associated post-doctoral associates and visitors, 550 graduate students and 1,500 to 2,000 undergraduates, all within a user-friendly education and research space.

To accommodate this expansion, a new building of approximately 265,000 gross square feet is being planned so that the growth of this world-class department is not limited by the size of its facilities. This new computer science building shall be based on a design that supports organizing research themes and allows the co-location of faculty, students and staff to nurture collaborative work amongst them necessary to make this the best computer science department in the world. The Center will house testing facilities, laboratories and classrooms incorporating “intelligent” technology that anticipates and responds to student and staff activity, enhances education and accelerates research efforts. This project is to be funded with a 1:1 private state match with over three-fourths of the private match already in hand. The funding arrangement will continue a long and successful arrangement that has benefited both the State and Urbana campus with such buildings as the Beckman Institute, Temple Hoyne Buell Hall and most recently the ACES Information and Alumni Center. Funding of \$32,000,000 is required to complete this state-of-the-art facility.

Priority 4: Classroom Office Building

\$30,000,000 - Springfield

This request is for funds to construct a classroom/office building which will provide 126,900 GSF of classroom, laboratory and office space for existing academic programs presently housed in pre-engineered metal buildings on the east side of campus, academic programs presently housed in Brookens Library on levels 3 and 4 and several student services departments presently housed in a metal building.

Occupancy of this building will consolidate most academic programs into permanent

buildings in the central core of campus. Important student services operations will also be relocated to the center of campus. This new facility provides needed classroom space as the library's book collection expands into the classroom/office portion of Brookens Library, requiring the conversion of existing classrooms into bookstacks space. In addition, this facility will help alleviate the current space deficit, provide additional classroom, lab and office space required for growth and substantially upgrade the academic quality of the educational environment with the addition of new "smart" classrooms to the campus.

The completion of the last major campus building, the Health and Sciences Building in January 1992 and its occupancy by the health, science, mathematics and computer systems academic programs has dramatically enhanced those programs and substantially improved the overall educational environment. Building occupancy has meant that most of UIS academic programs are now relocated into permanent buildings. However, the campus urgently needs to relocate the remaining academic programs still housed in metal buildings into permanent buildings in the central academic core of the campus. The centralization of all programs will improve the overall academic experience of students and replace existing classrooms and laboratories located in inadequate metal buildings. The campus plans to have support services occupy space in the metal buildings vacated by the academic programs. \$1.3 million was appropriated in FY 2001 to begin planning of this new building and the remainder of funds, \$30 million, is requested this year to complete the Classroom Office Building.

Priority 5: Roof Repair

\$8,000,000 - Chicago

Much of the campus infrastructure, especially roofs and concrete facades, is in need of improvements. With this project, the campus will repair roofs on the Paulina Street Building and Science and Engineering South Building. Roofs on both of these buildings are over 30 years old. These roofs have long outlived their expected useful lives and have developed leaks. Repairs are becoming more frequent but are only temporary until a complete reroofing can be done. Continued leaks will only magnify the disruption to academic/research functions and damage to interior finishes. The scope of this portion includes tear out of existing roof membranes and insulation of galleries with the installation of four ply built up tar roof with 20 year warranty.

**Priority 6:
Urbana
College of
Business
Match**

The second portion of this project will repair concrete related deficiencies of University Hall and the Science and Engineering Office Building. Extensive delamination is occurring on the bottoms and fascias of reinforced concrete spandrel beams and on fascias of columns and shear walls. This project will allow removal of failed patches, delaminate and loose concrete of exposed spandrel beams, columns and shear walls. Concrete repairs will be made with materials and methods recommended by the International Concrete Repair Institute. Total project request for these buildings is \$8,000,000.

\$15,000,000 - Urbana-Champaign

The College of Commerce and Business Administration Building will be funded through state appropriations and gift funds to be provided through the College. Current plans envision one-third match from state funds. This new building will provide significant relief to the critical space needs of the College of Commerce and Business Administration.

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

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

This project will provide the College of Commerce and Business Administration with space contiguous with their other buildings, necessitated by the College's constantly expanding student population and the desire to provide a better, more comprehensive program to those students.

**Priority 7:
West Side
Chiller****\$6,400,000 - Chicago**

The University of Illinois at Chicago (West Campus) is air-conditioned primarily using chilled water via distributed chillers. In a limited fashion, some of these chillers are tied together to serve more than one building. If reliable sources of chilled water are to be available then system improvements are required. There is not enough capacity on campus to satisfy the load. Most of the chillers providing cooling to this campus are beyond their expected useful lives and have had extensive maintenance and repair. Additionally, many of these older chillers require refrigerant that is being phased out thereby making it expensive or unavailable in the future.

This project will tie groups of buildings together with chilled water distribution piping, chiller replacement and refrigerant conversions. Replacing outdated chillers with modern chillers will provide significant energy savings. Tying multiple buildings together allows for reducing redundant capacity requirements. This request entails the first year of a multi-year plan to remedy the situation. The first phase will add thirteen buildings to the chilled water loop and install five new chillers at two locations.

**Priority 8:
SURS
Building
Acquisition****\$2,167,000 - University-wide Administration**

The availability of the facility which formerly housed the State University Retirement System (SURS) presents an opportunity to address persistent space problems at the Urbana-Champaign campus. Consolidating Administrative Information Technology Services (AITS) operations in a single location will improve working conditions, enhance operating efficiency and release central campus space for reassignment to other units. The University administration has reached an agreement with SURS for the sale of their property to the University for the sum of \$2,167,000.

**Priority 9:
Lincoln Hall****\$46,300,000 - Urbana-Champaign**

With the completion of the Spurlock Museum of World Cultures this year, almost the entire fourth floor of Lincoln Hall will be vacated for other uses. This space, which is approximately 15,000 square feet, will provide surge space for a major remodeling effort to occur in this building. The only significant construction effort associated with this building since it was built in 1911 was an addition that added the west half and theater to Lincoln Hall in 1930. Consequently, Lincoln Hall is in need of a well

thought-out master plan and renovation to bring the building up to classroom and office standards that are current with the needs of today and the future.

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

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

Priority 10: College of Business Administration

\$27,500,000 - Chicago

Currently the College of Business Administration is housed in University Hall and rental properties. This proposal calls for the design and construction of a new 175,000 GSF College of Business Administration facility.

As the University of Illinois at Chicago's first priority for academic space on the south campus, CBA space would be designed to accommodate faculty offices, dry research laboratories and classroom spaces. Classrooms would be half-circle seating arrangements with state-of-the-art audiovisual technologies to complement current principles of business teaching.

Priority 11: Freer Hall Remodeling

\$21,000,000 - Urbana-Champaign

The College of Applied Life Studies (ALS) is currently accommodated in Huff and Freer Halls and in the Armory. While decentralization is a problem, Huff Hall in particular presents the College with severe problems. The conduct of teaching, research, service and administrative services conflicts with the public use of a major

arena in close proximity. By creating an infill floor in Freer Hall and converting the first floor from office space to classrooms and laboratories, it would be possible to consolidate ALS in this facility and allow the College to vacate all permanently assigned space in Huff Hall and the Armory.

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

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

The programmed square footage will require an addition to the east of approximately 40,000 gross square feet. There is an equipment portion in this remodeling request of \$1,730,000.

Repair and Renovation Project Descriptions

Chicago Projects (\$4,350,000)

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

This proposal will renovate infrastructure of existing Research Resource Center (RRC) spaces in the lower level of Medical Sciences Building (MSB). The RRC facilitates UIC research by providing high technology instrumentation and services to faculty investigators. Tight regulation of air temperature and humidity for instruments rooms year-round is required. The infrastructure must be upgraded and replaced to serve modern equipment and existing facilities must be renovated to include clean, dust-free air maintained within an acceptable range of temperature and humidity 24 hours per day, year round. This project is phase I of a multi phase project which will focus on infrastructure and security improvements. Future phases will remodel laboratories, instrument rooms located in MSB and relocate instrument shops now located in the College of Nursing Building.

Demolition work includes removal of asbestos, outdated infrastructure including ventilation, plumbing and electrical systems. New work will provide supplemental re-circulating chilled water and supplemental air handling to analytical instrumentation in RRC-West basement labs. This will provide capability to replace 'stand alone' water chillers with efficient flat plate exchangers and attach new 'single-pass-water' air conditioners to re-circulating chilled water systems. Updated exhaust hoods and exhaust systems will also be installed. New piping, plumbing and ductwork as well as backbone for electrical, telecommunications and safety systems are included in this scope of work. The basement location calls for improved security, safety showers, eyewash stations and other changes required to meet safety and code requirements.

MSB & SEL Elevator Renovation - \$875,000

The elevators in these two buildings, the Medical Sciences Building (MSB) and Science and Engineering Lab, (SEL) are malfunctioning more frequently and need to be replaced as they have reached the end of their useful life. Repairs on these are becoming more costly and difficult due to availability of parts for these units.

MSB has two overhead traction passenger elevators that need to be replaced. The signals (hall call and car buttons, position and direction indicator fixtures) of these elevators have become obsolete and cannot be purchased. Additionally, these

elevators are in need of ADA and City of Chicago code required upgrades such as fireman recall feature, audible signal to indicate direction of travel and lowering of hall call and car operating panel buttons. Renovation of these two elevators will include demolition and removal of all elevator equipment except the guide rails and counter weights, installing worm-gear traction machines with demountable drive sheaves and brake drums and microprocessor based group operational controllers. Also included are variable voltage frequency AC motion control systems, heavy-duty DC master type door operators, hoist way doors and door protection units, safety and buffers, ropes, cabs, signals, diagnostic tool, training of campus elevator mechanics, electrical modifications and air conditioning to prevent machine room from exceeding the maximum temperature requirements of microprocessors.

SEL has four hydraulic elevators that need to be replaced. Repair parts for door operators and power units (pump and valve assembly) are becoming harder to purchase. The hoist way doors and cab interiors are in very poor condition. This major renovation will include installing state-of-the-art microprocessor based controllers, pumping units, packing units, inserts, guide shoes, hoist way doors, door operators, signals, infra-red pulse type door screen protection and cab interiors for each of the four elevators.

Science & Engineering Lab, Renovate Organic Teaching Lab Phase II - \$505,000

The primary objective of this request to complete renovation of 3,025 GSF of undergraduate student lab space in Science and Engineering Lab which was initiated last fiscal year. This request is a continuation of the FY 2001 phase I request which allowed the completion of limited asbestos abatement, demolition of casework, counters, related plumbing, lab service piping, electrical services and removal of existing vinyl asbestos floor tile. Phase I also provided new casework, epoxy resin counters, sinks, laboratory equipment, refurbishment of existing fume hoods and new signage. Phase I provided new fume hood exhaust duct riser system and fans for future phase II hoods and allowed for the capping of existing floor drains along with new piping and connections for aspirators, water and waste piping connections. New electrical power and telecommunications were provided for each workbench.

This project must be planned, bid and constructed as one project to reduce construction time and eliminate the need to close this classroom for more than one

semester. Phase II will add 4-8 fume hoods, additional cabinetry, a new air handling unit and ductwork to supply adequate make-up air for new fume hoods, replace lab gas service, water and waste piping to fume hoods and upgrade existing lab service piping and fittings, patch and paint walls.

Clinical Sciences North Elevator Renovation - \$450,000

Two automated and two attendant operated elevators serve Clinical Sciences North (CSN). Automated elevators handle the majority of the building's vertical transport service. These automated elevators are worn out, break down frequently and their controllers have become obsolete, and if one of them were to fail the respective elevator may have to be shut down. Due to age the drive machines are worn out and frequently require costly repairs. Additionally, these elevators do not have some features required by prevailing Chicago and ADA codes. Although the attendant operated elevators are equally old their condition is comparatively better and their replacement parts are easily available. Therefore, the automated elevators are in dire need of total upgrade and modernization in order to maintain a reliable and efficient elevator service in the building. Scope of work will include removing all of the machine room and hoist way equipment except the guide rails and the counter weights of the two automated elevators, installing new machines, solid state computer based controllers, doors and door operators and car and cab assemblies. Also included is variable voltage frequency AC drives, new signal system and installing ADA and City code required features such as the fireman's recall, code compliant electrical and lighting upgrades in machine room and air conditioning of the machine.

College of Pharmacy Plumbing System Upgrade Phase I of II - \$695,000

The building plumbing system which serves the College of Pharmacy is exhibiting leaks in the system. Much of that has been caused by the disposal of research waste over the years. Without proper isolation valves repairing leaks of this nature require shutting down various parts or the entire building to make repairs. With these leaks predominantly associated with the concealed piping of laboratory benches there is a need to replace the laboratory benches and their piping. Additionally in order to prevent the accidental damage caused by acid waste, glass and piping plastic shields need to be installed. There is a need to install zone valves in order to be able to isolate half of a floor to prevent complete building system shut down. The drain pan of an air-handling unit has rusted out and is in need of replacement also.

Scope of work will include replacing approximately 75 lab benches and their hot and cold water, distilled water, de-ionized water, acid waste, air, gas, steam and vent piping and fixtures. Installation includes 65 isolation valves in potable (non drinking water) water system, 45 isolation valves in distilled water system and plastic shield over glass acid waste piping for 20 lab benches. Scope of work also includes replacement of ejector pump with special high temperature pumps and condensate drain pan for air handling unit.

ECSW and Library Elevator Renovations - \$825,000

Richard J. Daley Library is a four story with basement building which has four hydraulic elevators serving the building. Three of these elevators have five landings and one has four landings. These elevators are worn out and some of their components have become obsolete and repair parts are not available. The hydraulic control valves of these elevators have outlived their useful lives and have begun to malfunction frequently. Repair parts for door operators are not easily available. Additionally these elevators are in need of ADA and City of Chicago code required upgrades such as fireman's recall feature, audible signal to indicate direction of travel and lowering of hall call and car operating panel buttons. In short these elevators have out lived their useful lives and are in need of major upgrade/modernization. The scope of renovation for the four hydraulic elevators in the Library will include installing new hydraulic power units, solid state microprocessor based controllers, new car and cab assemblies, hatch doors, door operators, signal systems, packing units, ADA and City code required upgrades and machine room lighting upgrades.

Education, Communication & Social Work (ECSW) is also a four story building with basement that is served by two hydraulic passenger elevators. The power units for these elevators were manufactured in Canada and this manufacturer is no longer in business. The door operators are worn out and malfunction frequently and result in lengthy down times. Additionally these elevators are in need of ADA and City of Chicago code required upgrades. The scope of renovation for the two ECSW elevators will primarily include installing pumping units, controllers, hatch doors and door operator packages, car and cab assemblies, signals, packing units and electrical upgrades.

**Springfield
Projects
(\$330,000)****Replace HVAC Rooftop Units - \$112,000**

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

Communications Psychology Visual Arts Building - \$103,000

This project includes renovation for two computer class labs in the Communications Psychology Visual Arts Building. The current computer workstations were constructed from plywood material over ten years ago. They are inadequate for high quality instructional lab. New computer workstations need to be installed to improve the quality and functionality of this computer class laboratory. New workstations will be installed along with new electrical service lighting, networking and multimedia equipment.

In addition, this project includes the renovation of an existing classroom into a computer class lab. The campus' need for additional computer class laboratories continues to increase. This project will help address that need by constructing an additional computer class laboratory in one of the permanent buildings.

Carpet Replacement - \$115,000

This project includes replacement of worn-out carpet in Brookens Library and the Public Affairs Center. Capital funding during recent years has helped the campus replace carpet in certain areas of Brookens Library and the Public Affairs Center. Funding is needed to replace additional carpet that, after 20 years of use, is worn-out, deteriorating and needs replaced. This project will replace carpet in the stack, reader/study areas located on Level 3 of Brookens Library and carpet in the conference center rooms located on Level 1 in the Public Affairs Center.

**Urbana-
Champaign
Projects
(\$5,320,000)****Architecture Building, Remodeling - \$650,000**

The Architecture Building, completed in 1926, houses the administration of the College of Fine and Applied Arts, the Ricker Library of Art and Architecture, the School of Architecture Offices of Undergraduate Student Affairs, the School of Architecture Media and Communications Office and the Duplicating Office. It also provides studio space for over one-third of the School's undergraduate students and all Design Option thesis students. In addition to providing space for the above functions, the building also houses the Temple Buell Architecture Gallery, Daylighting Lab, School of Architecture Computer Operations Center and Central Computing Lab, Photography Lab and Studio and the Woodshop.

Over the years, the building has undergone several upgrades and remodeling to meet changing demands. The demands of the current uses of the building and the technology necessary to keep the School competitive with others around the country have exceeded what is available within the building. This request involves funds to upgrade electrical capacity for computer and air conditioning usage, increase capacity for data networking of studio and computer spaces, upgrade and increase amount of air conditioning delivered within the building to key areas such as the Temple Buell Architecture Gallery and general cosmetic refurbishing of many spaces that currently have spalling and peeling plaster and paint.

Lincoln Hall, Remodeling - \$800,000

When the Spurlock Museum of World Cultures opens in FY 2001, space will become available in this building for other uses. The College of Liberal Arts and Sciences will use some of this vacated space to consolidate units currently located away from the college offices. This remodeling work will include new finishes for walls, floors and ceilings; new lighting; new voice/data capacity; new HVAC; and upgraded electrical capacity.

Metallurgy and Mining Building, Remodeling, Phase II - \$850,000

The Metallurgy and Mining Building occupied by the Department of Material Science and Engineering is going through a phased approach to refurbishing outdated facilities, especially old lab spaces. Phase I is currently under construction. This project will be for phase II, on the fourth floor of the east wing to renovate approximately 3,750 square feet for new research labs and office space. This

renovation will include upgrading electrical capacity, lab utilities such as compressed air, natural gas, hot and cold water, lighting, HVAC and the introduction of at least three new fume hoods.

This remodeling effort is required to provide updated laboratory space for faculty in this department to conduct leading edge research and provide training for graduate students and post docs. The quality of space has become an issue in attracting and retaining high caliber faculty. Progress must continue on this multi-phased renovation of old, outdated space in this 95+ year old building.

Krannert Center for the Performing Arts, HVAC Improvements - \$385,000

The HVAC system in this thirty year old building is increasingly unable to produce the proper ventilation rates for return and outside air. Poor mixing has resulted in stratification; causing air-handling systems to shut down for freeze protection of the system. This project will reconfigure ductwork to facilitate installation of replacement dampers, increase ventilation rates and provide better mixing of outside and return air.

Huff Hall, Replace Roof A and Repair Dormers - \$250,000

The existing roof and dormers are failing rapidly on this building. Leaks occur regularly causing damage to plaster and finishes inside the building requiring costly repairs. In addition, damage to the gym floor and to structural elements is imminent. This project will remove and replace the existing roof system and repair the dormers.

Loomis Laboratory, Replace Roofs at all Levels - \$410,000

The existing built-up roofs are in very poor condition. Water routinely leaks into labs on the top floor, as well as in the mechanical room, requiring costly repairs. The insulation is saturated with water and has lost its insulating properties, thereby increasing energy costs. Damage to the interior continues, along with lab equipment and experiment damage. This project will remove all roofs except the cooling tower roof and replace with a new roofing system. It is estimated that just over 45,000 square feet of roof will be replaced by this project.

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

The bricks and subsequent waterproofing medium used for paving the deck over the lower level of the Foreign Languages Building are severely deteriorated. Leaks into the lower level are constant during wet weather. Interior architectural damage is happening now and will continue to do so until this situation is remedied. This project will remove the old paving system down to the concrete deck and replace waterproofing and paving materials.

Fire Safety Upgrades - \$425,000

Some campus buildings do not meet today's life safety codes. The Urbana campus has developed a program that addresses this deficiency in a systematic manner by upgrading a selected number of buildings each year. The approach is to upgrade the buildings with a relatively high life safety issue or buildings that will have remodeling or renovation activities in them. This project will address deficiencies recently found at the Beckwith Living Center.

Krannert Center for the Performing Arts, Accessibility Upgrades, Phase II - \$250,000

With FY 2000 CDB funds, a master plan to evaluate bringing Krannert Center for the Performing Arts into compliance with current accessibility regulations aimed at removing barriers to persons with disabilities will be completed. The plan will examine alternative solutions to providing an accessible entry to the building from the sidewalk level, remodeling the ticket office to better serve persons with disabilities and remodeling the lobby restrooms to improve accessibility. The plan will identify accessible routes throughout the building and in individual theaters, in addition to providing a design for interior signage to assist patrons and workers within the facility. This project will begin the remodeling needed to achieve the needs identified by the FY 2000 master plan study. It may be necessary to continue this remodeling effort in subsequent requests.

Loomis Laboratory, Classroom Remodeling Room 141 and 151 - \$500,000

The Physics Department conducts the majority of its undergraduate instruction in two large lecture halls in Loomis Laboratory—room 141 seats 311 students and room 151 seats 213 students. These lecture halls are located adjacent to one another and their

design is almost identical as sloped arenas with fixed theater seating focused on an instruction area.

The fixtures and finishes in these two lecture halls are original to the building constructed in 1959 and after 40 years of intensive use these rooms are worn-out and in need of remodeling and refitting with advanced media presentation equipment. The scope of work is to completely demolish both rooms as one project to their structural shell and then completely replace the finishes with new materials for: heating and air conditioning, ceiling, lighting and controls, theater seating, paint, flooring, doors and hardware, instructional equipment and benches. The instructional media will include audio, video, projection, computer and Internet capability. The rooms will be made to comply with all ADA and Life Safety requirements.

Because of the heavy use of these rooms during the academic year, the schedule for this renovation necessitates that the work be completed during the summer.